IAG INTERNATIONAL AIRLINES GROUP

Consolidated Statement of Non-Financial Information 2021

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 2021

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 2021, which forms part of the accompanying consolidated Directors' Report of the Group for 2021.

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 founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Asesores S.L., a limited liability Spanish company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee
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Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented 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 2021. The data for previous years was not subject to the assurance envisaged in prevailing mercantile legislation.

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 2021 based on the materiality analysis performed by the Parent and described in the "Defining sustainability and material issues" section, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2021.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2021.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2021 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 2021 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 2021 fiscal year, provided that the Non-Financial Information Statement is published from 1 January 2022 onwards. Consequently, the attached NFIS does not contain comparative information on this matter. 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 2021 related activities" in the accompanying NFIS. Our conclusion is not modified in respect of this matter.

Other Matters

On 2 March 2021 a different assurance provider issued a favourable independent assurance report on the Consolidated Non-Financial Information Statement of International Consolidated Airlines Group, S.A. and subsidiaries for 2020.

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

2 March 2022

Consolidated Statement of Non-Financial Information

The present statement was prepared to comply with the requirements of 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 is part of the Group's Management Report.

We provide 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.

The consolidated statement of non-financial information contains the following sections:

A unique model that enables us to connect the world

We are an international airline group, with leading airlines in Spain, the UK and Ireland. We were formed to create a unique model in the industry based around consolidation, strategic flexibility and financial performance.

Our purpose and values

Our role in the world is to connect people, businesses and countries. We do this and create 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.

We hold ambition, teamwork, innovation, pragmatism, efficiency and responsibility as key values that enable us to fulfil our purpose.

Our operating model

The Group has a unique and innovative business model within the airline industry, based on a light structure at the centre and agile, empowered and focused airline operating companies who benefit from the Group's scale and are accountable for their results.

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 adding incremental 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. The neutrality of IAG's platform and independence from the brands supports the Group in taking part in industry consolidation processes.

The operating companies, with their unique identities and customised business models, are in turn able 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 customer experience.

The airline portfolio sits on the Group's common integrated platform, which drives efficiency and simplicity across the operating companies whilst creating additional sources of revenues for IAG. The IAG 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 operating model

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 to deliver the vision for the Group
- Defines portfolio, M&A and partnerships
- Sets targets and oversees operating companies' performance
- Allocates capital and secures funding
- Drives ESG agenda for the Group
- Manages investor relations
- Shares best practice
- Defines, drives and monitors response to COVID-19

Airline operating companies

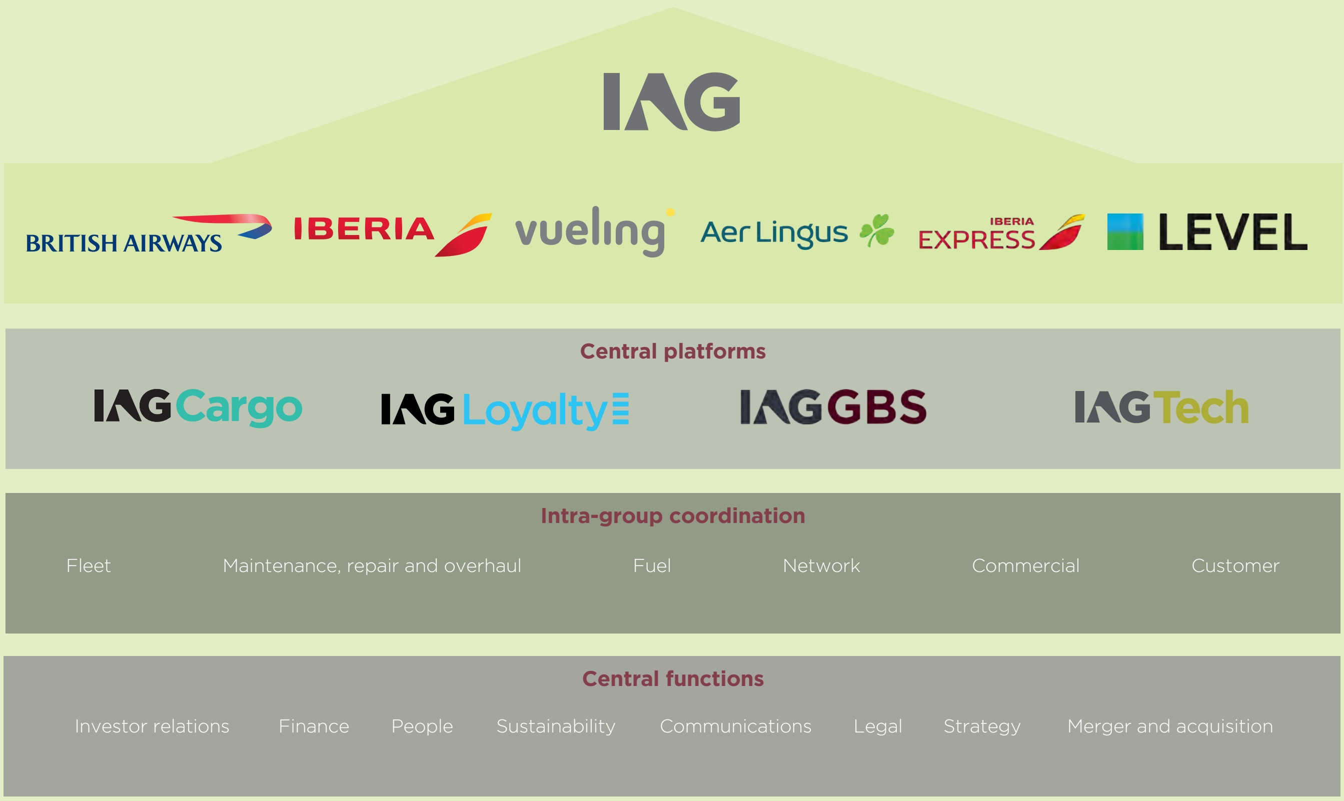
- Drive and execute commercial strategy
- Ensure operational efficiency
- Define product strategy for target customer segments
- Deep understanding of customer and competitive environment
- Standalone profit centres and independent credit identities
- Individual brand, cultural identity and management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

Common integrated platform

Provides common services and allows the Group's operations to benefit from cost reductions and synergies by leveraging the Group's scale

The role of the Centre

The role of the Centre is to oversee intra-Group coordination, manage and execute central functions, and leverage its central platforms to create additional synergies for the Group. This is underpinned by a role to foster collaborative working between the operating companies and the sharing of best practices across the Group.



The role of the Centre during the COVID-19 pandemic

The Group's corporate parent has had a crucial role during the COVID-19 pandemic, managing the crisis and coordinating the Group's response, taking action to secure the business in the short term, and driving the transformation of IAG and its operating companies to ensure we emerge competitive from the crisis.

Our common integrated platform also provided strong support to the Group during the crisis, helping control costs, driving synergies and bringing additional sources of non-flying revenue to the Group.

Some of the key actions taken at IAG and by its central platforms and central functions during the COVID-19 pandemic have been to:

- Secure funding for the Group to maintain a strong liquidity position, secure the business and exit the crisis in a competitive shape
- Lead and coordinate capital expenditure, working capital and operating cost initiatives to minimise cash outflows
- Renegotiate deals and deferrals with key suppliers to support the business
- Increase our sources of revenue and raise additional cash through the launch of new and renewal of existing loyalty partnerships, including our agreement with American Express
- Engage in aircraft deferrals, lease payment renegotiations, and sale and leaseback transactions to preserve cash; and collaborate with the operating companies to temporarily park and retire older aircraft from their fleets
- Continuously track, monitor and forecast market re-openings and air travel demand to optimise capacity plans, including the deployment of additional cash-generative cargo capacity and cargo-only flying
- Provoke and oversee business transformations at the operating companies, coordinating plans and setting targets for the Group and its businesses to emerge more efficient from the crisis
- Engage with our existing **one**world, joint business and other airline partners to maintain, adapt and strengthen our relationships during the crisis and collaborate with the operating companies to further expand our partnership portfolio
- Engage closely with national governments, regulators and industry associations to support the development of safety and security guidance, as well as best practices that allowed travel to continue
- Drive IAG's sustainability strategy by collaborating with partners and regulators to take further steps in the industry's decarbonisation roadmap, playing a leading role in setting and progressing towards ambitious carbon targets and building industry momentum towards a net zero world.

Driving change to create truly sustainable aviation

We are committed to creating and delivering long-term sustainable value for our stakeholders, who include our colleagues, all those we do business with, the communities where we operate, investors, regulators, customers, and our society.

We ensure that we understand the needs of all of our key stakeholders to prioritise their requirements in our plans to deliver a fully sustainable business.

A critical aspect of delivering a fully sustainable business is recognising, managing and reducing our impact on the planet, which is critical to driving change across the industry so that we can play our full part in tackling climate change.

Having previously set clear and ambitious targets relating to our most material issues, we worked this year to embed our net zero transition pathway within our business strategy and shift our focus to delivery of our plans this decade.

We have done this by accelerating progress in sustainable aviation fuels and operational efficiency and by continuing our investment in green technologies such as hydrogen-powered planes and carbon removal as well as new aircraft which are up to 40 per cent more fuel efficient than those they replace.

Meanwhile, we also stepped up in the delivery of our social targets, including improving our diversity performance, our employee engagement and the implementation of our programme to reach all our stakeholders. As part of our commitment to ensure we are a diverse and inclusive organisation last year we set a new target of having at least 40 per cent of senior roles held by women by 2025.

We are determined to support the long-term prosperity of the communities we serve. In 2021, we continued to support countries' efforts to combat the pandemic by helping out wherever we could, transporting vaccines and humanitarian aid to places that needed us most.

To ensure we fully understand our stakeholders' concerns, in 2021 we completed a comprehensive review using an independent, specialist third party, Simply Sustainable, to analyse 26 different environmental, social and governance (ESG) topics that are crucial to our operations. With these issues as the foundation, we then conducted 34 internal and external stakeholder interviews and gathered a further 131 responses from stakeholder surveys. We also benchmarked the results against industry peers.

The findings led to the production of two materiality matrices, over three-year and ten-year timescales respectively, with issues grouped into four different areas: People, Planet, Prosperity, and Governance. By aligning these with our strategic priorities and measuring our performance, we are best able to put all our stakeholders at the heart of our decision-making to ensure IAG can have a positive impact on society over the long term.

"We are determined to support the long-term prosperity of the communities we serve."

Contents of this section:

This sustainability report has also been prepared in reference to GRI standards, which are listed under relevant section headings. Criteria for choosing specific standards are based on compliance with Spanish Law 11/2018 and on material issues.

Driving efforts to tackle climate change

IAG has been the leading airline group building global momentum towards net zero aviation. As well as taking pioneering actions within our business, IAG has proactively engaged with other airlines to build consensus around net zero. This successful advocacy will enable faster emissions reductions across the industry.

IAG is delighted that IATA has joined the journey to net zero emissions. Since IAG's net zero commitment in October 2019, over 290 airlines are now also committed to net zero, representing over 82 per cent of global air traffic. This rapid shift within two years is profound.

IAG supports efforts for a long-term target for aviation at the ICAO General Assembly in 2022.

IAG was also pleased to gain another climate "Leadership" (A-) grade from the Carbon Disclosure Project (CDP) in 2021. This placed IAG in the top 6 per cent of global respondents. We are the only airline group worldwide to gain three leadership grades in the past five years.

The business will continue to lay the groundwork to accelerate emissions reductions both for our operations and at an industry level.

Key achievements and 'firsts' include:

- October 2019. First airline group to commit to net zero carbon emissions by 2050, setting a precedent for aviation;
- November 2019. First airline group to publish a roadmap for achieving this, a detailed plan which could be emulated;
- February 2020. Actively supported the first national aviation commitment and roadmap to net zero (UK, via Sustainable Aviation);
- January 2021. British Airways was the first airline to receive a sustainability-linked loan tied directly to ESG targets;
- February 2021. Actively supported the first regional aviation commitment and roadmap to net zero (Europe, via A4E);
- September 2021. Actively drove the first global aviation alliance commitment and roadmap to net zero (via **one**world);
- April 2021. First European airline group to commit to 10 per cent sustainable fuels by 2030; and
- April 2021. First airline group worldwide to commit to net zero Scope 3 emissions by 2050.

Our Hangar 51 platform continues to engage with and support innovative companies like ZeroAvia to accelerate new zero emissions technologies.

A. Principles of Governance

A.1. Defining sustainability and material issues

Reference to GRI, TCFD and SASB standards:
GRI 102-43, 102-44, 102-46, 102-47

In this context, sustainability covers both environmental and social issues.

IAG's sustainability strategy, initiatives and reporting are based on a rigorous assessment of which business activities have a material impact on the environment and people and what is most important to key stakeholders.

In 2021, IAG repeated a comprehensive materiality assessment to assess these issues. This was facilitated by leading sustainability consultancy Simply Sustainable as an independent third party, with the scope as described in the introduction to this section.

The internal stakeholders included all IAG Management Committee members, certain Board members, and operating company sustainability representatives. External stakeholders included investors, corporate customers, policymakers, trade associations, fuel suppliers, airports, and NGOs. The materiality assessment was complemented by an ESG staff survey distributed in English and Spanish.

The results have informed our disclosures and strategy.

Tackling climate change remains our most material issue in the long run, and engagement with policymakers, customers and suppliers was identified as key to this effort. In the short term, as the business recovers from COVID-19, profitability and customer and employee engagement remain a high priority. In addition, wellbeing is a material issue and IAG has elevated its focus on this.

Water consumption, biodiversity and light pollution were assessed as non-material for IAG. More information on water and biodiversity is available in the Additional Disclosures section of the Non-Financial Information Statement (NFIS).

IAG does not have specific risk provisions, targets or guarantees related to these non-material issues.

Material issues as identified in 2021

The icons represent UN Sustainable Development Goals (SDGs).

Principles of Governance

- Investing in the future
- Planning for climate-resilient operations
- Working with suppliers

Planet

- Reducing our climate impact
- Influencing policy

Prosperity

- Running a profitable business
- Pleasing our customers

People

- Engaging with employees
- Building a diverse, inclusive and equal workplace

The above four categories are aligned to best practice in the 2020 World Economic Forum "Measuring Stakeholder Capitalism" report.

Changes in material issues to 2030

To 2023 (Three-year timeframe)	To 2030 (Ten-year timeframe)
1 Running a profitable business	1 Investing in the future
2 Engaging with our employees	2 Reducing our climate impact
3 Reducing our climate impact	3 Influencing policy
4 Pleasing our customers	4 Building a diverse, inclusive and equal workplace
5 Investing in the future	5 Working with suppliers
6 Planning for climate-resilient operations	6 Pleasing our customers

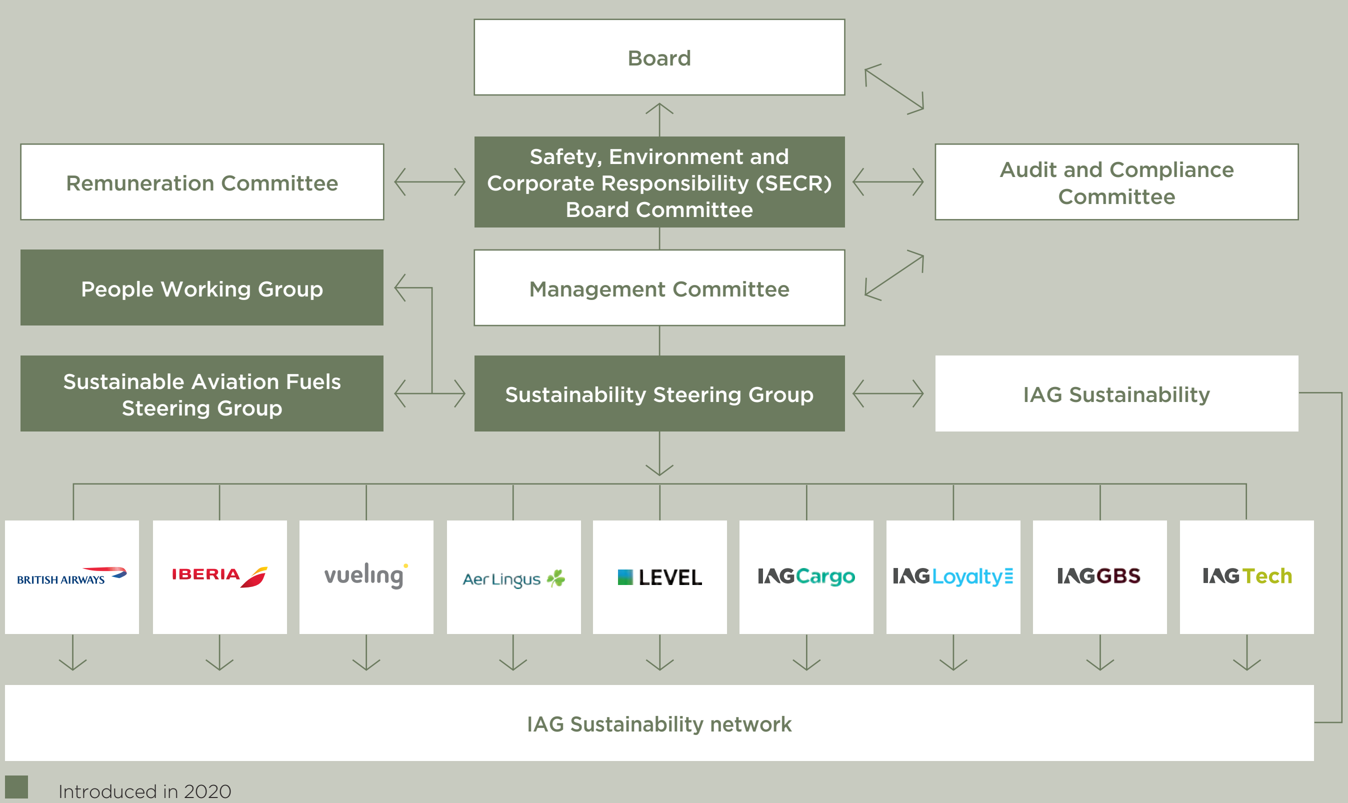
Note: the most material issues are assessed using the combination of their importance to stakeholders, and their residual impact to the business after current mitigation plans.

Supporting UN Sustainable Development Goals to 2030

The UN has identified 17 SDGs to support as part of the global 2030 Agenda for Sustainable Development. IAG has identified four priority SDGs to support, with examples below. Within the Group, Iberia is a member of the UN Global Compact.

SDG	Description	See sections	Examples of 2021 activities which support SDG
5 Gender equality	Gender equality	C.1. Workforce overview C.3. Diversity, inclusion and equality	The IAG Board has maintained the same ratio of seven male and five female directors from 2020 to 2021 (42% female representation) IAG received the “gender equality” award at the Vocento Business Awards in Spain for its efforts to encourage diversity
7 Affordable and clean energy	Affordable and clean energy	Spotlight: Sustainable Aviation Fuel	British Airways, Iberia, Vueling and IAG Cargo used SAF in flights for the first time Multiple Sustainable Aviation Fuel (SAF) deals to secure future supply
8 Decent work and economic growth	Decent work and economic growth	C.1. Workforce overview	Doubling of staff engagement in Group-wide Occupational Health Surveys
13 Climate action	Climate action	A.5. Sustainability stakeholder engagement B.1. Climate change and TCFD disclosures	IAG was instrumental in driving industry coalitions at national, regional and global levels to set net zero climate targets, and lobbying for UK policy support for SAF

Sustainability governance structure



A.2. Sustainability governance

Reference to GRI, TCFD and SASB standards: GRI 102-46, 102-48. TCFD Governance a, b

Overview

IAG has multiple levels of governance in place to ensure robust, aligned and progressive sustainability decision-making.

In 2021, IAG appointed a Chief People, Corporate Affairs and Sustainability Officer (CPCASO) to further drive forward environmental and social initiatives. The CPCASO is a member of the Management Committee and reports into the IAG CEO. The IAG Group Head of Sustainability and Group Head of People report into the CPCASO.

The Group sustainability strategy covers Group policies and objectives, governance structures, risk management, strategy and targets on material issues, sustainability performance indicators, and communications and stakeholder engagement plans. Each individual operating company within the Group has a distinct sustainability programme which is regularly reviewed to ensure alignment with the Group strategy.

The IAG Board provides oversight and direction for sustainability programmes. The IAG Management Committee provides the key forum for reviewing and challenging these programmes and setting strategy.

Key governance structures include:

- quarterly meetings of the Board Safety, Environment and Corporate Responsibility (SECR) Committee to provide dedicated oversight of the Group's sustainability programme and a link between the IAG and operating company management committees and the IAG Board;
- quarterly meetings of the Sustainability Steering Group (SSG), comprised of senior representatives from each operating company and key IAG teams, to provide oversight of environmental and social initiatives and reporting;
- monthly meetings of the IAG Sustainability Network, comprised of sustainability representatives from all operating companies, to share ideas and updates;
- regular meetings of the SAF Steering Group and People Working Group reporting into the SSG; and
- as part of the Group-wide Enterprise Risk Management (ERM) process, bi-annual reporting of the principal sustainable aviation risks to the IAG Management Committee and Board's Audit and Compliance Committee.

Internal Group-wide policies related to sustainability help to ensure that wider decision-making aligns with the sustainability strategy. These include the Code of Conduct, Supplier Code of Conduct and specific policies on Environmental Sustainability, Modern Slavery, Anti-Bribery and Corruption, Equal Opportunities and Selection and Diversity. These are approved by the Board of Directors.

Individual airlines are also adopting ISO 14001-aligned internationally recognised environmental assessment and management tools. All four main airlines are working towards Stage 2 accreditation for the IATA Environmental Assessment (IEnvA)[1] management system. Only seven airlines worldwide have this accreditation. British Airways, Aer Lingus and Vueling have already achieved Stage 1 certification and Iberia plans to complete Stage 1 in 2022.

Reporting standards

The full contents of this sustainability report are included in the IAG Non-Financial Information Statement, which is third-party independently verified to limited assurance standards in line with ISAE3000 (Revised)[2] standards.

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 (SECR) regulation, and the Task Force on Climate-related Financial Disclosures (TCFD), and the EU Taxonomy Regulation (2020/852).

IAG also goes beyond compliance requirements and voluntarily aligns sustainability reporting with the Sustainability Accounting Standards Board (SASB), the IATA Airlines Reporting Handbook, and relevant criteria from external ESG rating agencies. IAG supported IATA and the Global Reporting Initiative (GRI) to develop the IATA handbook.

This sustainability report has also been prepared in reference to GRI standards, which are listed under relevant section headings. Criteria for choosing specific standards are based on compliance with Spanish Law 11/2018 and on material issues. In cases where GRI alignment was not possible, other standards aligned to airline industry guidance or internal frameworks were used and described.

Data governance

Unless otherwise stated:

- The scope of environment performance data in this report includes all IAG airlines, subsidiaries and cargo operations over which IAG has operational control. This scope is consistent with environment-related policies and KPIs;
- LEVEL, IAG Loyalty and IAG GBS functions are not in scope for environmental reporting as the environmental impacts of these business units are not material; and
- Workforce data includes all IAG operating companies and support functions.

Emissions data from intra-European flights is also independently verified within six months of the year end, for compliance with the UK and EU Emissions Trading Schemes (ETS), and for all flights for the UN Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

In specific cases where full year data was not available, 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.

1 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).
2 ISAE3000 is the assurance standard for compliance, sustainability and outsourcing audits, issued by the International Federation of Accountants (IFAC).

A.3. Sustainability strategy

IAG has a vision 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 change required to create a truly sustainable aviation industry. IAG is committed to delivering best practices in sustainability programmes, processes and impacts, while executing on Group strategy. Creating a truly sustainable business is fundamental to our long-term growth.

