

Sustainability supporting our purpose

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A. Planet

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



B. People and Prosperity

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

IAG's most material environmental metric – Scope 1 emissions – receives additional verification each year as part of the EU, Swiss and UK Emissions Trading Schemes (ETS) and international Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), within six months of the issuance of this report. Any material changes are restated in future reports.

Compliance with specific frameworks and standards is listed under relevant section headings and summarised in C.8. While IAG does not align with the Global Reporting Initiative (GRI) Core or GRI Comprehensive standards, it aligns with selected GRI standards based on compliance with Spanish Law 11/2018 and chooses to voluntarily align with other GRI standards on material issues.

C. Principles of governance

Sustainability strategy, governance frameworks, workforce governance, supply chain governance, ethics and integrity, ESG risk management, reporting and data governance, alignment with GRI and SASB standards



Our vision

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

Our strategy

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

Our governance

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

Our material issues and initiatives

IAG takes a holistic approach to sustainability¹.

A. Planet

Key material issues

- Reducing our climate impact
- Influencing policy

Key policies

- Environmental Sustainability Policy

Annual initiatives

- Flightpath Net Zero strategy
- Climate-related remuneration
- Policy advocacy for green solutions
- Leadership in trade associations

Key UN Sustainable Development Goals



B. People and prosperity

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

- Equity, Diversity and Inclusion (EDI) Policy
- Modern slavery and anti-trafficking statement

- Organizational Health Index (OHI) surveys
- EDI and engagement initiatives
- Community giving and fundraising
- Developing a social roadmap



C. Principles of governance

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

- Code of Conduct
- Supplier Code of Conduct
- Anti-bribery and corruption Policy
- Whistleblowing Policy
- Policy on disclosure of corporate information and engagement with shareholders

- Accelerator programme and ventures
- Supply Chain Sustainability Programme
- Task Force on Climate-related Financial Disclosures (TCFD) scenario analysis



Targets

2019 Target Baseline

- 11% better carbon efficiency, to 80 gCO₂/pkm
- Comprehensive waste targets
- 10% lower noise per take off vs 2020
- 40% women in senior leadership roles

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

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

2025

2030

2050

¹ The above pillars align with World Economic Forum 'Measuring Stakeholder Capitalism' report in 2020. 'Running a profitable business' and 'Pleasing our customers' are material issues relevant to Prosperity which are covered in other sections of the NFIS.

Towards more sustainable journeys

Our sustainable products and services for customers help them to reduce their carbon emissions and support wider sustainability goals. We continue to trial new offers.

Pre-flight services at airports



- Renewable electricity in lounges¹
- Vegan menus in lounges^{2,3}
- Pre-ordering meal service to reduce food waste³

Ground transport at airports



- Trialling electric buses for passengers²
- Electric Mototoks to pull aircraft to runways^{2,3}
- Trialling electric trucks⁵
- Renewable electricity to power aircraft on the ground¹

On-board impacts



- Voluntary offsetting for customers using verified⁶ offsets¹
- Voluntary SAF for customers^{2,4}
- Use of IAG-procured SAF²
- Vegan food^{2,3}
- Recycling on-board^{2,3,4}

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

Planet highlights



A prestigious award for our climate action

250,000 tonnes

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

100%

of IAG airline senior executives have climate-related remuneration

First

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

12%

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

People and prosperity highlights

66,044

people employed across the Group in 79 countries

17%

increase in our workforce versus 2021

89%

of staff covered by collective bargaining agreements

34%

women in senior leadership roles

Governance highlights

6

meetings of the Board SECR committee

100%

of suppliers screened for sustainability risks

0

instances of modern slavery identified in our business or supply chain

74%

of suppliers, by spend, completed ESG scorecards

A.1. Planet – climate change

A.1.1. TCFD summary

IAG was an early adopter of the Task Force on Climate-related Financial Disclosures (TCFD) guidance and first carried out TCFD-aligned scenario analysis in 2018. Descriptions of TCFD recommendations are on the TCFD website.

IAG has applied the TCFD Guidance for All Sectors to the disclosures in this report. Cross-references to relevant sections are below. An internal review of compliance with the 11 core TCFD recommendations identified no material gaps or material changes from last year.

Governance



Disclose the organisation's governance around climate-related risks and opportunities

(a, b)

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, b, c)

Risk management



Disclose how the organisation identifies, assesses and manages climate-related risks

(a, b, c)

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, b, c)

Relevant disclosures in this report

a. See C.2., C.6.

b. See A.1.5, C.2., C.6., Risk management and principal risk factors section

a. See A.1.6.

b. See A.1.6., C.6., Risk management and principal risk factors section

c. See A.1.5.

a. See A.1.5., A.1.6., C.6., Risk management and principal risk factors section

b. See above

c. See above

a. See A.1.3., A.1.5., Report of Remuneration Committee

b. See A.1.3., A.1.6.

c. See Sustainability at a Glance, A.1.2., A.1.6.

Current activities

Board oversight via SECR Committee and Audit and Compliance Committee; multiple layers of robust governance; 2021 materiality assessment still relevant and so not updated

Delivering against Flightpath Net Zero strategy and nine leadership KPIs; sustainability-linked loans for British Airways and Iberia; TCFD-aligned scenario analysis; one- and three-year financial and business plans integrate sustainability aspects; new sustainability contract clause for suppliers

Sustainable aviation risks are treated as a principal risk and regularly reviewed within Enterprise Risk Management (ERM) processes; risk disclosures received an 'A' rating from CDP

Clear metrics and targets for 2025, 2030 and 2050 (