IAG has three overall strategic priorities for its business. The environmental strategy is aligned to these:

Strengthening a portfolio of world-class brands and operations	Growing global leadership positions	Enhancing IAG's common integrated platform
• Ensuring customers have visibility of, and are engaged in, our sustainability programmes	• Demonstrating industry leadership • Maturing our transition pathway towards a net zero business • Leadership in carbon disclosures	• Investing in efficient aircraft fleet and delivering best practice in operational efficiency • Innovating and investing to accelerate progress in sustainable aviation fuels, future aircraft and low-carbon technologies

In 2021, the Board agreed to a broadening of the sustainability strategy and progress is now tracked against nine priorities.

Nine strategic priorities	Key 2021 progress
1. Clear and ambitious targets relating to IAG's most material issues	• See B.1. 'Climate change and TCFD disclosures' section • 2021 materiality review • New SAF, waste, diversity, Scope 3 emissions targets
2. Low-carbon transition pathways embedded in business strategy	• Sustainability budgets form part of operating company three-year business plans updated annually. Carbon costs are integrated into business cases for fleet purchasing and planning. (see below)
3. Management incentives aligned to delivering a low-carbon transition plan	• IAG was the first airline group to explicitly agree climate targets as part of annual incentive plans. See remuneration section for more details. These are expected to be reinstated in 2022.
4. Leadership in carbon disclosures	• CDP (climate-specific ranking): A-, top 6% of scored companies • TPI (climate-specific ranking): Met 17 of 18 criteria, highest level • Sustainalytics (cross-sector ESG ranking): 9th out of 68 airlines
5. Accelerating progress in low-carbon technologies including aircraft technology, SAF, carbon offsets and carbon removals	• See "Spotlight: Sustainable Aviation Fuel"
6. Accelerating innovation in low-carbon technology as above	• Dedicated sustainability category in Hangar 51 accelerator programme
7. Industry leadership in the innovation and deployment of SAF including power-to-liquids	• 10 per cent SAF by 2030 commitment and several new supply partnerships
8. Stepping up our social commitments including on diversity, employee engagement and sustainability as a core value	• New diversity targets set
9. Industry leadership in stakeholder engagement and advocacy	• Continued leadership positisions in key industry associations with more action planned for 2022

To embed low-carbon transition pathways in business strategy, IAG concurrently applies internal carbon prices to financial planning and scenario analysis. Prices are based on market values and reputable external forecasts:

- EU ETS prices are based on market prices and the UK Department for Transport (DfT) Aviation Forecast to 2050; and
- CORSIA prices are based on International Energy Agency (IEA) and ICAO price forecasts to 2035.

For the period 2021-35, EU ETS prices of €50-€166/tonne and CORSIA prices of $8-$40/tonne were used for modelling compliance costs. The Fleet team used updated carbon prices and price forecasts for shorthaul and longhaul fleet purchasing decisions.

To support management incentives, in 2020, climate-related incentives were agreed by IAG's MC, Remuneration Committee and Board so that 60 of the most senior executives across the Group, including the IAG CEO, would have a proportion of their annual incentives linked to achievement of annual carbon intensity targets. More details are in the report of the Remuneration Committee.

To support leadership in carbon disclosures, in 2021 IAG Investor Relations completed a survey of key IAG investors to identify their expectations, views on best practice in ESG reporting, and those ratings they prioritise. IAG plans to engage with relevant rating agencies in 2022 to enable more accurate calculations of IAG's scores and to identify actions to improve the scores.

IAG is the only airline group worldwide to receive three leadership (A-/A) grades from CDP in the past five years and in 2021 received the joint-highest score of any airline from the Transition Pathways Initiative (TPI), which assesses companies' readiness for a low-carbon economy.

A.4. Sustainability risk management

Reference to GRI, TCFD and SASB standards: GRI 102-11, 102-15. TCFD Governance a, b, Strategy a, b, c, Risk Management a, b, c

Sustainable aviation risks have been collectively identified as one of IAG's principal risks.

In 2021, IAG received 'A' grades from CDP for its climate risk and opportunities disclosures to CDP. This response is available on the IAG website.

Climate-related risks are considered and assessed under the Group Enterprise Risk Management (ERM) framework which is presented to the Board. More details on the framework and process for how risks are assessed, and how Group risks inter-relate, can be found in the 'Risk Management, Principal risks and uncertainties' section.

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. This assessment includes risks over medium-term (two to five years) and long-term (greater than five years) timescales.

Sustainability enterprise risks are bi-annually reported to and reviewed by the IAG Management Committee and the IAG Audit and Compliance Committee. Detailed sustainability risks and opportunities are also reported to the IAG CPCASO who reports to the IAG CEO. Plans to mitigate risks are developed by relevant risk owners in specific areas of the business.

Sustainability risk assessments have informed specific decisions related to business operations and strategy, and IAG allocates significant resources to environmental risk management. Examples include:

- IAG has maintained its commitment to invest in SAF development, production and supply as part of its 20-year US$400 million (€360 million) SAF commitment, to manage climate policy risks and take advantage of energy-related opportunities;
- in 2018, TCFD-aligned scenario analysis identified a need for more ambitious action on climate change, which led to the 2019 decision to design and adopt the industry-leading Flightpath Net Zero strategy to deliver net zero emissions byy 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; and
- all operating airlines to work towards Stage 2 accreditation of the environmental management system IEnvA[1], including investments in people and IT systems, to manage environmental compliance risks.

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. The precautionary principle is applied to the planning of operations and the development and launch of new services, by integrating climate considerations into business plans and financial forecasts and aligning activities with the Flightpath Net Zero strategy.

Detailed mitigation for climate-related risks is outlined in Section B.1.

Related risk: Environmental regulation compliance

Risk description	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[1] accreditation to improve internal compliance processes

1 See A.2. Sustainability governance

A.5. Sustainability stakeholder engagement

Reference to GRI, TCFD and SASB standards: GRI 102-13, 102-43, 102-44

Engagement with key stakeholder groups is outlined over the next three pages.

IAG is a member of multiple trade associations which deal with environmental and climate-related issues.

If the climate-related positions of trade associations are inconsistent with 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's stance on climate change is to align its efforts with the latest science on achieving 1.5°C pathways. This applies both to the goal of achieving net zero by 2050 and to pathways aligned to the science. IAG sees both gross and net reductions in emissions as crucial elements of aviation decarbonisation, supports the mechanisms of fleet modernisation, airspace and operational efficiency, sustainable aviation fuels, carbon pricing schemes and voluntary offsets and removals, and advocates for effective policies to promote those that are effective, and fair, and ideally global. IAG also supports the principle of carbon pricing, which is to drive emissions reductions where they are most cost-effective. IAG does not support carbon taxes as it has been proven that these are environmentally inefficient.

IAG has internal governance to ensure that wider stakeholder engagement on sustainability is consistent with its material issues and environmental goals.

Stakeholders	Why we engage	Key 2021 activities
Industry associations	• To develop common policy positions • To improve advocacy effectiveness • To ensure consistency between IAG sustainability goals and the goals of associations of which IAG or operating airlines are members • To share environmental and policy expertise to drive a more sustainable industry	• Supporting IATA industry commitment to net zero emissions • Key inputs to A4E 'Destination 2050' roadmap to net zero for aviation • Coordinated **one**world roadmap to net zero and 10% SAF by 2030 commitment • Working group for new 2030 and 2040 emissions targets for UK aviation industry • Policy advocacy on evolution of EU 'Fit for 55' climate policies
Government and other regulators	• To support UK and EU commitments to net zero emissions • To build support for a net zero emissions target for aviation through the UN aviation regulator ICAO • To influence UK, Spanish, Irish, EU and global policies • To increase research and funding for low-carbon aircraft, SAF and carbon removal technologies	• Responses to UK SAF Mandate and Jet Zero Consultations • IAG staff chair two of four groups of the UK Jet Zero Council (JZC) • Direct advocacy with EU policymakers over proposed EU 'Fit for 55' climate policies
Customers	• To demonstrate IAG's sustainability commitments to action, initiatives and leadership • To facilitate passenger action on the environment • To stay attuned to changing customer demands • To offer employment opportunities	• British Airways, Aer Lingus, Iberia and Vueling continued and updated sustainability communications to customers
Workforce	• To align individual airline sustainability programmes with Group • To share ideas and best practice • To respond to demands from internal stakeholders • To drive positive employee engagement • To improve recruitment and retention opportunities	• Occupational Health and Engagement Surveys across the Group • Frequent sustainability presentations at internal forums • Vueling created a new Vision, Mission and Values which included sustainability

Stakeholders	Why we engage	Key 2021 activities
Suppliers	• To minimise exposure to ESG risks • To support manufacturers in improving aircraft efficiency • To gain support for SAF • To identify opportunities to reduce supplier emissions	• Interviews and surveys of key suppliers as part of materiality assessment • IAG GBS appointed EcoVadis to track supplier environmental performance
Shareholders and other financial stakeholders	• To understand their approach to ESG, to enable us to better align our programmes with their priorities • To demonstrate action and leadership externally • To maintain and increase transparency • To respond to legal obligations	• Completed ESG investor survey • 2021 and 2020 CDP scores A- • 2021 TPI score the joint-highest of any airline • British Airways receives first financial loan linked to ESG targets.
Communities	• To support vulnerable or under-served communities via charitable causes • To increase IAG's positive wider impacts • To minimise potentially negative impacts of aircraft operations, such as noise and air pollution, on quality of life in communities near to where airlines operate	• Multiple IAG airlines supported efforts to distribute COVID-19 vaccines and aid • €2.7 million raised for charitable causes • See Section C.5. 'Community engagement and charitable support'
NGOs and academic institutions	• For independent reviews of materiality • To maintain an informed position on sustainability leadership • To share sustainability expertise for the benefit of industry progress on the environment	• Updated Group materiality assessment • Continued engagement with Cranfield University supporting a range of sustainability projects • Engaged with the Science Based Targets initiative (SBTi) as one of 11 airlines on the aviation Technical Working Group and one of 84 companies to road-test the SBTi Net Zero Standard

Member of organisation	Scope of organisation	Stance on climate change*	2021 role and leadership action
Sustainable Aviation (SA)	UK	Consistent	• IAG is one of twelve members of the SA Council, which governs activities for 36 member organisations • Part of working group which developed new 2030 and 2040 emissions targets
Jet Zero Council (JZC)	UK	Consistent	• IAG staff chair two of the four groups: SAF Delivery Group, COP26 subgroup • British Airways CEO a member
Royal Aeronautical Society (RAeS)	UK	Consistent**	• IAG on Executive Committee of Greener by Design group
Grupo Español para el Crecimiento Verde	Spain	Consistent	• Iberia is one of 53 corporate members
Airlines 4 Europe (A4E)	European	Consistent	• IAG actively supported development of Destination 2050 net zero roadmap for European aviation, organised by five aviation industry organisations
Coalition for Negative Emissions	Global	Consistent	• One of eleven founding members and seven steering group members • Active contributor to landmark Case for Negative Emissions report, produced in collaboration with McKinsey
oneworld	Global	Consistent	• IAG representative chairs Environment and Sustainability Best Practice Group (ESB) consisting of 14 airlines • Coordinated first roadmap to net zero • Coordinated 10 per cent SAF by 2030 commitment
Air Transport Action Group (ATAG)	Global	Consistent	• Five staff formally acknowledged for contributions to Waypoint 2050 global decarbonisation roadmap
World Economic Forum	Global	Consistent	• Contributed expertise to SAF evidence base as part of Cleaner Skies for Tomorrow coalition • Supported 10 per cent SAF by 2030 ambition statement
IATA	Global	Consistent	• IAG representative chairs the IATA Sustainability and Environment Advisory Council (SEAC) of 20 airlines. IATA represents 290 airlines • Representatives on four IATA working groups – SAF, Fuels, Long-Term Targets, Waste

* In relation to aiming for net zero emissions by 2050. The approaches for achieving this goal can vary by organisation.
** Based on the Greener by Design objectives on their website.

A.6. Supply chain sustainability

Reference to GRI, TCFD and SASB standards: GRI 308-2, GRI 414-2. Supports SDG 12

In 2021, IAG led the industry by becoming the first airline group worldwide to extend its net zero commitment to its supply chain. The Group will liaise with, support and monitor suppliers to ensure net zero emissions by 2050 for products and services provided to IAG.

IAG Global Business Services (IAG GBS) manages the relationships and interactions with suppliers on behalf of the Group. This important supply chain sustainability programme is being delivered by the IAG GBS Group Procurement Team, with relationship owners and buyers closely involved in the collaboration with suppliers.

Opportunities for impact

The Group supply chain covers approximately 13,272 suppliers across every category. Working with key partners, including fuel suppliers, the business will target Scope 3 net zero emissions by 2050, and a 20 per cent reduction by 2030 relative to 2019. In 2021, Scope 3 emissions are 23 per cent of IAG's total CO_2 and 68 per cent of Scope 3 emissions relate to fuel and energy.

In 2021 the Group appointed EcoVadis, a market-leading provider of business sustainability ratings, to support us in understanding every aspect of sustainability in our supply chain, including environment, labour and human rights, and ethics.

From insight to action

Transparency in sustainable supply chain performance is right at the top of the IAG GBS Procurement agenda. We will work with EcoVadis to assess our suppliers against a range of measures and identify opportunities to improve our sustainable performance. This will give IAG, and its suppliers, a baseline for collaboration on emissions reduction and achievement of the Scope 3 targets. We want to work with suppliers who share our vision and want to join us in this vitally important work. Additionally, suppliers can share the findings of the EcoVadis assessment with their other customers via a simple scorecard, meaning that the overall impact of this work could reach well beyond IAG.

The Supply Chain Sustainability Programme includes four other key pillars:

- Code of Conduct
- Risk screening
- Corporate Social Responsibility (CSR) Audits
- Joint programmes to promote sustainability initiatives

The IAG GBS Supplier Code of Conduct clarifies the standards of behaviour expected from all suppliers working with any part of our business, emphasising the importance of sustainability. It has already been issued to the existing supply chain and integrated into the supplier onboarding process. IAG will only work with businesses that share our standards and ways of working.

Social and corporate governance is also a high priority. We expect our 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 2021, 30 audits were completed.

As a minimum, all suppliers undergo bi-annual screening for any legal, social, environmental and financial risks. The Procurement and Compliance Teams assess any suppliers identified as having potentially higher levels of risk and implement a mitigation plan where necessary. Any issues are flagged to the risk owners within the Group to jointly take appropriate action.

In 2022, sustainability will be a key part of the IAG GBS continuous transformation plan. As well as continuing the measures outlined above, the plan includes embedding sustainability KPIs into procurement processes and the criteria for awarding new business to suppliers. We are also developing a wider training programme for employees, building sustainability awareness and driving higher sustainability performance across the entire organisation.

Year	Total number of suppliers	Suppliers screened	Suppliers with additional compliance assessment	Critical suppliers under regular risk monitoring	Independent CSR Audits in year
2021	**13,272**	**13,272**	**1,510**	**34**	**30**
2020	22,947	22,947	1,818	35	25
2019	27,033	18,369	2,912	n/a	28

Related risk: Supply chain sustainability compliance

Risk description/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 including Integrity, sanctions and CSR audits, IAG Know Your Counterparty due diligence for higher-risk third parties, Supplier Code of Conduct • Internal governance on supplier management to identify challenges and mitigation actions • Supplier screening using external business intelligence databases which actively monitor supplier status and flag risks including sustainability

A.7. Ethics and integrity

Reference to GRI, TCFD and SASB standards: GRI 102-16, 102-17, 205-1, 205-2, 205-3

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, issued 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 carrying out their duties in their business and professional relationships. Mandatory 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.

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 Resources teams. Similarly, suppliers are encouraged to contact their primary contact within the business. IAG maintains Speak Up channels provided by independent third-party providers, Safecall and Ethicspoint, where concerns can be raised on an anonymous basis. These Speak Up channels are available to members of staff as well as suppliers, with information on how to access published in the Code of Conduct and Supplier Code of Conduct respectively.

The IAG Audit and Compliance Committee reviews the effectiveness of the Speak Up channels on an annual basis. This annual review considers the volume of reports by category; timeliness of follow-up; process and responsibility for follow-up; emerging themes and lessons; and any issues raised of significance to the financial statements or reputation of the Group or other areas of compliance.

In 2021, a total of 164 Speak Up reports were received via the Group's independently provided Speak Up facilities, compared with 193 in 2020.

These reports concerned issues relating to employment matters (60 per cent), dishonest behaviour/reputation (14 per cent), health and safety (23 per cent) and regulatory matters (2 per cent). All reports were followed up and investigated where appropriate.

Anti-corruption and anti-money laundering

IAG and its operating companies do not tolerate any form of bribery or corruption. This is made clear in the Group Code of Conduct and supporting policies which are available to all Directors and employees. An anti-bribery policy statement is also set out in our Supplier Code of Conduct.

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, and annually they conduct a review of bribery risks at operating company and Group level.

In 2021, the main risks identified 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 2021.

Anti-bribery and corruption training is mandatory for all relevant personnel in IAG operating companies, Group functions and the Board and takes the form of e-learning supplemented by face-to-face sessions as necessary. 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. The Group-wide anti-bribery e-learning was rolled out in 2019. Employees are required to complete this every three years. In 2021, 1,404 employees completed the anti-bribery e-learning, This lower number is as expected due to those employees who have previously completed the training not being required to retrain.

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 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	**2021**	2020	2019
Employees completing anti-bribery e-learning	-29%	**1,404**	1,984	7,933

B. Planet

B.1. Climate change and TCFD disclosures

IAG was pleased to be an early adopter of Task Force on Climate-related Financial Disclosures (TCFD) guidance. A high-level summary of TCFD-aligned activities is below.

TCFD section	Current TCFD-aligned activities and processes	Planned activities
Governance	Board oversight of programmes via SECR Committee; appointed CPCASO; multiple layers of governance; repeated materiality assessment for 2023 and 2030	Regular SECR meetings planned for 2022; materiality assessment to be repeated by 2024
Strategy	Delivering on 2019 Flightpath Net Zero strategy; TCFD-aligned scenario analysis carried out in 2018 and 2021	Implementing new sustainability strategy approved in December 2021, rolling TCFD-aligned scenario analysis, further integration of climate strategy into financial planning
Risk management	Sustainable aviation risks are treated as a principal risk; risk disclosures received 'A' rating from CDP	Further work on risk quantification and further integration of climate-related impacts into financial planning
Metrics and targets	Clear metrics and targets for 2025, 2030 and 2050; first airline to set a net zero Scope 3 emissions target	Re-introduction of management remuneration targets. A focus on performance improvements and policy advocacy to support delivery of existing targets

IAG has made climate-related disclosures consistent with the eleven recommendations of the TCFD listed below. More details are in the relevant sections.

TCFD recommendation	Relevant section/s
Governance: Disclose the organisation's governance around climate-related risks and opportunities.	
A. Describe the Board's oversight of climate-related risks and opportunities. B. Describe management's role in assessing and managing climate-related risks and opportunities.	A.2., A.4.
Strategy: 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. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	A.4., B.1.3., 'Risk management, Principal risks and uncertainties', 'Stakeholder engagement' Business model B.1.2.
Risk management: Disclose how the organisation identifies, assesses and manages climate-related risks.	
A. Describe the organisation's processes for identifying and assessing climate-related risks. B. Describe the organisation's processes for managing climate-related risks. C. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	A.4., B.1.3. 'Risk management, Principal risks and uncertainties'
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	B.1.4., B.1.6.

B.1.1. Governance

Reference to GRI, TCFD and SASB standards: TCFD Governance a, b

See "Principles of Governance" section for sustainability-related governance, which includes climate-related governance.

B.1.2. Strategy – scenario analysis

Reference to GRI, TCFD and SASB standards: TCFD Strategy c

In 2021, IAG conducted analyses modelling climate risk scenarios. These included ongoing analysis of climate mitigation to 2050, detailed modelling of the impacts of the EU Fit for 55 proposals to 2035; and TCFD-aligned scenario analysis under a timeframe of 2030.

TCFD analysis is a formal process to identify ways to strengthen organisational resilience in the face of climate change and related impacts. TCFD guidance outlines a six-step process, where scenarios assess climate-related impacts on business input costs, operating costs, revenues, supply chain, and business interruption. Potential responses are then mapped out in terms of changes to business model/s, portfolio mix, investments in transition capabilities and technologies and the potential impact on strategic and financial plans.

Companies choose emissions scenarios for this analysis. In 2018 IAG chose a 4°C and 2°C scenario. In 2021, a 3°C, 1.5°C orderly[1], and 1.5°C disorderly scenario were used. This change was based on the impacts of the latest global emission pledges versus the goal of the 2015 Paris Agreement.

Scenario workshops were hosted virtually to engage IAG representatives in the UK, Ireland and Spain. A wide range of teams were represented including Strategy, Treasury, Finance, Government Affairs, Commercial Planning, Investor Relations, People, IAG Tech, IAG GBS, IAG Loyalty and sustainability representatives from all operating airlines.

Four categories of TCFD-aligned climate impacts were explored – physical, market, technology, and policy.

This exercise identified that key potential impacts were industry-wide policy and market shifts. Significant uncertainty also exists around the global policy, technology and market pathways for aligning with 1.5°C by 2030.

The business is broadly resilient to the identified impacts, based on Flightpath Net Zero plans. However, there are further opportunities to maximise resilience to wider societal changes. These results informed our climate-related risk assessment and disclosures.

In December 2021, the SSG also agreed that TCFD-aligned scenario analysis would become a rolling exercise from 2022 onwards. Ten year time horizons would be further embedded into sustainability-related planning wherever relevant.

B.1.3. Climate-related risk management

Reference to GRI, TCFD and SASB standards: TCFD Risk Management a, b, c

See "A.4. Sustainability risk management"
See "Risk management, Principal risks and uncertainties"

IAG takes a proactive approach to managing climate-related risks and is committed to managing the regulatory, reputational, market and technology aspects of these.

In 2021, IAG Sustainability and the ERM team undertook a review of all climate-related risks and opportunities. This was informed by the materiality assessment and TCFD scenario analysis.

A revised summary of risks, trends and potential impacts over short-, medium- and long-term timescales are disclosed on the next page. The risk environment has changed and this is reflected in the updated set of risks.

Trends and the external environment continue to be reviewed on an ongoing basis. Mitigating actions are also reviewed on an ongoing basis. Carbon reduction targets are the key measures for assessing the mitigation of these risks and other measures will be reviewed.

1 "Orderly" and "disorderly" as defined in the TCFD report "Guidance on Scenario Analysis for Non-Financial Companies". These scenarios compare smooth and idealised climate-related changes with variable, abrupt and disjointed changes.

Revised summary of risk trends

Risk trends below are grouped by risk type. Short term is 1-2 years, medium term is 3-5 years, long term is more than 5 years.

Primary TCFD risk type	Risk description	Timeframe	Trend
Market	*Loss of ESG-conscious customers	Short term	↑
	Perceptions of aviation industry CO_2 progress	Medium term	↑
	Viability of offset projects	Medium term	=
Physical	*Resilience to acute weather events	Short term	=
	Reduced flying to chronically climate-affected destinations	Long term	=
Policy	*EU Fit for 55 and UK climate policy	Medium term	↑
	*Carbon pricing	Medium term	↑
	Policy asymmetry	Medium term	↑
	Extra regulation on activity not emissions	Long term	↑
	*Lack of supporting SAF infrastructure or policy	Medium term	↑
	Regulation on non-CO_2 effects	Long term	↑
Technology	Use of lower-emission technologies	Medium term	=
	Use of lower-emission sources of energy	Long term	=

* Risks as described in the 'Risk management, Principal risks and uncertainties' section.

Summary of climate-related risk impacts and mitigation/adaptation

See the table above for risk trends. Specific risks are mitigated through existing processes, additional investments, or specific strategies as outlined in the table below. The potential for further mitigating actions is reviewed on an ongoing basis.

Market risks

Loss of ESG-conscious customers

Risk description	Potential financial impacts	Mitigating/adapting actions
• ESG concerns becoming an increasing factor in customer choices may mean they choose to travel less frequently, less far, or choose different travel modes. Corporates may travel less to meet internal emission targets. • A potential loss of customers to other airlines with more comprehensive ESG programmes.	• Lost revenue due to corporate or leisure passengers reducing flying, or travelling with other airlines perceived to be greener.	• IAG refined Group ESG messaging to clarify stances to external stakeholders • Continued operating company engagement and collaboration with corporate customers to identify and address potential environmental desires or concerns in advance of changes in behaviour • British Airways launched the BA Better World programme in 2021, including a voluntary SAF offer to customers and updated communications across multiple channels • Iberia planned new communications for 2022 • Aer Lingus launched a new sustainability webpage outlining its ESG efforts • Vueling launched an external sustainability challennge to engage customers • IAG Loyalty began integrating sustainability objectives into the Avios proposition

This risk presents an opportunity for IAG to differentiate its brands by showing leadership, innovation and action to mitigate climate impacts, so attracting climate-conscious corporates and agreeing deals to support green solutions.

Perceptions of aviation industry CO_2 progress

Risk description	Potential financial impacts	Mitigating/adapting actions
Perceptions that industry action is at odds with national or international climate goals and publicly stated ESG progress, could lead to more restrictive policies, loss of customers or funding, or industry-wide reputational impacts.	Lost revenue due to corporate and leisure passengers choosing not to fly. Costs from extra regulation as described on the next page.	• Working to accelerate wider industry progress through trade associations, by supporting new commitments and roadmaps to net zero emissions at national, regional and global levels, building momentum for a net zero target at ICAO in 2022 • Building global momentum around 2030 SAF ambitions of at least 10 per cent, to enable more passengers to reduce emissions from flights

This risk presents an opportunity for IAG to show faster progress than the industry and to attract funding and customers relative to peers.

Viability of offset projects

Risk description	Potential financial impacts	Mitigating/adapting actions
Offset projects around the world are used for CORSIA compliance and voluntary IAG and customer offsetting. Spikes in prices or sudden changes in the availability or credibility of these projects could increase costs, or negatively impact the ability to meet net emissions targets, damaging credibility.	Additional compliance costs under UK and EU ETS or CORSIA programmes, or increased costs associated with use of voluntary offsets.	• Working in collaboration with key reputable partners such as the not-for-profit charity Pure Leapfrog • Carrying out due diligence to select reputable providers and carbon reduction projects that meet and align with verified quality standards such as Gold Standard and Verified Carbon Standard (VCS) • Using an effective procurement strategy for carbon credits to protect against price volatility • Engaging with external organisations like CORSIA and SBTi to clarify and refine offset eligibility criteria

Physical risks

Resilience to acute weather events

Risk description	Potential financial impacts	Mitigating/adapting actions
Potential low resilience to increased frequency of acute weather events such as high winds, fog events, storms, turbulence, sustained extreme heat events or a stronger jet stream could increase operating costs by increasing delays, fuel burn and requiring additional cooling and maintenance costs above planned spend. Local climate-related circumstances such as fires, algal blooms and droughts could make destinations temporarily less attractive.	Lost revenue due to weather-related disruption, or increased operational costs due to physical impacts, that are unable to be effectively mitigated or planned for.	• Operating airlines continuing to manage multiple forms of disruption across IAG's global network within existing roles and processes, such as flight operations departments and customer call centres • Continuing to work closely with IATA and other industry bodies to better understand e.g. the impacts and locations of turbulence and how the business can mitigate these

Reduced flying to chronically affected destinations

Risk description	Potential financial impacts	Mitigating/adapting actions
Chronic changes in weather and physical impacts of climate change such as flooding, drought, forest fires, heat waves, algal blooms, coral bleaching, rising sea levels and reduced snow cover in ski destinations could make certain destinations less desirable and impact customer demand.	Revenue loss in a scenario where no changes have been made to the route network in the face of changing physical impacts.	• Operational and network development teams continuing to assess and understand changes in customer demand globally and managing network developments and flight schedules to respond to such changes • Analysis of historical weather-related impacts to support future planning • TCFD-aligned scenario analysis to better understand potential physical impacts of climate change in future, and the potential locations of this e.g. more turbulence on transatlantic flights, fires in Meditteranean destinations, and hurricanes in the Caribbean

Policy risks

Carbon pricing

Risk description	Potential financial impacts	Mitigating/adapting actions
IAG carries passengers within the UK and Europe, where aviation emissions are subject to carbon prices due to the UK and EU Emissions Trading Schemes. Increases in carbon unit prices above planned levels, or unplanned exposure to carbon pricing, could mean increasing operating costs.	Additional compliance costs under UK and EU ETS.	• Minimising emissions and so exposure to carbon pricing, via the Flightpath Net Zero programme • Operating airlines factoring carbon prices into operational decisions • Fleet team using up-to-date models of carbon prices to inform fleet-purchasing decisions • Using an effective procurement strategy for carbon allowances and offsets to protect against price volatility

EU Fit for 55 and UK climate policy

Risk description	Potential financial impacts	Mitigating/adapting actions
Current and proposed UK and EU policy includes an intra-EU kerosene tax, SAF mandates, and non-implementation of CORSIA on intra-EU flights. Policy risks include layering (airlines paying for the same carbon twice) and competitive distortion between EU and non-EU carriers. Taxes increase compliance and operating costs without leading to lower CO_2 emissions.	Lost demand due to potential passthrough of significantly higher compliance costs to customers. Traffic lost to non-EU carriers which don't face the same costs.	• Minimising emissions and so exposure to climate-related policies • Responding to the 2021 ReFuelEU consultation and UK SAF Mandate consultation to minimise the risks of any mandates creating competitive distortion or carbon emissions from other flights or regions • IAG Government Affairs engaging in direct advocacy with EU policy-makers and via trade associations SA, A4E and IATA to try to ensure finalised policies address climate change in an effective and fair way

Policy asymmetry and patchwork

Risk description	Potential financial impacts	Mitigating/adapting actions
A patchwork of differing national and regional carbon regulations could lead to duplication of compliance costs and effects that distort competition between airlines.	Additional compliance costs, and loss of traffic and revenue due to competitive distortion i.e. other carriers not experiencing the same costs.	• Advocacy for a global policy approach based on carbon pricing, by building momentum for a global net zero target for aviation to be agreed at the ICAO General Assembly in 2022. Actions include supporting a European roadmap to net zero and **one**world roadmap to net zero and convergence around a 10 per cent SAF ambition by 2030 • Continuing to support the UN CORSIA scheme as part of policy advocacy at national and regional levels • Allocating resources to engage with governments, trade associations, IATA and ICAO

Extra regulation on activity not emissions

Risk description	Potential financial impacts	Mitigating/adapting actions
The UK Climate Change Committee has recommended aviation demand management by 2050 in the sixth carbon budget. While the UK government has not adopted this approach, it remains a potential risk in the long term. Other long-term risks include enforced fleet renewal, additional taxes and frequent flyer levies, which are costly and ineffective policies for reducing CO_2.	Lost revenue due to lower flying activity, and potential operational costs due to need to shrink operations relative to plan or absorb or pass through additional costs.	• Working via Sustainable Aviation to set 2030 and 2040 net reduction targets and demonstrating credible industry pathways to net zero without the need for demand management • Advocacy for a global policy approach based on carbon pricing, by supporting European and **one**world roadmaps to build momentum for a global net zero target for aviation to be agreed at the ICAO General Assembly in 2022 • Allocating resources to engage with governments, trade associations, IATA and ICAO

Lack of supporting SAF infrastructure or policy

Risk description	Potential financial impacts	Mitigating/adapting actions
Meeting UK and EU SAF mandates and IAG SAF commitment in 2030 is partly contingent on adequate policy support. A potential lack of supporting government policy to enable infrastructure could limit SAF supply, leading to SAF imports with lower sustainability performance, or higher ETS costs or reputational damage.	Higher UK and EU ETS compliance costs if SAF supply cannot meet demand or mandated volumes.	• Building global momentum for SAF ambitions and policies by working with trade associations • Through JZC, lobbying for UK government support in the form of loan guarantees and financial support for first-of-a-kind SAF plants, and a price stability mechanism to reduce risks for investors • €8.6 million invested in 2021 as part of $400 million SAF commitment, along with multiple SAF projects in multiple regions to secure future supply and a procurement strategy to minimise price-related risks

Regulation on non-CO_2 effects

Risk description	Potential financial impacts	Mitigating/adapting actions
EU or other policy makers taking a punitive approach to reducing non-CO_2 impacts, by incorporating them into climate compliance schemes and climate-neutral policy objectives, which could increase compliance or operating costs.	Lost revenue due to industry demand impact of higher compliance costs, applied to all airlines not just IAG.	• Working through trade association SA and research partnerships with the RAeS to identify actionable solutions to reduce non-CO_2 impacts • A 2030 SAF commitment to accelerate uptake of SAF, which early external research suggests reduces non-CO_2 effects

Technology risks/opportunities

Use of lower-emission technologies

Risk/Opportunity description	Potential financial impacts	Mitigating/enabling actions
Potential low supply of new zero-emissions technology meaning its use is restricted across the industry or is not available to IAG. Suppliers not being ready to use new technology means uptake is low or costly.	Limited ability to access or scale-up new technologies could lead to increased operating costs and carbon compliance costs relative to competitors. Lower fuel and compliance costs from a fleet averaging 80g CO_2/pkm, the Group 2025 target	• €10.8 billion committed for deliveries of 110 new fuel-efficient aircraft between 2022-27 • Hangar 51 platform making early investments in innovative companies to accelerate their development e.g. work with ZeroAvia • Ongoing horizon scanning by IAG Tech for new technologies and opportunities for ventures investment • A dedicated sustainability category in the Group ten-week accelerator programmes, to identify low-carbon innovators to work with
There is an opportunity to make use of latest-generation aircraft, which can reduce fuel burn and carbon impact by 15 to 40 per cent compared with the aircraft they replace.		

Use of lower-emission sources of energy

Risk description	Potential financial impacts	Mitigating/enabling actions
Potentially limited global supplies of SAF could affect the ability to uptake SAF in the EU ETS and meet IAG 2030 SAF commitment. This could also lead to reputational damage.	Additional operating costs and compliance costs.	• Ongoing investments as part of $400 million SAF commitment, along with multiple SAF projects to secure future supply • IAG staff chairing the SAF Delivery Group of the JZC, lobbying for a price stability mechanism to reduce risks to investors of scaling up SAF supply and securing UK Government support to incentivise 10 per cent SAF in 2030 • An effective IAG SAF procurement strategy to secure early supply and minimise price-related risks
Securing supplies of sustainable fuel presents a commercial and environmental opportunity, reducing operating costs relative to other carriers and reducing compliance costs for CORSIA and the UK and EU ETS.		

B.1.4. Metrics

Reference to GRI, TCFD and SASB standards: GRI 301-1, 302-1, 305-1, 305-2, 305-3, 305-4, 305-5. TCFD Metrics and Targets a, b, c

IAG tracks and verifies Scope 1, 2 and 3 CO_2-equivalent (CO_2e) emissions.

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.

2021 UK Government conversion factors are applied across the Group as these are deemed to be the most robust available.

IAG discloses methane (CH_4) and nitrous oxide (N_2O) as Scope 1 non-CO_2 greenhouse gases (GHGs), in line with these conversion factors.

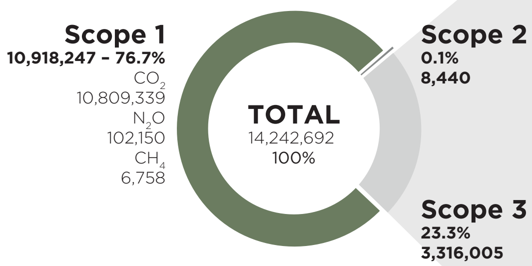
Emissions were 65 per cent below 2019 levels due to COVID-related impacts, and are expected to rise as flying demand recovers. However, internal forecasts suggest 2019 could represent peak emissions, due to future use of a more fuel-efficient fleet and greater use of SAF.

IAG focuses on reducing CO_2 from jet fuel use, as this represents 99.6 per cent of CO_2e emissions.

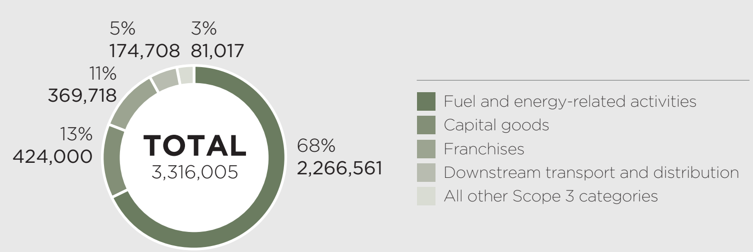
Renewable energy was 0.5 per cent of total energy use due to the low availability of sustainable jet fuel. Renewable electricity was 86 per cent of electricity use.

UK energy use was 55 per cent of total IAG energy use, based on British Airways Scope 1 emissions and Group electricity use in UK-based offices.

Total GHG emissions in tonnes CO_2e[1]



Scope 3 GHG emissions in tonnes CO_2e[1]



1 Scope 1 MWh is 41,960,297, Scope 2 MWh is 189,013.

Commentary on key metrics

Metric	Description	Commentary
Gross Scope 1 emissions	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. SAF use is counted as a reduction in gross emissions in line with globally recognised accounting standards	2021 emissions remained low due to low flying activity as a result of the COVID-19 pandemic.
Scope 2 emissions	Indirect emissions associated with electricity use in ground facilitites 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 the UK, Ireland and Spain, and IEA national electricity emissions factors.	The 19% decrease in location-based emissions was driven by lower electricity use and greener national electricity grids e.g. from lower use of coal. Where the electricity use of overseas offices was not available, kWh was 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 IAG buys and sells. Twelve out of fifteen Scope 3 categories, as defined by the GRI, are relevant to IAG. Detailed descriptions of these categories are in the Additional Disclosures section of the IAG NFIS.	81% of Scope 3 emissions relate to fuel use and aircraft deliveries and retirements. Total Scope 3 emissions remained low due to low business activity.

Key carbon footprint metric	Unit	vly	v2019	**2021**	2020	2019	2018	2017
Scope 1 CO_2e	MT CO_2e	-1%	-65%	**10.92**	11.02	30.13*	29.99	28.76
Net Scope 1 CO_2e	MT CO_2e	-4%	-62%	**10.50**	10.85	26.95*	27.22	26.17
Scope 2 location-based	kt CO_2e	-19%	-47%	**39.2**	48.2*	68.6	70.4	92.6
Scope 2 market-based	kt CO_2e	-9%	-57%	**8.4**	9.3*	21.7	40.7	61.9
Scope 3	MT CO_2e	-9%	-60%	**3.32**	3.63*	8.20*	8.79	7.88

Other metric	Unit	% vly	v2019	**2021**	2020	2019	2018	2017
Flight-only emissions intensity	gCO_2/pkm[1]	-11%	+5%	**94.6**	106.2	89.8	91.5	92.3
Scope 2 emissions intensity	gCO_2/pkm	-28%	+55%	**0.34**	0.47*	0.20	0.22	0.28
Revenue per tonne CO_2e	€/tonne CO_2e	+9%	-7%	**771**	705	827	811	796
Jet fuel[2]	MT fuel	-1%	-65%	**3.42**	3.45	9.65	9.41	9.02
Electricity	'000 MWh	-6%	-29%	**189.0**	200.1*	267.7*	234.9	253.2
Energy	Mn MWh	+1%	-42%	**42.1**	41.9*	119.7	119.4	114.4
Renewable electricity	%	0%	+14%	**86%**	86%	72%	54%	54%
Renewable energy	%	+0.1%	0.3%	**0.5%**	0.4%	0.2%	nr	nr

Note: "nr" means "not reported". * means restated using the latest robust data and assumptions.
Descriptions and commentary on other metrics is available in the 'Additional Disclosures' section of the IAG Non-Financial Information Statement.
1 pkm means "passenger-km" as defined in the commentary below.
2 SAF use was 2,350 tonnes of fuel in 2021 and delivered 6,506 tonnes of CO_2 savings. See B.1.7. 'Gross emissions reductions'

Commentary on key metrics

Metric	Description	Commentary
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 ten cargo-tonne-km is equivalent to one passenger-km. For accuracy, IAG excludes the jet fuel used by franchises, cargo carried on other airlines, and engine testing, and excludes no-show passengers. The passenger-km used in the 2021 calculation is 77,280 million and the cargo-tonne-km is 3,656 million.	The 11% improvement in 2021 is driven by a recovery in passenger load factors, although average load factors remain below 2019 levels. Average Group fuel efficiency is forecast to be below 90g CO_2/pkm in 2022 and on track for the 2025 target of 80g CO_2/pkm. IAG remains committed to the 2025 target.
Net Scope 1 emissions	Net emissions are calculated based on gross emissions and then subtracting any carbon savings from EU ETS compliance obligations, volumes of offsets purchased to meet CORSIA compliance obligations, and the volumes of offsets voluntarily purchased. EU ETS allowances purchased from other sectors equate to a net reduction as per European Commission guidance. IAG has been disclosing net emissions since 2017 using this methodology	2021 net emissions are reduced by 0.42 MT due to compliance with the UK, Swiss and EU ETS in addition to voluntary offsetting by Group airlines and passengers. Net emissions reductions are also expected to be achieved via CORSIA credits when global international emissions rise above 2019 levels.
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 cases where data on electricity sources was unavailable, the source of electricity is assumed to be the national grid.	Renewable electricity use across the Group has increased by 32 percentage points since 2017. This percentage is expected to increase in 2022. It will be difficult to attain 100% due to use of electricity supplied at airports and at overseas office locations where renewable electricity is not available.

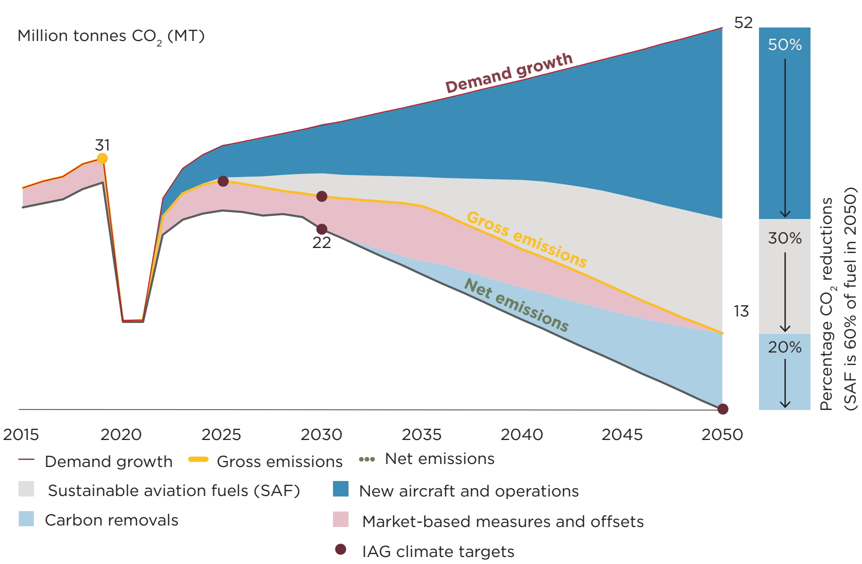
B.1.5. Transition plan

IAG recognises that all transport modes need to transition to net zero emissions to keep global warming below 1.5°C.

In 2019 IAG was the first airline group to sign the Business Ambition for 1.5°C Pledge and to commit to a transition to net zero emissions by 2050. The IAG Flightpath Net Zero strategy included a 30-year emissions roadmap to meet this outcome as well as short- and medium-term targets and a commitment to climate-related management incentives. The roadmap currently informs ongoing scenario analysis, planning, strategy, and risk management. The latest scenario is shown below with key assumptions on the next page.

IAG has also been a leader in developing aviation industry transition plans. It was the first airline group to support roadmaps to net zero emissions across national, regional and global industry alliances, one of only two airlines worldwide to engage in both the SBTi Technical Working Group for aviation targets and the road-testing of the SBTi Net Zero Standard, and one of only three airlines to be acknowledged in the ATAG Waypoint 2050 work on global aviation decarbonisation. In 2021, via industry association SA, IAG staff helped to develop and launch the first 2030 and 2040 climate targets for UK aviation: 20% and 40% net reductions respectively.

IAG will continue working with multiple industry partners, regulators, and stakeholders on pathways for aviation that support global 1.5°C ambitions, and to increase the ability of the industry to deliver emissions reductions.



IAG is working to increase the contribution of gross emissions reductions to the net zero target. Each roadmap version reflects this.

% of expected emissions reductions in 2050	**2021 version**	2020 version	2019 version
New aircraft and operations	**50%**	45%	39%
SAF	**30%**	25%	18%
Carbon removals	**20%**	30%	43%

Pillar of carbon roadmap	Related actions to accelerate progress and innovation (also see Section B.1.9. 'Innovation')
New aircraft and operations	• Ongoing fleet modernisation • British Airways was the first airline worldwide to invest in hydrogen, with a Ventures investment in ZeroAvia at the beginning of 2021 • Venture capital investment in i6 fuel management software company
Sustainable Aviation Fuels (SAF)	• See "Spotlight: Sustainable Aviation Fuel" • Venture capital investment in leading sustainable fuels company Lanzatech
Market-based measures with offsets	• Support for the global CORSIA scheme to limit net emissions from aviation
Carbon removals	• Horizon scanning of carbon capture and removal opportunities

B.1.6. Targets

Reference to GRI, TCFD and SASB standards: TR-AL-110a2. TCFD Metrics and targets c. Supports SDG 13

IAG's net zero emissions by 2050 target will be delivered by working in collaboration with key stakeholders and proactively advocating for supportive government policy and technology development. In this context, net zero emissions means that all CO_2 that IAG operations emit in a year will be balanced out by an equivalent amount of CO_2 removed from the atmosphere.

IAG will review targets on non-CO_2 impacts when the science around these becomes robust enough to attribute impacts and reductions to individual airlines. Key actions to reduce non-CO_2 impacts include greater uptake of SAF and route optimisation, and IAG continues to explore these solutions through its trade associations.

IAG GBS is developing supply chain sustainability targets in conjunction with EcoVadis. To meet Scope 3 targets IAG will focus on influencing change, identifying collaborative emissions reduction projects and phasing in contractual requirements. Some suppliers will use a combination of gross and net reductions to meet their own targets and IAG plans to report more detail on this balance in future.

IAG remains committed to science-aligned targets. Independent guidance on 1.5°C-aligned targets for aviation has yet to be published and we will review future guidance to ensure it accounts for the practical differences between aviation and other sectors. Where possible, we will also work with the SBTi and other relevant stakeholders to build understanding of these differences and of industry decarbonisation pathways.

IAG will continue working with other stakeholders to enable delivery of targets.

Current transition plan targets:

Base year	Target year	Target
2020	2020	Net zero CO_2 emissions for all British Airways UK domestic flights from 2020 onwards. Achieved in 2020 and 2021.
2019	2025	11 per cent improvement in gross fuel efficiency. From 89.8g CO_2/pkm in 2019 to 80g CO_2/pkm in 2025.
2019	2030	10 per cent SAF. Equivalent to approximately 1 million tonnes of fuel in 2030.
2019	2030	20 per cent reduction in combined net Scope 1 and 2 CO_2 emissions. From 27.6 MT in 2019 to 22 MT.
2019	2030	20 per cent reduction in net Scope 3 CO_2 emissions. From 8.1 MT in 2019 to 6.5 MT.
2019	2050	Net zero Scope 1, 2 and 3 emissions. Use of removals to mitigate any residual Scope 1 and 2 emissions.
Operating company-specific climate targets for sustainability-linked loans		
2019	2025	88.3g CO_2/pkm in 2025 for British Airways, an 8 per cent reduction compared to 2019.

In January 2021, British Airways was the first airline worldwide to receive a loan linked explicitly to achievement of ESG targets.

Current transition plan assumptions:

The roadmap chart to the left represents a core Group scenario which assumes continued policy support for aviation decarbonisation, an overall recovery to 2019 levels of passenger demand by 2023, and then annual demand growth aligned with industry growth forecasts and external guidance. Scenario and cost analysis is ongoing.

Key roadmap updates in 2021 are:

- A 2040 introduction for zero-emission shorthaul aircraft, based on manufacturer announcements and certification timelines;
- 60 per cent SAF in 2050, based on policy moves in the UK, Europe and USA;
- Net emissions reductions via the compliance schemes the UK and EU ETS, CORSIA and voluntary offset projects;
- A clearer pathway to full use of carbon removals in 2050 for any residual emissions.

IAG is working with relevant stakeholders to accelerate progress in every pillar of the roadmap.

Delivery of current plans, dependent on appropriate policy support, will enable an approximately 70 per cent drop in gross emissions by 2050 and an 80 per cent improvement in gross gCO_2/pkm, relative to 2019. Only 10 per cent of total emissions reductions delivered between 2020 and 2050 are expected to be from compliance and voluntary offset projects.

IAG will update this core roadmap scenario in 2022 to account for relevant business, policy, scientific and technology developments.

B.1.7. Gross emissions reductions and efficiency

Reference to GRI, TCFD and SASB standards: TR-AL-110a2. GRI 305-5. Supports SDGs 3, 8, 13

IAG is actively driving reductions in its gross emissions. Based on the latest carbon roadmap, these represent 80 per cent of total emission reductions in the year 2050. There are four main methods of achieving these reductions:

- Modernising the aircraft fleet. Purchasing the latest aircraft models like the Airbus A320neo, Boeing 777 and Airbus A350, which are up to 40 per cent more efficient than aircraft they replace, whilst retiring older aircraft;
- Optimising the use and efficiency of the aircraft fleet. For example, optimising flightpaths, allocating fuel-efficient aircraft to specific routes and implementing in-flight efficiency initiatives which save fuel without compromising safety, service or flight schedules. These initiatives include optimised engine washes, single-engine taxiing, continuous descents, landing flaps and reducing weight onboard;
- Increasing the use of cleaner energy sources in the fleet. For example, use of SAF displaces fossil fuel use and delivers lower CO_2 emissions over a comparable lifecycle. Fuels from bioenergy and non-fossil carbon-rich feedstocks are also used outside the aviation industry; and
- Increasing the use of renewable electricity and renewable energy for ground faciilities and operations.

IAG continues to develop operational and fuel efficiency initiatives for both aircraft and ground operations.

Metric	Unit	vly	v2019	**2021**	2020	2019	2018	2017
GHG reduction initiatives	CO_2e tonnes	247%	-9%	**59,725**	17,208	77,386	65,887	nr
Fleet age	years	+8%	-2%	**11.2**	10.6	11.4	11.3	11.4

Key 2021 emission reduction milestones:

- 6,506 tonnes of CO_2 saved due to SAF use in 2021 and a pipeline of projects in support of our 2030 SAF target;
- Regular meetings of an IAG-wide sustainability Fuel Efficiency Working Group to support and enable fuel efficiency practices across IAG's global network, including ongoing use of the Honeywell Flight Efficiency software;
- British Airways carried out a "perfect flight" from London to Glasgow on a fuel-efficient Airbus A320neo, delivering emissions 62 per cent lower than to a similar flight a decade ago due to a 35 per cent SAF blend and maximising on-ground and in-flight efficiency;
- Vueling reduced 1,000 tonnes of onboard weight by using lightweight trolleys and worked with the Spanish air traffic management provider ENAIRE to improve airspace efficiency;
- Aer Lingus carried out more robust evaluation of fuel efficiency trends;
- Iberia started receiving electricity from 10,000m^2 of solar panels on its engine maintenance hangar in Madrid, the largest site to self-generate electricity of any company in the IBEX 35; and
- IAG Cargo successfully completed trials of new electric vehicles at London Heathrow and Dublin airports.

Spotlight: Sustainable Aviation Fuel

In April 2021, IAG was the first European airline to commit to 10% SAF by 2030, dependent on appropriate government policy support.

This is the equivalent of using 1 million tonnes of fuel in 2030, with the equivalent carbon saving of taking over 2 million cars off the road. IAG has a long-standing SAF commitment, having committed in 2017 to invest $400 million in SAF over 20 years, and is targeting use of at least 19 million tonnes of SAF between now and 2040 based on the latest roadmap.

IAG is a leader in the development of SAF projects not only through committed purchases of SAF, but also by making direct investments in new and innovative SAF production capacity, spurring the wider development of the SAF market. The Group's investments are backed up with SAF purchase agreements which are critical to the financeability of the new SAF production capacity. IAG has also been leading the industry at developing and advocating for "second-generation" SAF, which use carbon-rich waste feedstocks and advanced conversion technologies, as opposed to first-generation SAF which is predominantly manufactured using crop feedstocks.

2021 was a significant year for the Group SAF programme. It remains on track with a total of €8.6m million invested in SAF

agreements. British Airways, Iberia and Vueling all operated flights using SAF blends, and IAG airlines had uptakes of mandated SAF volumes in Norway and Sweden.

Key firsts for the Group:

- Managing the import of the UK's first ever bulk SAF to supply IAG Cargo to operate the world's first net zero cargo charter flights between Stuttgart, Heathrow and Atlanta for its customer Kuehne+Nagel; and
- Developing the partnership with the UK refiner Phillips 66 to develop the UK's first SAF production facility, with British Airways the first airline in the world to receive SAF from this facility from 2022.

Some current SAF projects:

IAG continues to work with technology developers to establish a range of SAF supply options for the future. Below are some of the projects that are in the public domain and we continue to develop others including carbon capture projects.

Project/Partner	Feedstock	Production location	Planned production start
IAG Cargo/Neste	Used cooking oil (UCO)	Europe	2021 one-off
COP26/AirBP	UCO	Europe	2021 one-off
Phillips 66/Phillips 66	UCO/Food waste	Humber, UK	2022
Freedom Pines/LanzaJet	Agricultural wastes	Georgia, USA	2023
oneworld/Aemetis	Waste wood	California, USA	2024
Project Dragon/LanzaTech	Waste gases and agriculture	South Wales, UK	2025
Bayou Fuels/Velocys*	Forestry residues	Missisippi, USA	2026
Speedbird/LanzaTech/NovaPangea*	Waste wood, forestry residues	UK	2026
Altalto/Velocys*	Municipal waste	Immingham, UK	2027

*includes carbon capture and storage.

B.1.8. Net emissions reductions

Reference to GRI, TCFD and SASB standards: TR-AL-110a2. Supports SDGs 7, 9, 13

Net/out-of-sector emissions reductions are a critical part of aviation decarbonisation pathways, as airlines proactively lay the groundwork for faster reductions in gross emissions in future.

IAG sees carbon offset projects as key to reducing its emissions in the short and medium term, en route to full use of carbon removals in 2050 to mitigate any residual emissions.

IAG is delivering net reductions via three key channels:

- Through the EU-regulated Emissions Trading Scheme, purchasing carbon allowances from other sectors which drives and funds additional emission reduction projects. Airlines have been participating since 2013;
- Through the UN-regulated CORSIA scheme, investing in a combination of fleet modernisation, efficiency, SAF and offsets to meet the global goal of keeping net international aviation emissions at or below 2019 levels; and
- Through voluntary funding of internationally verified offset or carbon removal ('negative emissions') projects in the UK, Europe and around the world. This funding can either come from customers who choose to mitigate the impact of their flights, or from IAG or operating companies funding projects directly. British Airways has offered voluntary offsetting since 2003.

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)-verified carbon reduction projects.

2021 projects included rainforest protection in Cambodia, Peru and the Congo Basin, and sustainable cook stoves for communities in Sudan and Malawi.

IAG will be required to purchase credits for CORSIA when global emissions from international flights rise above 2019 levels.

Key 2021 progress:

- IAG contributed to a landmark report by McKinsey and the Coalition for Negative Emissions outlining the Case for Negative Emissions and the need for urgent government action to develop supportive carbon removals policy;
- British Airways and Aer Lingus continued to offer voluntary carbon offsetting for passengers and Iberia created a carbon calculator to enable passengers to establish their carbon impact; and
- The British Airways Carbon Fund, in partnership with not-for-profit charity Pure Leapfrog, worked to deliver four high-quality carbon reduction projects in the UK and Africa. One example was supporting community-owned renewable power close to the British Airways engineering/maintenance base in Wales.

Metric	Unit	vly	v2019	**2021**	2020	2019	2018	2017
Net emissions reduction through EU, UK, Swiss ETS	'000 tCO_2e	n/a	-93%	**219**	0*	3,182	2,634	nr
Via voluntary funding and projects	'000 tCO_2e	+17%	n/a	**197**	168	nr	nr	nr

* Emissions levels in 2020 were below the EU ETS sector cap for aviation so no net reductions were delivered.

B.1.9. Innovation

IAG invests in innovation to meet its targets, drive decarbonisation in the Group and to accelerate wider change towards a more sustainable industry.

Hangar 51 is IAG's core innovation platform, which continues to attract the world's top emerging technology companies working on sustainability solutions.

IAG also has established governance processes to review new potential investments in emerging climate technology and partnerships with start-ups. This process is overseen by the CSO, CFO, CIO and General Counsel.

IAG supports climate technology innovation via its accelerator, incubator, venture capital investments, university collaborations, active pilots, supporting applications for grant funding, and research and development consortia.

IAG representatives also sit on academic boards and public-private partnerships to support new technologies and innovation. For example, IAG staff sit on the UK Government's Jet Zero Council, academic boards (Cranfield and Heriot Watt Universities), the Aston Supergen consortium, and the Steering Board of the UK Biotechnology and Biological Sciences Research Council (BBSRC). Iberia continues the La Cátedra Iberia research collaboration with the Polytechnical University of Madrid.

In 2019, the Group launched the first dedicated sustainability accelerator in the aviation industry. In 2021, the focus of this broadened with the inclusion of a new Future Energy category. From hundreds of applications the Group chose to work with 12 pioneering start-ups covering topics such as new hydrogen fuel cell solutions, electrification infrastructure, customer engagement tools and carbon removal technologies.

In 2022, the Group will continue to expand its focus on sustainability innovation to accelerate decarbonisation.

B.1.10. Sustainable products and services

IAG offers customers including corporates a range of sustainable products and services to help them to reduce their carbon emissions and to support wider sustainability goals. These goals include community development and protecting biodiversity.

Within the Group, British Airways currently has the widest range of sustainability offers available for customers and has offered voluntary carbon offsets since 2003.

The British Airways Carbon Fund delivers carbon reduction projects in the UK and Africa with community co-benefits. British Airways receives no revenue from this fund.

All customers booking flights directly through British Airways are offered the choice to voluntarily donate to the BA Carbon Fund or an option to mitigate the carbon emissions of their flight through a standalone website: BA Carbon Neutral.

The British Airways Executive Club also allows customers to make a Carbon Fund donation using their Avios points.

In 2021, British Airways became one of the first airlines in the world to have a voluntary SAF offer available to customers including corporates.

All operating airlines are planning to expand their portfolios of sustainability products and services in 2022.

Spotlight: new waste targets

In 2021 IAG developed and approved new "5 through 2025" waste targets. More details are on the next page.

"5 through 2025" focus areas	2019 generation[1]	2025 generation target	2019 recycling	2025 recycling target
Single-Use Plastic (SUP)	–	Zero-based[2]	–	–
Onboard waste[3]	0.33 kg/pax	-20%	24%	40%
Office waste	96 kg/staff	-50%	35%	60%
Maintenance waste	0.63 kg/person-hour	-25%	50%	70%
Cargo waste	1.55 kg/kg cargo handled	-25%	63%	80%

1 Detailed definitions of waste types and metrics are available in the Additional Disclosures section of the IAG NFIS.
2 Zero-based means eliminating as much as possible in all areas of operation, acknowledging that some plastics may still be required in 2025 where alternatives do not exist.
3 The 40 per cent target is an average across the Group for waste processed at hub airports. Other targets apply to all operating companies as a minimum level of ambition.

B.2. Waste

Reference to GRI, TCFD and SASB standards: GRI 306-1 (2020), 306-2 (2020), 306-3 (2020)

Supports SDG 12

New targets:

IAG is committed to reducing, reusing and recycling waste. In 2021, IAG set new and comprehensive waste reduction targets as outlined on the previous page.

The "5 through 2025" waste strategy is expected to save approximately 20,000 tonnes a year from landfill and incineration compared to 47,728 tonnes sent to landfill or incineration in 2019.

This strategy covers the five core areas of single-use plastic (SUP), onboard, office, cargo, and maintenance waste. Separate reduction and recycling targets are applied to all four airlines and to IAG Cargo.

IAG plans to report detailed progress against these targets in 2022. Currently, the impacts of the COVID-19 pandemic make it difficult to establish meaningful year-on-year trends.

IAG will also advocate to national governments and via IATA for clear and supportive waste policies which would enable the Group to be more ambitious.

Key 2021 progress:

- IAG airlines worked together to identify common sustainable solutions for Group cutlery, to comply with the EU SUP ban which entered into force in July 2021;
- British Airways and Iberia launched new services (Buy-Before-You-Fly and DeliverFly) to give passengers the choice of buying fresh and ambient products before departure. These services remove food waste from unpurchased shorthaul economy meals while maintaining customer choice;
- Vueling developed an internal dashboard to track waste and set a target to segregate 60% of onboard waste by 2023; and
- IAG Cargo increased recycling rates by 6 per cent at both the London and Dublin hubs.

Waste commentary:

Onboard services are IAG's main source of waste. Key inputs include onboard meals and amenity kits supplied to passengers, and key outputs include plastic packaging, leftover food waste, drinks cans, and cabin items such as wrappers. 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 Heathrow, Dublin, Madrid and Barcelona.

Waste regulations limit the amount which can be recycled. For example, Irish regulations require specific categories of onboard waste to be incinerated.

IAG supports innovation to minimise waste. For example, as part of the 2020 Hangar 51 platform, Iberia worked with Countalytics to track its flows of onboard waste and develop better onboard services.

Metric	Unit	vly	v2019	**2021**	2020	2019
Onboard waste at hub airports	'000 tonnes	-7%	-54%	**12.3**	13.2	27.0
Onboard waste generated per passenger at hubs	kg/pax	-19%	+42%	**0.47**	0.58	0.33
Overall waste (onboard, office, maintenance, cargo)	'000 tonnes	-10%	-54%	**27.6**	30.6	60.2
Overall recycled and recovered	%	+6%	+9%	**30%**	24%	21%

Note: 2019 and 2020 values have been restated due to a more rigorous methodology aligned to GRI standards.

Metric	Description	Commentary
Waste/pax at hubs	• Onboard 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.	Onboard waste generated per passenger decreased in 2021 due to more predictable passenger behaviour and a reduced share of longhaul flying, which has more comprehensive onboard meal services. This metric is likely to increase in 2022 even with an enhanced focus on waste reduction across the business.
Overall waste	• Includes waste from all streams – onboard, office, cargo and maintenance waste – and an extrapolation of waste processed at overseas airports, where waste destinations are not always reported by third parties.	2021 volumes remain much lower than 2019 due to reduced flying activity.
Overall recycled and recovered	• Excludes waste sent to incineration.	Overall recycling/recovery rates have improved due to a higher share of flying from Spanish hub airports, where more waste can be recycled at processing facilities.

B.3. Noise and air quality

Reference to GRI, TCFD and SASB standards: GRI 305-7. Supports SDGs 3, 11

IAG remains committed to reducing the impact of aircraft noise and air pollution on local communities near airports.

The average noise per journey – per landing and take-off cycle – has reduced by 19 per cent in the past five years. Due to the early retirement of Airbus A340s and B747s in 2020, an 8 per cent drop in average noise per sector was achieved in 2021 alone, almost meeting the 10 per cent noise reduction target set for 2025.

IAG will update noise targets in 2022.

Operating companies continue to work to minimise noise impacts. They regularly monitor noise and air quality performance using national databases and global aircraft noise standards. Improvements are driven via fleet modernisation and specific operational practices like continuous descents. Airlines also engage with stakeholders such as community groups, regulators and industry partners and participate in research and operational trials.

IAG supports innovation to reduce noise impacts. In 2021, Iberia participated in the EU AVIATOR project to better understand air pollution impacts at airports using research on real aircraft. In 2022 a testing campaign will be carried out using SAF.

Detailed descriptions on all noise metrics are available in the IAG NFIS.

Metric	Unit	Vly	v2019	**2021**	2020	2019	2018	2017
Noise per cycle	QC per LTO	-8%	-12%	**0.88**	0.96	1.00	1.07	1.06
NO_x per cycle	kg per LTO	-8%	-1%	**9.10**	9.84	9.23	9.71	nr
ICAO Chapter 14	% at standard	-2%	+3%	**56%**	58%	53%	50%	46%
CAEP Chapter 6	% at standard	0%	+2%	**80%**	80%	78%	74%	69%
CAEP Chapter 8	% at standard	3%	+8%	**43%**	40%	35%	29%	26%

% 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 operational aircraft during the year.

Related risk: Operational noise restriction and charges

Risk description	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 UK, Ireland and Spain to manage noise challenges

C. People and Prosperity

C.1. Workforce overview

Reference to GRI, TCFD and SASB standards: GRI 403-4, 408-1, 409-1

Supports SDG 12

2021 has been another challenging year for the Group and for our colleagues as we continue to navigate the impacts of the COVID-19 pandemic, aligning our resourcing levels to the operational needs of the business, ensuring we are ready to take advantage of opportunities as restrictions are lifted, and ensuring we protect the safety and wellbeing of colleagues and customers.

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. Core principles in the 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.

At the end of 2021, 56,658 people were employed across the Group in 81 countries, a decline of 2 per cent in the year. Our voluntary turnover rate for 2021 was 5 per cent compared with 15 per cent in 2020, a change that reflects the completion of the necessary resizing of the business in response to COVID-19 but also giving some indication of new hiring and role creation in 2021. The necessary changes put in motion in 2020 and 2021 have positioned the business to a place which has allowed us to safeguard jobs in key areas of the business and take advantage of the opportunities as travel restrictions ease.

As the business pivots towards recovery from COVID-19, there has been a key emphasis and focus on maintaining and retaining employees during 2021 – which is reflective in our workforce measures. There has been no material change in our headcount position compared to 2020 and there is some evidence of headcount growth in areas where we have seen a more regular pattern of flying return. As the world begins to open there is the expectation that our recovery will continue into 2022 and this will be reflected within our workforce population and composition.

As public health guidance changed and in line with operational requirements, employees across the Group started returning to our offices and our operating companies have taken approaches to coordinate and support the safe and flexible return of our employees. Our operating companies have promoted a balanced, flexible and hybrid working model which enables the right balance between flexibility whilst bringing the benefits of being together as a team. At Aer Lingus this is being promoted as "hybrid working" and is guided by the principles that people are expected to develop the right balance between home and office working, reflecting role requirements and personal circumstances. Similarly, British Airways has recently introduced a hybrid model of working, which allows employees to create a mix of remote and office working which is right for them based around the concept of "neighbourhood" communities for teams and hot-desking. Iberia has also welcomed back employees to its offices and has an individualised return to work programme for teams – launching targeted managerial and all employee guidance and mandatory training for all employees.

Operating companies have also been making considerable investments in the workplace and both Vueling and IAG Loyalty have recently modernised and moved into new office facilities. These new facilities have been created to foster a more open and modern office environment which will help to facilitate collaboration and communication between teams.

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 in October 2021. 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 2021, IAG launched a new leadership and talent strategy, building on the work within each operating company and enabling improved attraction, retention and mobility of talent across the Group. IAG is currently working to align the talent management framework across the Group, initially focusing at Group level on the IAG Management Committee and their direct reports. IAG has a strong track record of retaining and promoting talent into senior roles, as evidenced by the Management Committee appointments during 2020 and 2021, and this new approach will improve the rigour and consistency of talent management across the Group.

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 of the EU, IAG recognises trade unions in many jurisdictions, has collective agreements and meets/exceeds all relevant labour standards.

IAG has a European Works Council (EWC) which brings together employee representatives from the different European Economic Area (EEA) Member States 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 Member States. During 2021, IAG hosted one full meeting of the EWC and 11 Select Committee meetings, which have all been held virtually. In November 2021 we commenced the nominations and elections process for new representatives of the EWC, a process which had been postponed due to the pandemic. Reflecting the changing geopolitical landscape and the specific role of the EWC to manage transnational issues for EEA Member States, the UK will cease to have representatives within the EWC, and we will continue to engage with UK employee representative groups on matters relevant to them. The EWC election and appointment process for the new Select Committee and Chair will be completed in February 2022.

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

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.

C.2. Health, safety and wellbeing

Reference to GRI, TCFD and SASB standards: Supports SDG 3

IAG is committed to safeguarding the health and safety of our employees, customers and all others affected by 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. It is our highest priority.

IAG has robust governance processes in place led by the safety committees in each operating company. The IAG Safety, Environment and Corporate Responsibility Committee monitors 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.

COVID-19 continues to be present in our communities and impacts our people and the Group continues to follow expert guidance from bodies such as the IATA Council Aviation Recovery Taskforce (CART), the WHO, Public Health England and Spanish and Irish authorities. New safety and hygiene measures have been introduced for all employees and customers. All these measures have been carefully thought through alongside the need to reflect the latest advice from public health authorities and aviation regulators.

To support employee wellbeing across the Group, each operating company has continued to create new websites and has deployed internal resources to support mental health and COVID-19 safety. For example, British Airways built on existing resources put in place throughout 2020 and issued daily press updates which continue to highlight wellbeing and the support available such as information about its Employee Assistance Programme and the UNMIND mental health digital application. The latter includes webinars, interviews and other resources, and access was extended to family members of employees in the second half of 2020.

Iberia has also continued with its COVID-19 prevention training which is now mandatory for all employees returning to the office. In collaboration with local authorities in Madrid, Iberia has also assisted in the vaccination programme and operated a vaccination centre on premises between July 15 and September 30. Additionally, Iberia has taken part in the "Elige Cuidarte" ("Choose to take care of yourself") programme aimed at getting all its employees vaccinated against both COVID-19 and the flu.

C.3. Diversity, inclusion and equality

Reference to GRI, TCFD and SASB standards: GRI 406-1

Supports SDG 5

IAG has a Group-wide Equal Opportunities 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.

Key 2021 progress on gender diversity and equality:

- IAG has increased the number of women in senior executive roles to 33 per cent, a 3 per cent increase on last year. In 2021, working with senior leaders across the Group, we have reviewed our targets and plans and are delighted to announce an increase in our external target to 40 per cent women in senior roles by 2025;
- Iberia and Vueling have revised their equality plans covering all employees in Spain reflecting new legislation;
- British Airways has made commitments to equal opportunities within its recruitment processes and has announced a commitment to 100% open recruitment, diverse shortlisting and diverse interview panels;
- IAG launched the Elevate programme – a peer networking programme for senior women;
- Iberia has successfully launched its "Take the Lead" programme aimed at cross-mentoring for women within the business;
- Iberia participated in the III Business Summit #MujeresyLiderazgo (Women and Leadership), organised by the consulting firm 50 & 50 Gender Leadership in collaboration with CEOE;
- Vueling and Iberia, alongside the Spanish Aviation Safety and Security Agency (AESA) and Airbus, produced an awareness campaign video on International Women's Day to showcase women in the aviation sector;
- IAG and IAG GBS, to mark and celebrate International Women's day, hosted a "fireside chat" led by female members of our Senior Executive community; and
- Aer Lingus achieved the "Investors in Diversity" Bronze accreditation.

Key 2021 progress for other under-represented groups

In 2021 we created a new Diversity Panel to share best practice and to lead the co-design of new diversity and inclusion initiatives. We are reviewing key employment policies, to ensure they are inclusive and fair for all, and are looking into 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 targets and develop action plans.

Key initiatives for under-represented groups:

- Our procurement team is using the EcoVadis tool to evaluate our top suppliers including a review of diversity and inclusion, enabling us to promote and support inclusion throughout our supply chain;
- British Airways launched its Reverse Mentoring programme for ethnic minority colleagues up to Management Committee level and celebrated Black History Month with several events including: videos and interviews with the Senior Leaders; an all-Black gate team; and a webinar from Tessy Ojo OBE, Chief Executive Diana Award UK;
- Aer Lingus launched visual guides on aerlingus.com to support customers with cognitive disabilities and has rolled out disability awareness training for all front line employees; and
- GBS ran Lunch and Learn session led by an external expert to celebrate BHM and encourage people to speak about racism and allyship.

C.4. Human rights and modern slavery

Reference to GRI, TCFD and SASB standards: Supports SDGs 3, 4, 5

IAG had no known cases of human rights violations across the Group during 2021. IAG GBS screens suppliers to identify and mitigate potential incidences of human rights violations, and modern slavery clauses feature in all new supplier contracts as well as contract renewals.

IAG is taking steps to prevent incidences of modern slavery within the Group and across its supply chains. In terms of policies associated with human rights, IAG asks suppliers to adhere to the IAG Group Slavery and Human Trafficking Statement, which was last updated in 2021 and is available on the IAG website. This statement is made under section 54, part 5 of the 2015 UK Modern Slavery Act (MSA).

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 2021, over 27,000 employees have completed over 38,000 hours of training covering Human Rights topics.

In 2022, IAG plans to review the assessment of human rights risks within the business.

Human rights

Risk description	2021 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 A.6. Supply chain sustainability

C.5. Community engagement and charitable support

Reference to GRI, TCFD and SASB standards: GRI 102-13, 201-1. Supports SDG 11

IAG operating companies have long-standing partnerships to support community causes both locally and around the world. Key partnerships include:

- British Airways has partnered with the Disasters Emergency Committee for eight years and helped raise over £1.5 million supporting 17 humanitarian appeals;
- Vueling has been working with Save the Children for seven years and is the second-largest sponsor of this NGO in Spain;
- Iberia has been contributing to the UNICEF children's immunisation programme for eight years. This programme focuses on diseases like polio and measles and has paid for the vaccinations for more than a million children in Chad, Angola and Cuba;
- Aer Lingus staff have had an annual "Make a Difference" day for staff volunteering for a decade. While this did not go ahead in 2020 and 2021, Aer Lingus was a significant contributor to the COVID-19 global response via flights of medical equipment between Europe and China; and
- British Airways has been working with the "Flying Start" global charity programme, in partnership with Comic Relief, for over a decade. This programme has helped over 864,000 people in some of the world's poorest communities.

Key 2021 milestones:

- IAG Cargo transported over 19 million COVID-19 vaccines, including a 4 million dose shipment to Abuja, Nigeria in collaboration with UNICEF and its COVAX initiative and 300,000 doses to Jamaica, donated by the UK Government;
- IAG GBS employees supported the "Business versus Smog" programme in Poland, improving environmental awareness among children;
- Iberia launched its corporate volunteering programme "Cada acción suma", and via a collaboration with NGO Mano a Mano and Iberia Express, sent almost five tonnes of supplies to La Palma residents affected by the volcanic eruption; and
- Vueling supported multiple causes including the Spanish Association Against Cancer, Caritas, ASPANOB and LOVAAS foundation which supports children with different degrees of autism.

In 2021, €2.7 million was raised for charitable causes across the Group. Of this, 33 per cent came from customer contributions, 10 per cent from company donations, 50 per cent from employee contributions, and 7 per cent from in-kind donations. The total remains lower than 2019 due to reduced flying affecting customer contributions and reduced business activity limiting fundraising campaigns.

Metric	Unit	vly	v2019	**2021**	2020	2019	2018	2017
Total raised	€ million	-42%	-53%	**2.7**	4.6	5.7	nr	nr

C.6. Workforce measures

Reference to GRI, TCFD and SASB standards: GRI 102-7, 102-8, 401-1, 405-1

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 17.1% decrease reflects the resizing of the business in 2020. This is an average figure and most of the resizing took place in Q4 2020. • This measure accounts for employees' contractual schedule of work and therefore does not account for the impact of COVID-19 job retention scheme.
Headcount	Number of people	• Headcount is the actual number of people employed across the Group (employees) at December 31, 2021.	• Overall headcount decreased over the year by 2.2%. • Reflects the necessary workforce actions taken in 2020 and in the beginning of 2021.
Composition	% headcount by employment type, contract and employee categories	• Composition is a breakdown of headcount as at December 31, 2021. • Full-time employees are defined as those working full contractual hours as at December 31, 2021. • 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 & Logistics.	• Increase in temporary workers to 4%, driven by a stronger summer season in Spain, particularly in Vueling, mostly in Airport based roles. • The modest increase in temporary employees has also increased our ratio of part time employees to 22%; these roles are typically focused on covering specific peak hours. • A change in categorisation of employees in our Cargo and Logistic units has seen increases in maintenance and logistic roles to 13% and related reductions in Airport and Corporate. This aside, the Group has seen modest recovery in Airport employees linked to the broader recovery of travel.
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 Spain is due to the increased summer flying schedules at Iberia and Vueling. At the end of 2021 IAG had employees based in 81 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 194 senior executives as at December 31, 2021. • IAG increased the proportion of women in senior executive roles to 33% by the end of 2021. IAG has maintained gender diversity of the Board at 42%. • A decrease in the proportion of women across the whole Group is explained by the impact of COVID-19 and restructuring in 2020 and the underlying gender mix of the teams affected e.g. cabin crew

Metric	Unit	Description	Commentary
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.	The increase in the proportion of employees over 50 years of age is explained by larger voluntary turnover figures in younger cohorts. The group lost 1,035 < 30 year olds (1.8% turnover); 1,335 30-50 year olds (2.4% turnover); and 565 > 50 year olds (1.0% turnover). The decrease in the proportion of employees under 30 years of age is explained by the end of temporary contracts and greater levels of voluntary leavers.
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 2021 was 6% – a total of 5,054 employees, of which 691 were non-voluntary leavers. This compares to 21% in 2020, a total of 13,654 of which 3,456 were non-voluntary leavers. This significant decrease in turnover reflects the Group resizing completed in 2020

Table of key measures

Metric	Unit	Sub-category	vly	**2021**	2020	2019	2018	2017
Employment	Average manpower equivalent[1]		-17.1%	**50,222**	60,612	66,034	64,734	63,422
Headcount	Number of people[2]		-2.2%	**56,658**	57,928	72,268	71,134	nr
Composition	% headcount by employment type	Full-time:	-1pt	**78%**	79%	74%	75%	nr
		Part-time:	1pt	**22%**	21%	26%	25%	nr
Composition	% headcount by employment contract	Permanent:	-1pts	**96%**	97%	94%	94%	nr
		Temporary:	1pts	**4%**	3%	6%	6%	nr
Composition	% headcount by employee categories	Cabin Crew:	1pt	**32%**	31%	35%	35%	nr
		Pilots:	0pts	**13%**	13%	11%	11%	nr
		Airport:	-2pts	**23%**	25%	26%	26%	nr
		Corporate:	-1pts	**19%**	20%	17%	18%	nr
		Maintenance:	2pts	**13%**	11%	11%	10%	nr
Employees by country	% of people	UK:	-1pts	**49%**	50%	54%	nr	nr
		Spain:	2pts	**36%**	34%	31%	nr	nr
		Ireland:	-1pts	**7%**	8%	7%	nr	nr
		India:	0pts	**2%**	2%	2%	nr	nr
		USA:	1pts	**2%**	1%	1%	nr	nr
		Other:	-1pt	**4%**	5%	5%	nr	nr

Note: "nr" means "not reported previously".

1 The mean of the manpower equivalent captured quarterly to reflect seasonality. This is not adjusted for time not worked whilst under COVID-19 job retention schemes and it reflects normal contractual hours.

2 Actual number of people employed across the Group at December 31, 2021.

Reference to GRI, TCFD and SASB standards: GRI 102-7, 102-8, 401-1, 405-1								
Metric	Unit	Sub-category	vly	**2021**	2020	2019	2018	2017
Gender diversity	% women at Board level[1]		0pts	**42%**	42%	33%	33%	25%
Gender diversity	% women at senior executive level		3pts	**33%**	30%	30%	27%	24%
Gender diversity	% women at Group level		-1pts	**42%**	43%	44%	45%	44%
Age diversity	% of managerial staff in each age band	<30	-1pts	**2%**	3%	4%	7%	6%
		30-50	-2pts	**55%**	57%	55%	57%	65%
		50+	3pts	**43%**	40%	41%	36%	29%
Age diversity	% of non-managerial staff in each age band	<30	-2pts	**16%**	18%	21%	22%	17%
		30-50	-1pts	**53%**	54%	50%	50%	51%
		50+	3pts	**31%**	28%	29%	28%	32%
Workforce turnover	% voluntary and non-voluntary	Voluntary	-11pts	**5%**	16%	7%	8%	8%
		Non-voluntary	-4pts	**1%**	5%	2%	3%	2%
Workforce turnover	Overall % by age group	<30	19pts	**35%**	16%	37%	35%	nr
		30-50	13pts	**46%**	33%	36%	34%	nr
		50+	-32pts	**19%**	51%	27%	31%	nr
Workforce turnover	Overall % by gender	Women	-3pts	**49%**	52%	47%	51%	nr
		Men	3pts	**51%**	48%	53%	49%	nr

Reference to GRI, TCFD and SASB standards: GRI 102-41, 403-9, 404-1. TR-AL-310a1.							
Metric	Unit	vly	**2021**	2020	2019	2018	2017
Social dialogue and trade unions	% covered by collective bargaining agreements	0pts	**89%**	89%	87%	86%	88%
Average hours of training	Average hours per employee per year	+47%	**38.9**	26.4	48.4	41.1	45.8
Lost Time Injury (LTI) frequency rate	LTI per 200,000 hours worked[2]	-9.1%	**2.19**	2.41	4.341	4.201	nr
LTI severity rate	Average days lost per LTI[2]	-10.1%	**34.00**	37.80	22.64	21.12	nr
Fatalities	Number of fatalities	0pts	**0**	0	0	1	nr

Note: “nr” means “not reported previously”.

1 In 2020 Female board composition metric normalised for consistency with 2021 at 42%.
2 The 2018 and 2019 LTI frequency rates have been restated due to change in standardising factor to better align to GRI standards.

D. Alignment with external frameworks

Key: Green is GRI CORE

Sustainability section	Sustainability subsection	Partial/full alignment with GRI Standard	SASB
Governance	A.1. Defining sustainability and material issues	**102-43, -44, -46, -47**	
	A.2. Sustainability governance	**102-46, -48**	
	A.4. Sustainability risk management	**102-11**, 102-15	
	A.5. Sustainability stakeholder engagement	**102-13, 102-43, -44**	
	A.6. Supply chain sustainability	308-2, 414-2	
	A.7. Ethics and integrity	**102-16**, 102-17, 205-1, -2, -3	
Planet	B.1. Climate change and TCFD disclosures	*See next table*	TR-AL-110a1, -a2
	B.2. Waste	306-1, -2, -3 (2020)	
	B.3. Noise and air quality	305-7	
People and Prosperity	C.1. Workforce overview	403-4, 408-1, 409-1	
	C.3. Diversity, inclusion and equality	406-1	
	C.5. Community engagement and charitable support	**102-13**, 201-1	
	Other metrics	*See next table*	TR-AL-310a1

Key climate change metrics in Section B	Partial/full alignment with GRI standard	SASB
Scope 1	305-1	TR-AL-110a1
Scope 2	305-2	
Scope 3	305-3	
Emissions intensity	305-4	
Electricity, energy	302-1	
Jet fuel use	301-1	
GHG reduction initiatives	305-5	

Key people metrics in Section C	Partial/full alignment with GRI standard	
Employment	**102-7**	
Headcount	**102-7**	
Employment composition	**102-8**	
Employees by country	**102-8**	
Gender diversity	405-1	
Age diversity	405-1	
Workforce turnover	401-1	
Social dialogue and trade unions	**102-41**	TR-AL-310a1
Hours of training	404-1	
Lost Time Injury (LTI) frequency rate	403-9	
Fatalities	403-9	

Agile risk management to support the delivery of sustainable long-term value

Enterprise risk management (ERM) approach

Agility in risk management

The risk management framework remains responsive to the needs of the business and our stakeholders by: continuing to develop the Group's assessment of the interdependencies of risks; further building on scenario planning to quantify risk impact under different 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 business in response to the pace of the transformation agenda. This allows the Board and management to assess and respond quickly to changes across the Group's principal and other key risks.

In the year, improvements to further develop the framework have been considered and discussed with management and the Board, including an assessment of how the risk appetite framework aligns to the business and risk landscape following the COVID-19 pandemic impacts. New guidance from regulators and investors is reviewed on an ongoing basis and best practice sought from other risk management sources. Where appropriate, enhancements and adaptions are then implemented across the Group.

Emerging risks and longer-term threats

As part of the risk management framework, potential emerging risks and longer-term threats are considered to identify new trends and risks that have increased in speed of potential impact. These include competitor actions, regulations, governments' interventions, customer trends and sentiment to travel, sustainability concerns and stakeholder considerations or business disruptors that could impact the Group's business strategy and plans.

IAG considers risks to the Strategic Business Plan ("the plan") over the short term up to two years, medium term from three to five years and in the longer term beyond five years.

ERM policy and framework

The Group Enterprise Risk Framework is set out in the Enterprise Risk Management (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 the Group businesses. Enterprise risks are defined as any risk that could impact the plan (above a threshold). They are assessed and plotted on an Enterprise risk map, based on probability and impact. Emerging risks are monitored 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 to 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 have been discussed. This process is led by the Management Committee supported by the ERM function.

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 maps for each operating company and central function are reviewed by each operating company's management committee and function leadership team, which considers the accuracy and completeness of the map, significant movements in risk and any changes required to the response plans addressing those risks. Where the Group's operating companies have a reliance on other parts of the Group for services delivery, risks are reflected appropriately across risk maps to ensure accountability is clear.

At the Group level, key risks from the operating companies, together with Group-wide risks, are maintained in a Group risk 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 2021 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 in 2021. Adaptions to the framework to set tolerances more dynamically, assess interdependencies of tolerances and link to the future strategic goals and prioritisation of investment will be implemented in 2022.

Risk assurance

The Group's risk heatmap is used to inform the annual Internal Audit plan. The ERM function also works with other compliance and Group functions, such as Government Affairs, Investor Relations and Sustainability, leveraging their frameworks and assessments where appropriate.

Viability assessment

The Board's assessment of the viability of the Group, including the selection of appropriate scenarios to determine the assessment, are 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 map reviews semi-annually, in advance of the Group risk heatmap 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 as to the identification, quantification and management of risks within their operating company as a whole at least annually.

Local heatmaps 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 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 review 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 & 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 Audit and Compliance Committee discusses risk and considers the risk environment as part of wider Board discussions at every meeting in addition to the bi-annual risk map review, including a review of the assessment of 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.

The Group risk map is reviewed by the IAG Board annually.

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.

Key

Interested stakeholders

Customers
Employees
Suppliers
Governments and regulators
Shareholders and other financial stakeholders

Link to principal risk

See Business model section of this report

Strategic priorities

1 2 3

Risk trend

Increase
Stable
Decrease

Considered in viability assessment scenarios

V 1 2 3 4

Principal risk	Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
Strategic					
1 **Brand and customer trust** Chief Strategy Officer	1 2 3	Customers, Employees, Suppliers, Shareholders and other financial stakeholders	Decrease	Stable	2
2 **Competitive landscape** Chief Strategy Officer	1 2 3	Customers, Employees, Suppliers, Governments and regulators, Shareholders and other financial stakeholders	Increase	Increase	1 2
3 **Critical third parties in the supply chain** Chief Transformation Officer	1 2 3	Customers, Employees, Suppliers, Governments and regulators, Shareholders and other financial stakeholders	Increase	Increase	
4 **Economic, political and regulatory environment** Chief Strategy Officer	1 2 3	Customers, Employees, Suppliers, Governments and regulators, Shareholders and other financial stakeholders	Stable	Increase	1
5 **Sustainable aviation** Chief People, Corporate Affairs & Sustainability Officer	1 2 3	Customers, Employees, Suppliers, Governments and regulators, Shareholders and other financial stakeholders	Increase	Stable	4
Business and operational					
6 **Cyber attack and data security** Group CIO	1 2 3	Customers, Employees, Suppliers, Governments and regulators, Shareholders and other financial stakeholders	Stable	Increase	3
7 **Event causing significant network disruption** Chief Strategy Officer/Operating Company CEOs	1 2 3	Customers, Employees, Governments and regulators, Shareholders and other financial stakeholders	Stable	Increase	1 3
8 **IT systems and IT infrastructure** Group CIO/Chief Transformation Officer	1 2 3	Customers, Employees, Shareholders and other financial stakeholders	Increase	Increase	3
9 **People, culture and employee relations** Chief People, Corporate Affairs & Sustainability Officer/Operating Company CEOs	1 2 3	Customers, Employees, Suppliers, Governments and regulators, Shareholders and other financial stakeholders	Increase	Increase	2
10 **Safety or security incident** Operating Company CEOs	1 2 3	Customers, Employees, Suppliers, Governments and regulators, Shareholders and other financial stakeholders	Stable	Stable	
11 **Transformation and change** Chief Transformation Officer	1 2 3	Customers, Employees, Suppliers, Governments and regulators, Shareholders and other financial stakeholders	NEW	N/A	2

Principal risk	Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
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 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

Year in review

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

The Group's exposure to certain risks outside of its direct control has continued in 2021 as a result of the COVID-19 pandemic's unprecedented impact on the travel and aviation industry. These risks include:

- changes in political and economic environment
- government restrictions over travel and movement of their citizens, governance requirements and regulations
- external events causing operational disruption including civil unrest, adverse weather or pandemic
- volatility in the markets and availability of funding and distortion caused by differing government aviation-specific support schemes

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.

The principal risks have been assessed as the Group moves back into recovery of its operations and adapts its model accordingly. One new principal risk of 'Transformation and change' has been identified as part of this exercise. It reflects the significance of the Group's transformation agenda and pace required to deliver the plan.

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	Interested stakeholders	Risk trend 2021	Risk trend 2020	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's airlines' brands and their associated reputation for customer service and value. The Group's 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 stranded as a result of governments' imposition of new restrictions, all airlines have worked directly with their customers to ensure their safe return. 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 Group's airlines have implemented all required measures to ensure customer and employee safety in line with governments' regulations. The resilience and engagement of our people and leaders is critical to retaining brand and customer trust.

Risk description

Erosion of the brands, through either a single event or a series of events, 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 internally 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.

Strategic

2 Competitive landscape

Chief Strategy Officer

Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
1 2 3		↑	↑	V

Status The scale of governmental support and aviation-specific state aid measures have varied by market and the potential consequential impact to the competitive landscape is under continuous assessment. Governmental restrictions continue to impact access to markets. The dynamic nature of the restrictions have required significant agility within our networks to manage the impact on our customers and business. In 2019, the Group announced plans to acquire Air Europa, which is owned by Globalia, subject to regulatory approvals. In December 2021, IAG and Globalia announced the termination of the agreement under which Iberia had agreed to acquire Air Europa, but noted that the parties intended to evaluate alternative structures. Any future deal would be subject to regulatory approval.

The Group continues to lobby over the negative impacts of government policies, 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.

Governments' support schemes for the aviation sector create distortionary effects across the markets in which IAG's airlines operate.

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.
- The Board discusses strategy throughout the year and dedicates two days per year to undertake a detailed review of the Group's strategic plans.
- Additional Management Committee and Board meetings have been convened as required.
- 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 has led an ongoing review of all critical contracts.
- The Group has restructured its businesses with greater flexibility and resilience built into the operations.
- The portfolio of brands provides flexibility as capacity can be deployed at short notice as needed.
- The IAG Management Committee regularly reviews 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.

3 Critical third parties in the supply chain

Chief Transformation Officer

Strategic priorities: 1 2 3

Interested stakeholders

Risk trend

2021 2020

Status Ongoing governments' restrictions through 2021 have required the Group's airlines to flex their operations and adjust capacity. The operations of the Group's suppliers, including aircraft manufacturers, has increased the risk of significant business interruption, delays or disruptions, including a lack of availability of labour to support supplier operations and/or problems in maintaining supply. This has led to increased costs to secure such services. Additional focus has been placed on key suppliers following the removal of governments' support schemes to ensure that the business and operations are not impacted.

The Group continues to lobby and raise awareness of the negative impacts of ATC airspace restrictions and performance issues on the aviation sector and economies across Europe, particularly through the recovery period. The Group relies on the provision of airport infrastructure and is dependent on the timely delivery of appropriate facilities. A third runway expansion proposal at London Heathrow and additional facilities at Dublin and Madrid Airports are among examples where the Group supports solutions that are efficient, cost effective and of value to our customers.

The Group continues to challenge unreasonable levels of increases in airport charges, especially at London Heathrow. A future aviation package review by the UK Government is expected in 2022.

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 of 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 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 Changes 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.
- The Group procurement function has oversight of all critical contracts across the Group's businesses.
- Alternative suppliers are identified where feasible.

Strategic

4 Economic, political and regulatory environment

Chief Strategy Officer

Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
1 2 3		=	↑	V

Status The COVID-19 pandemic has resulted in governments' measures, which led to an unprecedented impact on air travel and has also resulted in economic uncertainty and volatility across markets. These are being actively monitored and near-term capacity plans are refreshed dynamically, according to the latest status as the Group's airlines rebuild their operational capabilities and schedules. There can also be no clear certainty as to the level of demand for the Group's services as restrictions are lifted. The stress of the COVID-19 pandemic could have further far-reaching impacts including currency devaluations, inflation, new tax regimes on corporates and individuals as well as changes in control of governments and new government policies. The Group airlines have utilised the slot alleviation waivers granted by regulatory bodies in 2021.

Wider macroeconomic trends are being monitored such as 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.

Developments in relevant international relationships and air services agreements throughout the year, including the EU and the UK, are being monitored. Any further macroeconomic trends or potential requirements arising from Brexit are monitored by government affairs specialists across the Group businesses.

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.

Political decisions to respond to the COVID-19 pandemic impact economies across all markets, causing longer-term economic stress.

Strategic relevance

- IAG remains sensitive to political and economic conditions in the markets globally.

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 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 alleviation policy in the UK. It also continues to discuss with governments and industry bodies, approaches for the implementation of consistent, customer-centric testing.

Strategic

5 Sustainable aviation

Chief People, Corporate Affairs and Sustainability Officer

Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
1, 2, 3		↑	=	V

Status IAG was the first airline group to commit to a target of net zero carbon emissions by 2050. In 2021, the Group committed to extend net zero carbon emissions requirements to the Group's supply chain, with the Global Business Services (GBS) procurement function supporting the Scope 3 commitment. GBS will have a key role to play in ensuring its delivery for the Group with supplier sustainability ratings a key consideration for future contract negotiations and renewals. IAG has also committed to 10% 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. This requires an at least 55% emission reduction target set for 2030 and aims to bring the EU climate and energy legislation in line with the 2030 goal. The Group is currently modelling potential impacts and costs based on the published proposals, which includes the removal of aviation jet fuel tax exemption from 2024.

Iberia has agreed deals in Spain for the production of SAF this year. 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.

The Group has completed the retirement of its aged fleet of Boeing 747s and Airbus A340s.

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.

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 offsets 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. 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.

Mitigations

- IAG climate change strategy to meet target of net zero carbon emissions by 2050.
- British Airways offsets all UK domestic flight carbon emissions.
- IAG investment in Sustainable Aviation Fuels (SAF), including British Airways' partnership with Velocys and Iberia's agreement with Repsol and Cepsa to produce SAF.
- Aer Lingus internal SAF working group planning.
- BA customers may choose to offset their flights for carbon emissions or pay for sustainable fuel for their flight or both.
- Fleet replacement plan is introducing aircraft into the fleet that are more carbon efficient.
- The appointment of EcoVadis to work 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.

Business and operational

6 Cyber attack and data security

Group CIO

Strategic priorities	Interested stakeholders	Risk trend 2021	2020	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 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 continue 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 regulation 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 their own cyber projects at least quarterly.
- The IAG Chief Information Security Office 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.
- Threat intelligence is used to analyse cyber risks to the Group.
- 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's airlines during the year.

Business and operational

7 Event causing significant network disruption

Chief Strategy Officer
Operating company CEOs

Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
1 2 3		=	↑	V

Status The outbreak of the COVID-19 pandemic in 2020 resulted in an unprecedented level of disruption to the aviation sector, as well as global economic impacts and this remained the situation in 2021. Other 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 of the Group's control such as adverse weather, another pandemic, civil unrest or a terrorist event seen in cities served by the Group's airlines.

Risk description

An event causing significant network disruption or the inability to promptly recover from short-term disruptions may result in lost revenue, customer disruption and additional costs to the Group.

The COVID-19 pandemic is likely to continue to have an adverse effect on the Group where governments choose to reimpose restrictions to manage public health concerns, as would any future pandemic outbreak or other material event impacting operations or customers ability to travel.

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's 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.

Business and operational

8 IT systems and IT infrastructure

Group CIO
Chief Transformation Officer

Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
1, 2, 3		↑	↑	V

Status The Group recognises the importance of technology and all of its digital and IT resources are managed together in IAG Tech, reporting to the Chief Information Officer (CIO), a member of the IAG Management Committee. 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 understanding business requirements, helping to transform the Group's businesses and deliver a digital customer experience. 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. There is an increased focus on service delivery and services management as the Group addresses its legacy environment. Plans and investment to upgrade or transform away from obsolete systems or architecture have been subject to ongoing review and plans accelerated where required to meet new regulations around travel documentation.

Risk description

The dependency on IT systems 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, particularly if the Group needs to defer investment to preserve cash.

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

9 People, culture and employee relations

Chief People, Corporate Affairs and Sustainability Officer
Operating company CEOs

Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
1 2 3		↑	↑	V

Status The resilience and engagement of our people and leaders has been critical through the COVID-19 pandemic to ensure the Group is best positioned to resume operations and adapt as needed to the uncertain external environment. The duration and scale of the pandemic has required the Group to restructure and employee consultations across the Group's businesses to support restructuring proposals have been undertaken as required. Where possible, job retention and wage support schemes have been utilised to reduce people impacts.

As the Group rapidly transforms all its operations to adjust for the new environment, the engagement and support of the Group's employees is going to be a critical enabler. The Group businesses are focused on building and maintaining employee relationships and trust to deliver operational readiness and meet changing customer, employee and business demands.

In 2021, the Company implemented a new Remuneration Policy that is closely aligned to the Company's strategy and supports the aim of attracting and retaining exceptional talent across the Group. The Group is focused on staff wellbeing and people morale and motivation, particularly as our people return to their offices and the Group businesses adapt and implement 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 excellence.

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 represented by a number of different trades unions. 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.

Mitigations

- Ongoing information sharing, consultation and collective bargaining with unions across the Group takes place on a regular basis led by operating companies' human resources specialists, who have a strong skillset in industrial relations.
- 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.
- Access to support individuals' wellbeing.
- IAG Code of Conduct is supported by an annual training requirement for all of our staff.

Business and operational

10 Safety or security incident

Operating company CEOs

Strategic priorities

1 2 3

Interested stakeholders

Risk trend

2021	2020
⊜	⊜

Status The Group's airlines were focused on a safe return to operations in the year, with additional refresher training as flight crews, cabin crews and ground colleagues returned to service, building back their skills and knowledge.

The IAG Safety, Environment and Corporate Responsibility Committee (SECR) 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	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
1, 2, 3		NEW	N/A	V

Status The Group has established a Transformation Programme Management Office which has oversight of an agreed portfolio of initiatives across the Group. 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 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 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.
- Consistent core metrics and dashboard reporting is used to assess performance against plan.
- The dashboard and progress against delivery is assessed by a core group of the IAG Management Committee weekly.
- 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.

12 Debt funding

Chief Financial Officer

Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
1, 2, 3				V

Status Despite disruption in the financial markets since the spread of the COVID-19 pandemic, the Group has proactively focused on protecting liquidity by raising new non-aircraft debt, agreeing new aircraft leases and entering into new multi-year credit facilities. Aircraft were successfully financed on long-term arrangements during the year.

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.

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 cashflows of the Group.

Mitigations

- The IAG Board and Management Committee have reviewed the Group's financial position and financing strategy on a very frequent basis throughout the period of the COVID-19 pandemic.
- The Group has maintained clear focus on protecting liquidity.
- Additional funding arrangements entered into, including raising additional equity in 2020.

Financial risk including tax

13 Financial and treasury-related risk

Chief Financial Officer

Strategic priorities	Interested stakeholders	Risk trend 2021	Risk trend 2020	Viability scenario
1, 2, 3		=	↑	V

Status The financial markets were impacted by the uncertainty derived from the COVID-19 pandemic. 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 have all been re-evaluated this year 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 Group's fuel hedging policy was revised in early 2021 (and approved by the IAG Audit and Compliance Committee) to better reflect the circumstances caused by the COVID-19 pandemic and future capacity expectations.
- 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

14 Tax

Chief Financial Officer

Strategic priorities

1 2 3

Interested stakeholders

Risk trend

2021 2020

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.

Compliance and regulatory

15 Group governance structure

General Counsel

Strategic priorities: 1, 2, 3

Interested stakeholders

Risk trend: 2021 = ; 2020 =

Status The aviation industry continues to operate under a range of nationality and other restrictions, some of which are relevant to market access under applicable bi-lateral and multi-lateral air service agreements, while some are relevant to eligibility for applicable operating licences. The Group will continue to encourage stakeholders to normalise ownership of airlines in line with other business sectors.

Risk description

The governance structures the Group has in place include nationality structures to protect Aer Lingus', British Airways' and Iberia's operating licences and/or route rights.

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

- 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

Interested stakeholders

Risk trend: 2021 = ; 2020 =

Status The Group has maintained its focus on compliance with key regulations and mandatory training programmes have continued throughout the year.

Risk description

The Group is exposed to the risk of 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 framework and mandatory training is in place for all Group businesses.
- 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 arising from the COVID-19 pandemic 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 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

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 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 ageing populations in Europe, war for talent, diversity and inclusion ambitions, hybrid ways of working and different career expectations from new joiners into workforces and the aviation industry
  - The ongoing challenges posed by the COVID-19 pandemic, including structural changes in how customers travel, costs incurred by the Group in safeguarding customers and colleagues 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
  - Stakeholder expectations over commitment to acting with integrity to protect our planet, particularly climate change and carbon impacts

Viability scenario development

- The Group has undertaken extensive analysis, forecasting and scenario modelling over the last year. It has refined its forecasting models and depth of analysis to ensure that stresses considered reflect specifics to markets and regions relevant to the Group's airlines as well as the analysis completed at the Group level
- During 2021, the Board regularly reviewed scenarios stressing the financial plans. These exercises leveraged the existing processes and models used for viability assessment within the Group
- 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 sustainability. Each scenario considered the impact on liquidity, solvency and the ability to raise financing in an uncertain and volatile environment
- When considering the mitigations, management has 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 as mitigations were presented with recommendations for the Board to consider. In assessing 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
- The Downside Lockdown scenario was considered to be the most severly impactful but plausible scenario that could threaten the Group, and in excess of any other plausible combination of scenarios. Mitigating actions as described in the Downside Cases were also considered across all of the scenarios modelled
- 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

Scenarios modelled

No.	Title	Link to principal risks
1	**Downside cases and sensitivities further stressing the plan**	
	Downside cases stressing the plan to model prolonged imposition of restrictions and a more gradual recovery relative to the plan. This could be caused by factors such as new variants emerging and differing governments' appetite for pandemic measures, including vaccine and testing requirements for entry, the availability of treatments in countries and border closures. Two scenarios were modelled and assessed, referred to as the "Downside Case" and "Downside Lockdown Case". Both scenarios reflect a capacity restricted environment, with the second of these having a more significant impact on the status of travel, with heightened restrictions being re-imposed worldwide significantly lowering capacity. The Downside Lockdown case is representative of the environment experienced in Q1 2021, with modelling the impact of national lockdowns and severe restrictions impacting the Group airlines in all regions for a period of two months during 2022, with capacity recovering to the Downside case levels in mid-2023. Both scenarios model a more acute impact on the longhaul sector, with the domestic sector and European shorthaul sectors recovering faster than longhaul, as experienced in 2021. The Group does not need to draw down on its general credit facilities (being the multi operating company Revolving Credit Facility (RCF) of $1.755m and the BA UKEF £1.0 billion credit facility, both negotiated and executed in 2021) under the Downside scenario. In the Downside Lockdown scenario, it is assumed that these facilities would be fully drawn down. As part of the modelling, consideration was given to some of the key factors that could influence the evolution of cash in the Downside and Downside Lockdown cases. Cost mitigations were considered across all operating cost lines, including the impact of 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 purchases during 2020 and 2021, and, in addition, has further potential mitigating actions, including asset disposals, it would pursue in the event of adverse liquidity experience. The period to June 2023 of this Downside Lockdown case scenario 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, 7, 12, 13**
2	**Business transformation delays and gaps in critical skillsets**	
	Potential for lost revenue impact arising from delays in delivering and realising the benefits of business transformation initiatives. Increased costs from critical skills not being in place to deliver the transformation as a result of continuing uncertainty surrounding aviation industry, staff engagement and pace of required change.	**1, 2, 9, 11**
3	**Ransomware attack**	
	A stress to model the impact of a ransomware attack on an IAG airline. The scenario assumes a disruption period of 1-2 weeks 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 impact 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.	**6, 7, 8**
4	**Increasing awareness of sustainability agenda impacting the Group**	
	A revenue stress on shorthaul operations across the Group in years 2 and 3 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). The scenario also includes an assumption where there is a slower than anticipated return of corporate travel business (both long and shorthaul) versus plan expectations. This scenario allows the Board to understand the potential impacts of the Sustainability agenda on the Group's future financial performance over the life of the plan to 2024. Longer-term consideration of the impacts of climate change and carbon and regulatory initiatives to address this within the aviation sector, such as the EU Fit for 55 proposals, 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 2024 considering the ongoing impact of the COVID-19 pandemic on the external environment and aviation industry, 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 time frame 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 2024. 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 Lockdown scenario case (the most severe and plausible of the downside 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 impacts 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;
- and 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.

Due to the uncertainty created by the COVID-19 pandemic, the potential for future waves of the COVID-19 pandemic and the consequential impact on travel restrictions and/or demand, the Group is not able to provide certainty that there could not be more severe downside scenarios than those it has considered, including the stresses it has considered in relation to factors such as the impact on yield, capacity operated, cost mitigations achieved and fuel price variations. In the event that such a scenario were to occur, the Group would need to implement additional mitigation measures and would likely need to secure additional funding over and above that which is contractually committed at February 24, 2022. The Group has been successful in raising financing since the outbreak of COVID-19, however the Group cannot provide certainty that it will be able to secure additional funding, if required, in the event that a more severe downside scenario than those it has considered were to occur.

Making the case for positive policies

The political and regulatory environment in 2021 continued to provide IAG with significant challenges as states around the world maintained, and in many cases tightened, restrictions on international travel as part of their ongoing responses to the COVID-19 pandemic. While always seeking to maintain the safety of its customers and colleagues, IAG worked to influence common sense approaches to rule-making and the safe lifting of restrictions as vaccination programmes expanded.

The effects of the pandemic had additional knock-on impacts in a variety of areas as policy makers and regulators reacted to the reduction in traffic, leading to temporary changes in policy. Specifically, there were restrictions that impacted IAG carriers via the limitation of frequencies and allocation of capacity between competitor airlines in several international markets that the Group worked to reduce or remove.

Alongside the pandemic, sustainability continued to be the most important area of regulatory policy development affecting the industry. Interest around the world in the management of carbon emissions grew in the run-up to COP26 in November with ongoing scrutiny of the contribution of air transport to emissions. This is a challenge to which IAG is leading the aviation industry's response.

COVID-19

Regulatory reaction to address the threat of COVID-19 required IAG and its operating companies to monitor and manage very many developments in the regulatory field throughout 2021.

In order to encourage the adoption of practical and reasonable rules, as well as to mitigate their impacts on the business, IAG and its operating companies took every opportunity to engage with the authorities in the countries in which its airlines are established and in other major markets directly and through trade associations. Understanding restrictions, implementing, and complying with associated regulations, as well as keeping customers informed of requirements, was unfortunately made ever more difficult by the very considerable variations between jurisdictions and further by constant changes to regulations, often implemented with little or no notice.

Swift development of digital applications by the Group, such as British Airways' in-house Right To Fly or Iberia's and Vueling's AirCheck system, as well as collaboration with independent apps such as VeriFLY, were essential in helping verify customers' travel documents and managing demand as passenger volumes began to return in the second half of the year.

As well as the unprecedented level of engagement with governments over this period, IAG established internal working groups, both cross department within operating companies and across Group companies, to manage the process of implementing rule changes, thus benefitting from the wide range of experience and expertise across the Group.

IAG's engagement included highlighting the benefits and value of aviation, especially that of transatlantic traffic, at the highest levels. The Group was well prepared to meet the US authorities' requirements for track and trace data when the country opened to vaccinated foreign visitors in November.

The US opening came as part of a gradual removal of restrictions in IAG's key home markets and around the world along with the welcome simplification of the UK's traffic light system and the removal of hotel quarantine requirements in the UK and Ireland.

The unpredictable nature of the pandemic was emphasised when further restrictions on travel to certain countries were imposed by governments in response to the spread of the Omicron variant. IAG continues to argue for such policy action to be proportionate so that future variants of concern should not, for example, result in blanket measures on all travellers, such as the need for onerous and costly testing regardless of origin.

Throughout the pandemic IAG has advocated the establishment of a global approach to imposing restrictions and to rule-making through ICAO to reduce confusion for customers and airlines alike. The Group continues to urge governments to come together to develop a joint approach to crisis management that applies a consistent set of requirements whether for future pandemics (including moving to a traveller-based approach to risk rather than bans by country, allowing fully vaccinated passengers to travel without restriction, and setting standard architectures for digital health certificates) or for other upheavals that could impact the operation of this global industry.

Sustainability – Brussels

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 has engaged with representatives of the institutions of the European Union over the European Commission's Fit for 55 package. This commits the EU to reducing net greenhouse gas emissions by at least 55% by 2030 (compared with 1990) and to reaching climate neutrality by 2050.

IAG welcomes Fit for 55, and its objectives with which the Group is aligned, as a powerful package for change. However, IAG continues to argue that the design of some elements may reduce the EU's capacity to invest in sustainability and make it less competitive compared with other non-EU aviation markets.

IAG does not support the imposition of the jet fuel tax that Fit for 55 proposes. This is not a solution for decarbonisation but will reduce the sector's ability to invest in more effective measures. Instead, we are firmly of the view that policy should focus on increasing the use of Sustainable Aviation Fuels (SAF) and market-based measures such as the EU Emissions Trading System (ETS) and ICAO's Carbon Offsetting and Reduction Scheme (CORSIA).

IAG contends that increasing the use of SAF, which reduce lifecycle CO_2 emissions by up to 85 per cent, provides the primary near-term opportunity to drive down industry emissions. In April, IAG became the first European airline group to commit to powering 10 per cent of its flights with SAF by 2030. We encourage the EU to include a package of investment incentives to enable scaled-up production of SAF alongside the blending mandate requirement that Fit for 55 introduces.

British Airways launched its BA Better World sustainability strategy in September and also procured the use of sufficient SAF to power all flights between London and Glasgow during COP26.

IAG has long been an advocate for and contributor to the design of CORSIA. The Group believes the Fit for 55 package 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.

Other policy issues

Slot allocation

A key impact of the pandemic, given the dramatic reduction in demand, was the need for a waiver from regulators to the slot allocation rules that would otherwise risk breaking up long-established airline networks. IAG worked with its trade association, the International Air Transport Association (IATA) to advocate the adoption of a system agreed with airports and slot coordinators that would recognise the value to consumers to allow temporary alleviation from "the use it or lose it" rules so as to maintain networks of airlines who have built them up over the years. The UK and others sensibly adopted full waivers of the "use it or lose it" rules but the patchwork of approaches adopted, including the different position of the EU from that of the US and other key markets, was disappointing. IAG continues to support the use of the proven, effective global rules of the IATA Worldwide Airport Slots Guidelines.

Competition

Another feature of the impacts of the pandemic in 2021 was that in some markets, governments imposed peremptory or arbitrary restrictions on capacity to protect their home carriers on the pretext of safeguarding public health. IAG and its operating companies continue to work through the governments of its home countries and in the markets in question to promote the benefit of competition to consumers and the health of the aviation industry and to encourage a full return to normal operations in 2022.

Airport charges

Working with the trade association Airlines for Europe (A4E), IAG continued to promote the need for changes to airport charges legislation in Europe to make the industry fit for a more competitive future. The Group continues to monitor developments and engage with regulators around the world as airports seek to increase charges to pass on their losses over the last two years to their airline customers. A key focus during 2021 was on Heathrow's regulatory price review. The airport sought to double charges when other hubs (e.g. all airports in Spain) are keeping rates flat or seeing only small increases (e.g. Frankfurt). It was disappointing to see the Civil Aviation Authority (CAA) announce, in December, that it would allow Heathrow to increase charges by 50 per cent in 2022 (the interim price cap). British Airways and IAG are fully engaged in the CAA's review process that continues through the first half of 2022. We seek to demonstrate that charges should in fact more reasonably be reduced at Heathrow over the remainder of the regulatory period to 2026 in the interests of preserving the competitiveness of UK aviation and providing a better outcome for both IAG's airlines and for consumers.

Market access

During the pandemic, regulatory approval was secured for a range of flights for Aer Lingus, British Airways and Iberia to new destinations or for new purposes including cargo and passenger charter services. As restrictions began to be lifted attention turned to strategic actions to expand markets.

The start of Aer Lingus's operations from Manchester to the Caribbean demonstrated the Group's flexible business model, including IAG's central Government Relations team helping to secure regulatory permission from both UK and US authorities for the new UK-based operation. Further regulatory engagement with several countries in the Caribbean, Africa and Asia has also helped secure the significant expansion of code share networks, in particular with Kenya Airways and Qatar Airways.

IAG monitored, as usual, developments in relevant international relationships and air services agreements throughout the year, including the discussions in the Autumn between the EU and the UK on the Northern Ireland protocol (since the UK-EU Trade and Cooperation Agreement includes provisions on aviation). Any potential changes to the status of the protocol are not expected to have an impact on the air services arrangements between the EU and the UK.

In 2021 overall, the Group took every opportunity to emphasise the economic and social value of aviation in facilitating trade, tourism and in reuniting families separated by the pandemic, and also to demonstrate that this is being done in a responsible and environmentally sustainable manner.

Additional disclosures

B. Planet

Overview

This section provides additional details on material IAG environmental metrics with cross-references to other parts of the report.

B.1.4a. Climate change metrics - extra descriptions and commentary

GRI 301-1, 302-1, 305-3, 4, 5

Below are descriptions and commentary for climate change metrics in B.1.4. Metrics.

Metric	Unit	Description	Commentary
Emissions intensity (Scope 2)	gCO_2/pkm	Based on Scope 2 location-based emissions divided by business activity, as measured in revenue passenger kilometres including cargo. Complements the flight-only emissions intensity metric.	The 28% improvement in 2021 is due to higher passenger-km combined with lower electricity use and greener national grids.
GHG reduction initiatives	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 e.g. airspace changes.	The 247% increase in 2021 is due to increased flying and delivery of emissions saving initiatives in Iberia and Vueling, including allocating aircraft to specific routes to improve fuel efficiency .
Electricity	million kWh	Consumption of electricity across IAG ground facilities, in millions of kilowatt hours. This includes usage in main offices, overseas offices, hub airports and maintenance facilities. A detailed description of how this value is calculated is provided next to the Scope 2 emissions metric in section B.1.4	Electricity use was 6% lower than 2020 and 29% lower than 2019 due to reduced occupancy in ground facilities and offices.
Energy	million MWh	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 gas oil, multiplied by appropriate UK Government conversion factors.	Energy use was 1% higher than 2020 despite an 11% increase in flying activity. 0.5% of energy use is from renewable sources, due to jet fuel being 99% of MWh and limited volumes of SAF being 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.	Pre-pandemic, this metric was increasing due to the use of more efficient aircraft and retirement of older aircraft. The 2021 value remains below 2019 levels due to low passenger numbers meaning lower average revenues per flight.
Jet fuel use	Tonnes	Jet fuel used within the aircraft fleet and for engine testing during the reporting year.	The 2021 volume is similar to 2020 due to ongoing COVID-related disruption limiting flying.
Fleet age	years	The average age of aircraft in the IAG fleet as of December 31, 2021.	The increase to 11.2 years in 2021 is due to limited new deliveries due to low flying activity.

Scope 3 emissions metrics

In 2021 IAG was the first airline group worldwide to target net zero Scope 3 emissions by 2050. This was complemented by a target for a 20 per cent reduction in net Scope 3 emissions by 2030, compared to a 2019 baseline. See Section A.6.

IAG has assessed all fifteen categories of Scope 3 emissions, as defined by the global GHG Protocol, and identified that only twelve categories are relevant. Emissions from these categories are disclosed below, with four categories representing 98% of IAG's Scope 3 impact.

IAG continues to refine Scope 3 calculations and the table below represents the most robust disclosure to date, with all 2019 and 2020 values reviewed and all based on the latest data and assumptions. Standardised conversion factors are used where data from suppliers is not available. Any significant restatements will be provided in future reports with explanations provided.

The total Scope 3 emissions in 2021 is 3,316,005 tonnes CO_2e.

Scope 3 category in tonnes CO_2e*	vly	v2019	**2021**	2020	2019
Category 3: Fuel and energy-related production	-1%	-64%	**2,266,561**	2,284,992	6,371,621
Category 2: Capital goods	-54%	-25%	**424,000**	912,000	568,000
Category 14: Franchises	+57%	-54%	**369,718**	235,167	810,334
Category 9: Downstream transportation and distribution	+11%	-30%	**174,708**	157,554	248,574
Category 11: Use of sold products	+101%	-69%	**56,430**	28,060	179,973
Category 7: Employee commuting	-4%	-69%	**5,514**	5,720	17,515
Category 5: Waste generated in operations	-22%	-40%	**2,234**	2,872	3,747
Other categories: 1, 4, 6, 8	+20%	+176%	**2,797**	2,332	1,014
Category 13: Downstream leased assets	n/a	n/a	**14,042**	0	0
TOTAL Scope 3 emissions	-9%	-60%	**3,316,005**	3,628,696	8,200,778

* Listed in order of highest to lowest climate impact in 2019. Categories which were lower than 1,000 tonnes in 2019 are grouped together.

Four categories of Scope 3 emissions are 98% of the impact.

Scope 3 category	Description	Commentary
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. It remains low compared to 2019 due to low flying activity and reduced ground operations.
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.	This methodology was significantly revised in 2021 leading to restatements for 2019-20 data. 2021 remains below 2019 due to lower numbers of new aircraft deliveries. 2020 is unusually high due to the number of accelerated fleet retirements.
Category 14: Franchises	Emissions from the jet fuel burn of aircraft franchises.	The increase in 2021 is due to higher activity in franchises.
Category 9: Downstream transportation and distribution	Emissions from the fuel use of subcontracted air or ground freight.	The increase in 2021 is due to increased cargo activity.

Scope 3 category	Description	Commentary
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. Categories reported here are flights on non-IAG carriers, hotel stays and car hire, as these categories are deemed to be most material.	This category is being reported for the first time this year as further analysis identified it as material. 2021 emissions remain lower than 2019 due to reduced economic activity, related to COVID-19 restrictions.
Category 13: Downstream leased assets	Jet fuel emissions from any aircraft leased to other carriers on a seasonal basis.	A non-zero value was reported this year as aircraft were leased to another airline.
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.	2020 and 2021 emissions were calculated using a discount factor, based on staff continuing to work from home. Commuting activity remains much lower than in 2019.
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 22% decrease in 2021 is driven by lower volumes of waste generated, due to reduced flying activity.
Category 1: purchased goods and services	Emissions from water supply and consumption in offices and facilities, laundries, and potable water carried onboard. These are calculated by multiplying m^3 values by UK government GHG conversion factors. Based on available data.	2021 is similar to 2020, due to lower occupancy in offices as a result of COVID-19 restrictions.
Category 6: Business travel.	Emissions from the jet fuel of IAG staff travelling on other carriers. Staff travel on IAG aircraft is captured in Scope 1 emissions. Emissions from hotel and car use are excluded as these are not material.	Levels of staff travel remain low relative to 2019, due to staff on furlough and reduced business activity.
Category 4: Upstream transportation and distribution	Emissions from subcontracted vehicles used in hub operations or cargo operations.	2021 values are based on 2020 data with 2019 data unavailable. Not reported in 2019.
Category 8: Upstream leased assets	Jet fuel emissions from any aircraft leased from other carriers on a seasonal basis.	Not relevant in 2021 as no leasing was carried out but may be relevant in future.

B.2a. Waste metrics - extra descriptions and commentary

On the next page are descriptions and commentary for IAG's key waste metrics and targets as described in Section B.2. These are IAG definitions aligned to GRI 306 standards. See Section B.2. for quantitative information about waste.

Group-wide waste targets were developed in 2021 by a cross-IAG waste targets working group over several months. The agreed targets are for 2025, compared to a 2019 baseline, and were deemed feasible yet stretching. IAG plans to report progress against these targets in 2022. Currently, the impacts of the COVID-19 pandemic make it difficult to establish meaningful trends.

"5 through 2025" focus areas	2019 Baseline generation (kg)	2019 Baseline recycling (%)	2025 generation target	2025 recycling target
Single-use-plastics	-	-	Zero-based*	-
Onboard waste	0.33	24%	-20% in kg/passenger	40%**
Office waste	96	35%	-50% in kg/staff	60%
Maintenance waste	0.63	50%	-25% in kg/person-hour	70%
Cargo waste	1.55	63%	-25% in kg/kg cargo handled	80%

* Eliminating as much as possible in all areas of operation, acknowledging that some plastics may still be required in 2025 where alternatives do not exist.
** Weighted average across the Group for hub airports. Other targets apply to all operating companies as a minimum level of ambition.

Waste type	Waste metric	Description of denominator
Single-use-plastic	Volume	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.
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.
		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/kg 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.
Main-tenance	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, compiled by maintenance teams.
Office	Kg/ employee	**Numerator:** Materials from printing, office stationary, and onsite catering. Includes offices, training facilities, and UK, Irish and Spanish 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.

In 2021 IAG sent 19,292 tonnes of waste to landfill and incineration, based on available data and extrapolations for overseas waste processing where information on waste destinations was not avaiable. 30% of waste was recycled, up from 21% in 2019.

Waste disposal method	Description
Landfilled	As per GRI 306 standards, this is 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.
Incineration	As per GRI 306 standards, this is defined as “controlled burning of waste at high temperatures”. **Includes:** incineration with energy recovery.
Recovered	As per GRI 306 standards, this is 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	As per GRI 306 standards, this is 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.

B.3a. Noise metrics - extra descriptions and commentary

Description and commentary of noise metrics in B.3. IAG only reports on the most stringent ICAO and CAEP standards. The business has been over 97 percent compliant with ICAO Chapter 4 and CAEP Chapter 4 standards for several years.

Metric	Unit	Description	Commentary
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 a score of 6.0 while an Airbus A320 would have a score of 1.0.	The 8% drop in 2021 is driven by the effect of 2020 and 2021 retirements of noiser aircraft such as Boeing 747s, Airbus A340s and Airbus A319s.
NOx per LTO	Kg/LTO	Average emissions of the air pollutant nitrogen oxide (NOx) as aircraft take off and land. The 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.	The 8% improvement is driven by continued use of newer aircraft and reduced longhaul flying. This value may increase in 2022 before continuing to steadily decline year-on-year.
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.	The small decrease in 2021 was due to the retirement of Chapter-14 compliant aircraft in Iberia.
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.	Compliance continues to improve due to the use of new aircraft in the fleet.
CAEP Chapter 8	% of fleet at standard	The CAEP 8 standard applies to engines manufactured from January 1, 2014.	Compliance continues to improve due to use of new aircraft in the fleet.

B.4. Additional environmental metrics and commentary

GRI 303-5

Amount of provisions and warranties for environmental risks

IAG does not take out any specific insurance to cover environment risks but does purchase forward carbon credits to cover future liabilities.

Water consumption

Water consumption is not a material issue for IAG. However, water use is monitored across the Group and IAG consumed 544,416 m^3 of water in 2021 in offices, ground facilities such as laundries, and water treatment plants. Consumption volumes are similar to 2020 due to low occupancy in ground facilities.

Metric	Unit	vly	v2019	**2021**	2020	2019
Water use	‘000 m^3	+4%	-17%	**544**	525*	655

* restated due to widened scope of reporting to include water treatment plants and potable water onboard aircraft where data was available.

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 Roundtable on Sustainable Biomaterials (RSB) or International Sustainability and Carbon Certification (ISCC) principles. Other steps include:

- IAG is a signatory to the Buckingham Palace Declaration on preventing global wildlife trafficking;
- 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 300 acres of parkland around the head office in London including grassland, lakes and ponds and has rangers actively managing these habitats; and
- Aer Lingus successfully repatriated an endangered loggerhead sea turtle from Ireland to Gran Canaria, to the Tarifa Wildlife Recovery Centre.

C. People and Prosperity

C.7. Additional metrics and Commentary

GRI 102-41, 403-9, 404-1

Description and commentary for additional workforce metrics mentioned in section C.6.

C.7.1 Social & employee related matters - Labour relations, Training

Social dialogue and trade unions

% covered by collective bargaining agreements

GRI 102-41

Country	vly	V2019	2021	2020	2019
UK	-1pts	+2pts	**91%**	92%	89%
Spain	0pts	+2pts	**96%**	96%	94%
Republic of Ireland	-2pts	-2pts	**85%**	87%	87%
India	-10pts	-3pts	**10%**	20%	13%
USA	+5pts	+4pts	**71%**	66%	67%
Other Countries	+28pts	+30pts	**71%**	43%	41%

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.

The higher coverage rate is due to reporting improvements (incl. the increased scope of population covered) and changes in workforce composition following the completion of resizing initiatives.

Average hours of training

Average hours per employee per year

GRI 404-1

Share of total training hours per employee, by employee category	vly	v2019	2021	2020	2019
Cabin Crew	-4pts	-5pts	**40%**	44%	45%
Pilots	-3pts	-3pts	**16%**	19%	19%
Airport	-1pt	-5pts	**13%**	14%	18%
Corporate	+9pts	+13pts	**19%**	10%	6%
Maintenance	-1pts	0pts	**12%**	13%	12%

Average hours of training per employee	vly	v2019	2021	2020	2019
All staff	+47%	-24%	**38.9**	26.44	48.4

Description

Calculated by dividing total training per group category adjusted by full-time equivalent (FTE) and actual hours worked. All mandatory and non-mandatory training is in scope. Total training hours are broken down by employee category.

Commentary

The 2020 decrease in average hours of training per employee has begun to recover in 2021 as more employees return to flying. This has seen increases in safety, compliance and operationally essential training for all our returning employees and for our new entrants joining the business. There has also been an increase in training hours completed by Corporate employees as people begin to come back to the office and non-mandatory training resumed.

In 2021, 1,868,076 training hours were recorded versus 1,601,959 in 2020, representing an increase of 16%.

Description and commentary for additional workforce metrics mentioned in section C.6.

C.7.2. Social & employee-related matters - Health and safety

Lost Time Injury (LTI) frequency rate

LTI per 200,000 hours worked

Description

A lost time injury (LTI) is a non-fatal injury arising out of, or during, work, which will lead to a loss of productive work time.

The unit is LTI per 200,000 hours worked, using actual hours worked.

Commentary

During 2021, 791 LTIs were recorded versus 570 in 2020 and 1,864 in 2019. This is reflective of the reduced working hours which have continued in 2021, especially in operational roles where the risk of injuries is greater.

The LTI frequency rate for men 1.99, versus 2.3 in 2020 and 4.19 in 2019, whilst the rate for women was 2.82, versus 2.65 in 2020 and 4.57 in 2019. The reason for differences within LTI severity rates is driven by differneces in operational intensity within roles during the reporting period.

LTI Severity rate

Average days lost per LTI

GRI 403-9

Description

This measures the impact of occupational accidents as reflected in time off work by the affected workers.

Days lost per LTI is expressed as an average by dividing the total lost days due to injuries by the total number of LTIs in the reporting period.

Commentary

The LTI severity rate for men was 31.33 (versus 34.51 in 2020) whilst the rate for women was 40.12 (versus 44.18 in 2020). Even though there was an increase of 24% in the number of days lost due to injury. The pattern is therefore one of a higher number of days lost to injury, with the type of injuries being less severe.

Fatalities

Number of fatalities

GRI 403-9

Description

Work-related fatalities. 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.

Commentary

There were no fatalities in 2021.

C.7.3. Social & employee related matters - employment and working organisation

Average number of employment contracts and distribution by type, annual average of permanent, temporary and part-time contracts distributed by gender, age and job category

GRI 102-8

Annual average number of contracts			vly	**2021**	2020	2019
Overall employment contract and employment type	Permanent		-12%	**54,980**	62,728	68,104
	Temporary		-41%	**1,638**	2,753	5,195
	Full-time		-12%	**44,641**	50,581	54,918
	Part-time		-20%	**11,976**	14,900	18,381
Age bands by employment contract and employment type	Permanent	<30	-2pts	**13%**	15%	16%
		30–50	0pts	**53%**	53%	52%
		>50	+2pts	**34%**	32%	32%
	Temporary	<30	-4pts	**53%**	56%	59%
		30–50	+4pts	**45%**	41%	38%
		>50	-1pts	**2%**	3%	3%
	Full-time	<30	-5pts	**15%**	20%	22%
		30–50	+1pts	**53%**	52%	50%
		>50	+4pts	**32%**	28%	28%
	Part-time	<30	-1pts	**8%**	9%	11%
		30–50	+1pts	**55%**	54%	52%
		>50	0pts	**37%**	37%	37%
Gender by employment contract and employment type	Permanent	Men	0pts	**57%**	57%	56%*
		Women	0pts	**43%**	43%	44%*
	Temporary	Men	-2pts	**50%**	52%	54%*
		Women	+2pts	**50%**	48%	46%*
	Full-time	Men	+1pts	**63%**	62%	61%*
		Women	-1pts	**37%**	38%	39%*
	Part-time	Men	0pts	**37%**	37%	38%*
		Women	0pts	**63%**	63%	62%*
Employee categories by employment contract and employment type	Permanent	Cabin Crew	-1pts	**32%**	33%	35%*
		Pilots	+1pts	**14%**	13%	12%
		Airport	-4pts	**21%**	25%	25%*
		Corporate	+2pts	**20%**	18%	17%*
		Maintenance	+2pts	**13%**	11%	11%*
	Temporary	Cabin Crew	+8pts	**42%**	34%	32%*
		Pilots	0pts	**0%**	0%	1%
		Airport	-9pts	**35%**	44%	52%*
		Corporate	-2pts	**10%**	12%	9%*
		Maintenance	+3pts	**13%**	10%	6%*
	Full-time	Cabin Crew	-1pts	**29%**	30%	31%*
		Pilots	+1pts	**14%**	13%	12%*
		Airport	-3pts	**19%**	22%	23%*
		Corporate	+1pts	**22%**	21%	20%*
		Maintenance	+2pts	**16%**	14%	14%*
	Part-time	Cabin Crew	-2pts	**44%**	46%	47%*
		Pilots	+2pts	**11%**	9%	8%
		Airport	-4pts	**33%**	37%	39%*
		Corporate	+3pts	**10%**	7%	5%
		Maintenance	+1pts	**2%**	1%	1%

Description

Average numbers for each employment contract and type is 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 C.6. Workforce Measures.

* These values have been restated due to the reallocation of a number of employees into different categories, for example reclassifications between maintenance and airport roles.

Total number of dismissals and distribution by gender, age and job category

GRI 401-1

Workforce turnover

Non-voluntary turnover by employee category

Employee category	vly	2021	2020	2019
Cabin Crew	-8pts	**39%**	47%	21%
Pilots	-16pts	**2%**	18%	6%
Airport	-9pts	**26%**	35%	39%
Corporate	+2pts	**30%**	28%	27%
Maintenance	-8pts	**4%**	12%	7%

Non-voluntary turnover by gender and age band

Age groups	vly	2021	2020	2019
<30	+7pts	**30%**	23%	29%
30-50	+7pts	**48%**	41%	29%
50+	-14pts	**22%**	36%	42%
Gender				
Men	-2pts	**50%**	52%	47%
Women	+2pts	**51%**	48%	53%

Description

Refer to 'Workforce turnover' description in 'Description and commentary for key workforce metrics' in section C.6. Workforce Measures.

Commentary

Refer to 'Workforce turnover' commentary in 'Description and commentary for key workforce metrics' in section C.6. Workforce Measures.

C.7.4. Remuneration and salary gap

Average remuneration broken down by gender, age and seniority level – salary gap

GRI 405-2

Remuneration 2021 by seniority level (€)

	Overall			Men			Women			Salary gap		
Seniority level	vly	**2021**	2020	vly	**2021**	2020	vly	**2021**	2020	vly	**2021**	2020
Senior executives	-7%	**225,894**	242,719	-17%	**230,550**	277,794	-14%	**176,805**	205,735	-3pts	**23%**	26%
Other management	15%	**105,369**	91.233	33%	**128,606**	96,508	-29%	**60,935**	85,230	41pts	**53%**	12%
All other employees	-35%	**35,979**	55,707	-34%	**39,465**	59,987	-37%	**31,600**	50,176	4pts	**20%**	16%
Total workforce	-32%	**38,912**	56,884	-27%	**44,399**	61,130	-36%	**32,902**	51,319	10pts	**26%**	16%

Remuneration 2021 by age band (€)

	Overall			Men			Women			Salary gap		
Age band	vly	**2021**	2020	vly	**2021**	2020	vly	**2021**	2020	vly	**2021**	2020
<30	-18%	**28,292**	34,442	-22%	**31,988**	41,091	-19%	**25,423**	31,430	-3pts	**21%**	24%
30–50	-34%	**37,702**	57,347	-29%	**43,235**	61,089	-39%	**32,162**	52,504	12pts	**26%**	14%
>50	-30%	**47,631**	67,849	-23%	**52,265**	67,820	-38%	**42,070**	67,942	20pts	**20%**	0%
Total workforce	-32%	**38,912**	56,884	-27%	**44,399**	61,130	-36%	**32,902**	51,319	10pts	**26%**	26%

Description

Using a consistent basis to the 2019 and 2020 reports, 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 continues on an unchanged basis from 2020, 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, such as COVID-19 subsidies, irrespective of whether government funded or paid as a top-up by the Group, is excluded from reported values; and
- 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.

In order to reduce the number of group employees excluded from remuneration reporting in 2021, the remuneration reporting methodology has been amended to report contractual pay values 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. This change reduces the number of employees excluded from the report from circa 9,600 in 2020 to 2,200 in 2021. Including the majority of employees who were excluded last year, ensuring the report covers all employees with pay data.

The amendment continues to support the aim of providing a comparable view of pay for employees with differing contractual terms and working patterns.

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.

In 2021, the Group has also adapted its processes and invested more resources in understanding and reporting the locally-specific, month to month pay changes brought about by COVID-response measures and the different ways in which government subsidies were offered across the Group. This investment in reporting capability has improved accuracy and reduced the level of employees excluded from the remuneration data set.

'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 and cabin crew at the cabin service director level only. The 'All other employees' grouping includes all other roles across the group, including the majority of pilots and cabin crew.

Commentary

Remuneration in 2021

With COVID-19's continued impact on the aviation sector in 2021, remuneration measures designed to support furloughed staff, protect jobs and preserve the Group's capital remained the dominant themes.

With ongoing disruption to our networks and schedules in 2021, the average percentage of the year employees spent on furlough in 2021 remained relatively consistent with 2020 at around 30%. However, with the exception of cabin crew, who on average spent 50% of both 2020 and 2021 on furlough, the percentage of the year spent on furlough changed between 2020 and 2021 for most employee groupings. In 2020, pilots spent on average 16% of the year on furlough. However, this increased to 45% in 2021 as operating companies implemented different tactical approaches to the pandemic. The opposite trend was observed for Airport and Corporate employees, as levels of working increased in 2021 in preparation for the return to flying.

The response to the pandemic was also managed at a local level and continued to reflect both government policy and the outcomes of collective consultation discussions. Examples of this in UK included BA's continuation of the Business Response Scheme, which sought to offer part-time, unpaid leave and sabbatical options to roles where the level of work was greatly reduced, as well as the Community Retention Scheme, whereby pilots who continued working agreed to forfeit a portion of their earnings to increase the value of subsidies paid to pilots who were not working. In this way, employees directly supported cost savings, helped maintain the Group's competitive positioning and protected the jobs and income of colleagues.

There is a strong correlation between the levels of furlough and pay change between years, with greater reductions in remuneration occurring in areas where furlough rates were higher and the levels of working lower.

Whilst the rate of furlough was low for senior executive and some senior managers in 2020 and 2021, at less than 1%, cost savings in 2021 continued to be achieved by voluntary salary reductions of up to 25% of salary. There were no reductions in working hours associated with voluntary salary reductions, effectively reducing the hourly rate of pay for senior executives.

In general, in other employee groups during 2021, where both the overall rates of furlough and remuneration reduction were higher, there was a much higher correlation between reduced pay and working time, and the rate of pay for work performed was less impacted.

Overall year on year remuneration change themes

- At an overall level for salary, as voluntary salary reductions decreased, there is a positive momentum between 2020 and 2021 in the level of basic salary received by employees for time worked
- However, this does not translate to an increase in overall remuneration due to the changing balance of variable remuneration components between years
- In 2021, no annual incentives were reported for the 2020 performance period, following the decision to cancel the 2020 annual incentive plan
- In the main, contractual salary growth in 2021 was limited across the Group, both within, and outside of, collective agreements
- In Spanish operating companies in 2021 salary supplements to employees ceased at the end of November 2020. However, there was a significant decrease in the levels of voluntary salary reduction operating in 2021 versus 2020
- Elsewhere, higher levels of salary reduction operated in the first half of the year with lower levels of reduction and employees impacted in the second half of the year.

Salary gap analysis

At the Group level, there has been a year on year increase in the salary gap from 16% in 2020 to 26% in 2021. There are three significant drivers for this change:

- The significant reduction in the number of exclusions in 2021 compared to 2020 has changed the composition of reported population
- Interim tactical measures put in place to navigate the pandemic continuing to drive salary gaps across the Group
- Restructures and transformations conducted in 2020 and 2021.

Changes in the size of the 'All other employee' category gap are particularly influential on the Group gap due to the high proportion of employees in this category. This is also a category where interim tactical measures to navigate the pandemic have been influential in changing the gap. One example of this is the tactical switch to flying cargo whilst restrictions to passenger travel were in place during the pandemic. This change impacted the required balance of pilots and cabin crew, contributing to the widening of the gap for the All other employee category and also widening the gap for older employees.

The 3% reduction in the gap at the senior executive level reflects a relatively stable female senior executive population and year on year changes in the composition of male senior executives. The most significant change in the gap is within the 'Other managers' category and is driven by the change in number of captain-level pilots reported in 2021 compared to 2020. The gap within the 'All other employees' category is reflective of both more pilots being in the 2021 data set and changes in workforce composition due to restructures. Where restructures occurred in late 2020 and 2021, operating companies gave significant thought to maintaining diversity, resulting in enhancements to key family friendly policies and levels of benefit.

In reviewing the year on year change in the salary gap, it is important to recognise that the reduction in overall working during 2021 lessened the need for hiring and prevented the Group from realising opportunities to build out a more diverse workforce as part of its growth and natural turnover. This is particularly relevant for flight crew roles and the Group will continue its focus on diversity in these roles as its recovery continues. Additionally, as the Group returns to a more normalised network and flight schedule, the impact to the gap from interim pandemic response measures will also diminish.

Explanation of COVID-19 response measures and government subsidies

The reported data shows annualised, full time equivalent levels of overall remuneration received by employees for actual time worked. The below section describes how government subsidy and company top-up payments worked for employees subject to furlough.

It also illustrates the breadth of measures adopted across the three key geographical areas of Ireland, Spain and the United Kingdom to navigate the pandemic, many of which solutions were agreed in consultation with local employee groups.

United Kingdom – Job Retention Scheme (JRS) and company top-ups

Furloughing of UK employees began from April 2020 and ran until the end of September 2021.

The JRS provided subsidy to UK operating companies for up to 80% of an employee's salary, shift pay, contractual flying pay and lapsed hourly rate pay, up to a cap of £2,500 per month for furloughed employees. In instances where the capped amount was less than 80% of employee earnings for furloughed employees, UK operating companies topped up pay to 80% of actual earnings. Since April 2020, UK operating companies have sought to optimise the use of furlough to protect jobs during reduced operations and flying schedules.

UK JRS ceased at 30 September 2021, following which employees returned to contractual pay terms.

Ireland – Temporary Wage Subsidy Scheme (TWSS) and Employment Wage Subsidy Scheme (EWSS)

At the beginning of the pandemic in March 2020, Aer Lingus reduced working for all employees to 50% of pre-pandemic hours, with the exception of senior executives and some other managers who continued to work 100% of hours, but pay was reduced to 50% pay.

A month later, the Irish Government's introduced the TWSS subsidy, payable to employees and protecting earnings at up to 70% of an employee's pre-pandemic, Average Net Weekly Pay (AWNP), subject to specified earnings thresholds and lower earner uplifts.

On September 1, 2020, the Irish Government replaced TWSS with EWSS, where payments direct to employees ceased and employers claimed a flat rate rebate directly.

For the first quarter of 2021, with flying still much reduced, the majority of employees remained at 50% working. At the beginning of Q3, with preparation for the return to flying underway, salary and working hours increased to circa 60% to 70% of pre-pandemic levels for employee groups central to that preparation (back office, ground operations and engineers). By the end of Q4, most of those groups had returned to full time working and pay. Employee groups who were more impacted by the switch in focus from passenger flying to cargo, such as cabin crew, remained on 50% of working for the full year.

Spain - Expediente de Regulación Temporal de Empleo (ERTE)

In Iberia, ERTE was implemented from April 1, 2020, which provided government subsidy payments directly to Spanish employee. From the outset 12,150 employees received subsidy payments from the government.

ERTE was used flexibly to support the seasonal nature of the Spanish business, with significant proportions of furloughed employees returning voluntarily to short time working to cover the 2020 and 2021 peak operational summer periods.

Between April and November 2020, both Iberia and Vueling supplemented ERTE with company top-up payments. Company top-up payments ceased at December 2020, reducing levels of pay for employees who were not working.

In Vueling, arrangements for managers outside collective agreements differed, with reductions to salary in 2020 operating at 50% for all earnings above €50,000 per annum. In 2021 this threshold was increased to €90,000, reducing both the number of employees impacted and the level of salary deduction versus 2020. Similar manager and senior executive voluntary salary reductions also operated for Iberia.

Board and Management Committee Remuneration

Average remuneration of Board members and Directors, including salary/fees, variable incentives, cash allowances, pension contributions, the value of taxable benefits and any other components of remuneration broken down by gender (€)

	vly	**2021**	2020	2019	2018	2017
Board						
Men	+25.2%	**510,167**	407,326	638,010	721,159	873,328
Women	+4.4%	**114,600**	109,798	133,799	154,804	183,288
Mgt Committee						
Overall	+97.1%	**1,287,780**	653,403	1,012,671	1,105,034	1,396,841

Description and explanation for Board remuneration

The reported components of remuneration include:

Executive directors: Basic salary, taxable benefits (company car and private health), employer pension contributions, annual incentives paid in the reporting period and long-term incentives vesting in the reporting period, personal accident and life insurance.

Non-executive directors: All fees (board, chair, committee membership etc) and (taxable) personal travel benefits.

Using the methodology established in 2020, only directors who were in service for the full year reporting period are included in the year on year comparison.

The remuneration of ten non-executive directors and the IAG CEO is included in the 2021 data set, compared to eight non-executive directors and the IAG CFO in 2020. In both years there is an even gender split between male and female non-executive directors reported.

The key factors influencing the 25.2% remuneration increase for male board directors, are:

- The higher proportion of contractual salary/fees paid to board directors in 2021 versus 2020. In 2020 a 20 per cent COVID-19-related reduction operated against director's salary/fees. In 2021, this was reduced to 10 per cent;
- The IAG CEO being incuded in the 2021 data set;
- The IAG CFO being ceasing to be a director at December 31, 2020; and
- The increase in IAG CEO remuneration from 2020 to 2021, driven by:
  - The IAG CEO's eligibility in 2021 for a two-year fixed term transitionary allowance supporting the additional cost to the IAG CEO associated with living in the UK whilst personally maintaining a base in Madrid, given the Company's significant presence in Spain;
  - The vesting to the IAG CEO in 2021 of deferred share awards granted in 2018; and
  - The release from holding to the IAG CEO of the 2016 PSP award.

The grant and performance assessment of the share-based awards predate the 2021 performance year and the start of the pandemic and should not be considered as earned against pandemic performance period.

The IAG CEO received neither short- or long-term incentives for 2021. Being mindful of the experience of the Group's stakeholders in 2021, the IAG CEO made a request to the Board not to be considered for a 2021 annual incentive award. The Board, who were also mindful of stakeholder's experience, accepted the IAG CEO's offer. The 2018 PSP award failed to achieve the performance thresholds necessary for any portion of the award to vest, and no transfer of shares into the holding period occurred for the IAG CEO. The profile of increasing IAG CEO remuneration, is therefore largely based on the delivery of historical awards in 2021.

To a lesser extent, average remuneration for female directors also increased from 2020 to 2021 by 4.4%. This growth was supported by the decrease in COVID-19-related fee reductions from 20% for the majority of 2020 to 10% for 2021. The uplift to average female director remuneration would have been higher but for the marked decrease in the take-up of personal flight benefits by female directors between 2020 and 2021. More generally, female director remuneration is less volatile as there are no female executive directors,

The higher level of average remuneration paid to male directors compared to female directors is a direct consequence of male incumbents holding the higher remunerated CEO and Chairman roles. Where male and female non-executive directors perform the same responsibilities, the level of remuneration paid is equivalent as a result of the Group's standardised non-executive fee framework.

Description and explanation for Management Committee remuneration

To maintain a common approach and read-across capability with last year, only the remuneration of Management Committee (MC) members who were in role for the whole of 2021 are included in the 2021 data set. For 2021, this reports the total remuneration of nine MC members, eight men and one woman. For comparison, last year's data set was comprised of seven MC members, five men and two women. No gender break-out is shown for confidentiality reasons, given the female data set relates to one employee.

Additionally, as was the case last year, the remuneration of the IAG CEO is omitted from MC remuneration reporting on the basis it is already reported as part of board director remuneration.

Both the components of remuneration and the opportunity associated with those components for MC members remain unchanged from 2020 to 2021. The awards resulting from the change in long term incentive approach from Performance Share Plan (PSP) to a Restricted Share Plan (RSP) in 2021, will be reported in the year of vesting in 2024 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.

Whilst any value from 2021 RSP awards is yet to be delivered to MC members, these awards perform an important role in aligning the interests of MC members with those of shareholders, as well as engaging and retaining our key senior leadership talent.

The increase in average MC member remuneration reported for 2021, reflects a number of factors, including:

- The respective release and vesting of historical 2016 and 2018 deferred share awards. The performance outturn for both of these awards was assessed before the start of pandemic period and as such should be considered trailing remuneration and not remuneration earned during the pandemic period;
- Changes in MC membership between 2020 and 2021;
- A higher proportion of contractual salary being paid to MC members in 2021 versus 2020. For MC members COVID-19-related salary reductions of up to 50% of salary were put in place in 2020. These were reductions decreased in 2021, resulting in higher proportion of contractual salary being paid; and
- Payment of approved 2021 annual incentive awards (no corresponding awards were made in 2020).

These figures are derived from the methodology as per the Remuneration Report filed with the Spanish National Securities Market Commission (CNMV).

Policies which allow employees to disconnect from work, promote work-life balance and co-parenting responsibilities

GRI 103-2, 401-2

During the COVID-19 pandemic, employees who normally work in office environments were advised, where possible, to work from home. This brought additional challenges in encouraging employees to disconnect from work.

As public health guidance changed and in line with operational requirements, employees across the Group have started returning to our offices and our operating companies have been taking approaches which coodinate and support promoting work-life balance whilst allowing employees to disconnect from work. These policies, at their core, focus on promoting a balanced, felxible and hybrid working model. Enabling employees to find the right balance between flexibility whilst bringing the benefits of being together as a team.

Our employees have also been offered lots of information and guidance on creating and managing a healthy work-life balance through digital employee portals.

In addition to providing our employees with a flexible, hybrid, working environment there are many other policies across the Group which are designed to promote a health work-life balance. These include flexible working policies such as working from home, and flexible start and finish times dependent on job role, all designed to support employees in managing their home and work life.

Regarding co-parenting responsibilities, there are policies on job-sharing, maternity, adoption, paternity and shared parental leave. There are active online platforms for working parents and carers to share ideas and to offer support to one another.

Working hours organisation

GRI 103-2

Time worked and holidays are different in each operating company as per the respective collective bargaining agreements.

Number of employees with disabilities

Employees with Disabilities

GRI 405-1

	vly	**2021**	2020	2019	2018
Overall share of headcount	+0.1%	**1.2%**	1.1%	1.1%	1.4%

Description

Employees with disabilities as a percentage of headcount at the end of the year. In Spain, the disabilities in scope are medically certified, while in other countries the disabilities in scope are self-declared.

Commentary

The 2021 percentage has increased slightly from 2020, this is due to the fact there has been a modest increase of employees with disabilities and with our headcount base being slightly lower than 2020.

The total number of employees with disabilities in 2021 is 631, compared to 593 in 2020.

Collecting disability information on employees is not a legal requirement in the UK or Ireland, unlike in Spain.

Aer Lingus data is not in scope.

Number of hours of absenteeism

	vly	2021	2020
In the air - absenteeism rate	-1.4pts	**4.7%**	6.1%
On the ground - absenteeism rate	-0.6pts	**5.3%**	5.9%

Description

The absenteeism rate is based on total employee absences divided by total scheduled hours or days in the reporting period, expressed as a percentage.

The 2021 methodology split absenteeism and time scheduled into two categories, measured in either hours or days. In general absences recorded in days are mostly associated to our "in the air" employees and a few operational roles and the rest of the population record their absences in hours. Days were harmonised with the hourly balance using a group average full day of 7.5 hours.

"On the ground" employee categories include all corporate, airport and maintenance categories and "in the air" includes all pilots and cabin crew.

For the purpose of this metric, only unplanned or unauthorised absences – which mean 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.

Commentary

In 2021, 3,951,047 hours of absence were recorded for all employees. This compares to aprox. 3,678,538 hours of absence in 2020 (2,319,959 hours for "on the ground" employees and 154,328 days for "in the air" employees). This representing a 7.4% increase in absences in 2021. Much of this can be associated with the return of our workforce from furlough programmes and higher instances of sickness reporting / recording and higher instances within Q4. This was particularly prevalent in our Airport roles (74.5 hours of average sickness) and Maintenance and Logistic roles (45 hours of average sickness).

Occupational Illnesses

GRI 403-10

	vly	2021	2020	2019	2018
Men	+2pts	**2**	0	0	nr
Women	+7pts	**7**	0	5	nr

Description

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 at the Health and Safety Executive's (HSE) website.

Occupational illnesses in scope for Spain are published in the Royal Decree 1299/2006.

Commentary

9 occupational illnesses were reported in 2021.

Social dialogue organisation, including procedures to inform and consult with employees and to negotiate with them;

Results of collective agreements, especially in the field of health and safety

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. This includes regular reviews of matters relating to the health and safety in the workplace.

British Airways has regular health and safety engagement with trade unions at a local, departmental and directorate level across all areas of the business with escalation to the Corporate Safety team. Iberia has a health and safety committee in each relevant work centre which meets every two months. Aer Lingus has a Safety Engagement Programme which provides guidance to colleagues, including on how to constructively confront unsafe work practice. Aer Lingus have also launched some new online initiatives and have recently launched an online wellness programme. Vueling holds quarterly meetings with a health and safety committee, composed of Vueling management and trade union appointed safety representatives.

COVID-19 continues to challenge our business and we continue to hold additional and regular meetings across our operating companies, as required. Our employees, employee representatives and trade union representatives have been regularly updated on risks, actions and changes to the ways we operate on board our aircraft to mitigate risks. Our airport and office environments have continued with health and safety assessments and followed necessary government advice in each country we operate. Many of our operating companies have put in plans to safely return to the office on a hybrid model, taking into account the necessary support and employee wellbeing requirements.

Universal accessibility of people with disabilities

GRI 103-2

The Group complies with all relevant legislation regarding accessibility for disabled employees and customers in our buildings and operations. Operating airlines also work with a variety of external organisations, such as the Business Disability Forum in the UK, to help inform and support efforts and strategy. They continue to listen and respond to customers' needs.

Our operating companies have universal access for employees and customers with disabilities at their core. All our operating airlines have made efforts to ensure that the customer journey is seamless for all customers, in particular those with disabilities, whilst traveling with us. Both British Airways and Iberia flew the respective Paralympic teams for the UK and Spain to Tokyo 2020. This involved a lot of coordination with the authorities at Heathrow and Aeropuerto de Madrid-Barajas to ensure a seamless travel experience for our Paralympians.

Our operating companies have also ensured universal accessibility of their booking processes through their website design. Iberia, for example, have partnered with the ONCE Foundation for Cooperation and the 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 a particular focus on hidden disabilities.

Impact of the Company's activity on employment and local development

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.

Several programmes were paused in 2020 and 2021 due to COVID-19 but a number of initiatives are still in place and new ones have been created.

British Airways has invested in its graduate and apprenticeship programmes:

- Bringing apprenticeship recruitment in house, allowing a renewed focus on delivering outstanding candidate experiences.
- In order to aid social mobilitiy, British Airways has also reviewed its entry requirements to the Apprenticehip programme to make it more accessible
- Over the past 18 month period, British Airways has welcomed 40 graduates and 38 apprenticships and are looking forward to welcome up to 200 graduates and apprentieships in 2022.
- The British Airway's Apprenticeship and Graduate programmes have won several awards including Most Popular Graduate Employer in Transport and Logistics, and ranked #18 in the Top 100 Apprentice Employer table

Iberia runs the following partnership agreements:

- Internship Scholarships for postgraduate students from Fundación Universidad Empresa:
- Aeronautical Maintenance Technician programme in agreement with several Vocational Training Schools
- Internship programme in MRO workshops for vocational training students
- Training and Internship programmes for those students completing vocational training

Aer Lingus runs the following initiatives:

- Direct engagement with second and third level colleges. Including the running of career days and recruitment fairs to inform students of career opportunities in aviation.
- 2021 saw a particular focus on initiatives that encourage more females to apply for programmes such as Engineer Apprenticeships and Technology Graduate Programmes.
- Aer Lingus also partners directly with Enactus to help students at key colleges and universities across Ireland on projects to develop their entrepreneurial skills to address complex issues within the wider community.

Some other key initiatives which have happened across the Group include:

- IAG Cargo graduated 12 apprentices in 2021 and launched 6 internal apprenticeships covering Human Resources, Data Science and Finance.
- IAG Loyalty have launched apprenticeship in their data team, to test and learn some early talent thinking. They are set to launch their broad Early Career strategy in 2022 which includes partnerships and programmes with Schools and Universities.

C.8. Consumer relationship management

GRI 103-2

Claims systems and complaints

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 including 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 2021, across the IAG airlines, an average of 4.9 complaints were received per 1,000 flown passengers. This ratio was lower than in 2020 but higher than in 2019. The volume of complaints continues to be affected by uncertainty related to COVID-19 restrictions.

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.

	vly	v2019	**2021**	2020	2019
Customer complaints (per 000 passengers)	-50%	+25%	**4.9**	6.5	3.2

C.9. Public subsidies and tax information

GRI 201-4

Public subsidies received

During the year to December 31, 2021, in addition to EU Emissions Trading Scheme (EU ETS) allowances granted at zero cost, Group public subsidies amounted to €707 million (2020: €474 million). The majority of the public subsidies received related to furlough and job retention schemes in the UK and Ireland, for British Airways and Aer Lingus respectively.

Operating companies in the Group receive some EU ETS emission allowances at zero cost and purchase the remainder in the EU ETS market. In addition to COVID-19 related public subsidies, the total includes €277 million (2020: €122 million) relating to the value of allowances at zero cost in 2021. EU ETS allowances were valued at the carbon market prices as at December 31, 2021 and December 31, 2020 respectively.

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. Therefore, there is no remittance made to the Group.
- The Group benefitted 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 Coronavirus Corporate Finance Facility (CCFF), Spain's Instituto de Crédito Oficial (ICO) and Ireland's Strategic Investment Fund (ISIF).

Accounting profit/loss before tax per country

€ million

GRI 207-4

	vly	2021	2020	2019
UK	-46%	**-2,417**	-4,512	1,618
Spain	-72%	**-705**	-2,538	489
Republic of Ireland	-34%	**-368**	-556	240
Other countries	-92%	**-16**	-204	-72

Description

Profits by country – the Group's consolidated accounting profit for the year split by country in which it is taxable.

Commentary

The losses in our main countries of operation in 2021 reflect the continuing impact of the global outbreak of COVID-19, which has had a material impact on the global airline and travel sectors.

Income tax paid per country

€ million

GRI 207-4

	vly	2021	2020	2019
UK	-60%	**31**	77	161
Spain	-2%	**-93**	-95	-71
Republic of Ireland	-93%	**-2**	-28	27
Other countries	0%	**1**	1	2

Description

Taxes paid by country – the Group's consolidated cash tax payments for the year split by country in which they were made.

Commentary

The total net tax receipt of €63 million is lower than the expected tax credit for the Group of €574 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. It is expected that it will not be until future taxable profits arise in the relevant jurisdictions that the losses will be utilised and cash tax payments will be impacted. The actual net receipt reflects the refund of corporate income taxes in respect of prior year tax paid in Ireland and Spain; and a payment in the UK relating to prior years.

"Other" comprises Belgium, Costa Rica, Dominican Republic, France, Germany, Guatemala, Honduras, Hong Kong, India, Italy, Japan, Maldives, Netherlands, Nicaragua, Poland, Puerto Rico, Senegal, Seychelles, Singapore, South Africa, Sweden, Switzerland and United States.

Table of contents

Note: (F) means fully compliant, (P) means partially compliant. (1) means internal framework: see the specific methodology used in corresponding pages. (2) difference between men's and women's median pay, divided by men's median pay.

Note: (F) means fully compliant, (P) means partially compliant. (1) means internal framework: see the methodology used in the corresponding pages.

D. Description of EU Taxonomy and 2021 related activities

For the first time, IAG has reported on its sustainable activities in line with the EU Taxonomy Regulation (2020/852) and related delegated act which aims to identify environmentally sustainable activities linked to the taxonomy. This summary covers the "eligible" economic activities undertaken by the group in 2021. This first version of the report only considers activities relating to the Taxonomy objectives of climate change mitigation and climate change adaptation as these the only objectives that have been published so far.

At present there are no taxonomy related categories for aviation specifically as the Commission is in the process of developing appropriate technical screening criteria, so the majority of the expenditure incurred by the Group is not eligible. However the categories relating to buildings infrastructure, energy, information technology, ground transport and innovation research and development are applicable to the activities of the group and these therefore have been the primary focus of our taxonomy screening activity.

Methodology/Data Gathering

Data gathering has been conducted through the established governance structure as described in section A.2., with reviews of the Taxonomy regulation conducted through the monthly IAG Sustainability Network. The individual airlines have then screened all potentially eligible activities at a company level and then these have been combined at a group level to provide the relevant KPIs of Revenue, CAPEX and OPEX.

Using the EU Taxonomy and the online "Taxonomy Compass" the Group Sustainability team co-ordinated the identification of eligible activities that should be screened. In order to determine the numerator, each airline/operating company reviewed all activities undertaken against the following categories:

Construction and real estate activities
Renovation of existing 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
Acquisition and ownership of buildings
Energy
Manufacture of biogas and biofuels for use in transport and bioliquids
Information and communication
Data processing, hosting 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 contribution to climate mitigation

Co-ordination at group level ensures the correct allocation of the spend and that inter-group expenditure is not double counted. Group finance and sustainability guidance was issued to ensure that the activities were apportioned appropriately between CAPEX and OPEX. Operating companies were advised which finance line items (assigned in line with internal accounting procedures) are applicable for determining the CAPEX denominator with further explanation of the CAPEX costs to be excluded.

With the exception of the KPI for revenues, the operating companies listed all possible eligible activities for 2021. The activities identified and quantified by the operating companies were compared with the Taxonomy Compass to ensure that they fit under the existing categories for the Taxonomy. Screening then took place to ensure that only taxonomy eligible spend was accounted for.

Taxonomy eligible activities

IAG incurred some taxonomy eligible spend in 2021. Areas of spend, which were minimal largely due to the pandemic, include:

- To maintain, rationalise and refurbish buildings; this expenditure was minimal as many people were working remotely throughout 2021 and buildings were largely unoccupied.
- The Group also has activity in the category of transport relating to electric vehicles and maintenance of the ground vehicle fleet.
- IAG Cargo acquired a new warehouse building in 2021 that led to some taxonomy eligible activity in 2021.
- IAG's Hangar 51 team leads an extensive innovation programme working with the Group's sustainability teams to identify investment opportunities for sustainable flight and other aspects of sustainability innovation.

The Group's recent investments in sustainable aviation fuel manufacture and hydrogen propulsion are presently not eligible activities under existing reporting rules as these are joint venture activities. The Group has continued its work on digital transformation preparing to move more activity to the cloud but again expenditure was minimal. It is anticipated that this activity will expand and result in significant energy and climate benefits over the coming years.

The final Taxonomy report and associated data is reviewed through the Group's sustainability governance process with final sign off through a Taxonomy sub-group of the Sustainability Steering Group with senior representation from the Chief People, Corporate Affairs and Sustainability Officer (CPCASO) and the Group Financial controller.

KPI - Revenues

The Group continues to work to develop more sustainable products and services. However, IAG did not generate any revenues from taxonomy eligible products and services during 2021. Within the Group, several airlines presently offer carbon offsets for customers through a partnership with not-for-profit charity Pure Leapfrog. IAG makes no profits from those activities and they are not eligible under present taxonomy rules. During 2022 the airlines' sustainable product offers will be enhanced and made more widely available to customers through the provision of sustainable aviation fuels (SAF) and carbon offset credits enabling customers to mitigate the carbon emissions associated with their flights. Initial market testing of this enhanced offer was carried out in 2021 with some provision of SAF to IAG's cargo customers. The Group also used SAF in flights between London and the Scottish airports linked to COP26 but these did not generate any specific taxonomy eligible revenues.

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

The KPI for revenue is that 0% of total revenue (€8.5bn) is currently eligible under the Taxonomy.

KPI – CAPEX

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

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-aligned CAPEX

	Codes (2)	Absolute Capex (3)	Proportion of CAPEX (4)
Economic activities (1)	Unit	Currency €/,000	%
Transport by motorbikes, passenger cars and light commercial vehicles contribution to climate mitigation	H49.3	75	0%
Installation of instruments and devices for measuring, regulation and controlling energy performance of buildings	F43.2.9	26	0%
Acquisition and ownership of buildings	L68	4,055	0%
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4,156	0%
A.Total		4,156	0%
B. CAPEX of Taxonomy-non-eligible activities		962,844	100%
Total (A+B)		967,000	100%
ELIGIBLE CAPEX			0%

The denominator for this calculation includes fleet related expenditure although the Group is unable to report any eligible expenditure related to aircraft. Given the largest proportion of our expenditure relates to aircraft, the percentage of taxonomy eligible capex reported is not material. During 2021 many building related projects were on hold with buildings operating at very low occupancy levels. The major expenditure fell under the category of buildings (acquisition and ownership of buildings) with the completion of the construction of the new Premia cargo building in 2021. The proportion of taxonomy eligible spend was 0%.

KPI – OPEX

The limited focus of the OPEX aspects of the taxonomy - buildings and plant maintenance and repair, short term leases, research and development - has resulted in few activities being taxonomy eligible. Small amounts of expenditure have been incurred in building maintenance. In addition there are some resource costs associated with the work associated with the energy transition the Group is committed to undertake. Expenditure on IT data transformation activities across the Group has begun and will expand significantly in 2022, when we intend to fully account for cloud migration activities under the taxonomy.

In determining the denominator for Opex, the overall calculation of relevant spend was carried out in accordance with Annex I, section 1.1.3.1 and 1.1.3.2 of the Delegated Regulation (EU) 2021/2178. The following table shows the qualifying activities at Group level. The expenditure related to short term leases was negligible as most of this was associated with aircraft rather than buildings. Research and development was limited to work via the Hangar 51 team's resourcing of near term innovation opportunities and some support for research programmes linked to universities and the EU's Horizon innovation programme.

Table of Taxonomy-eligible OPEX

	Codes (2)	Absolute Opex (3)	Proportion of Opex (4)
Economic activities (1)	Unit	Currency €/,000	%
Transport by motorbikes, passenger cars and light commercial vehicles contribution to climate mitigation	H49.3	327	0%
Maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F43.2.1	5	0%
Maintenance of energy efficiency equipment	F42.2.2	20	0%
Close to market research, development and innovation	M72.1	71	0%
Data-driven solutions for GHG emissions reductions	J62	446	0%
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		868	1%
A. Total		868	1%
B. OPEX of Taxonomy-non-eligible activities		159,174	99%
Total (A+B)		160,043	100%
ELIGIBLE OPEX			1%

The Group's overall OPEX KPI for 2021 was 1% reflecting a) the limited scope of the taxonomy which is largely related to buildings, b) 2021 building occupancy being extremely low, and c) the fact that currently Opex relating to aircraft/engines is not eligible.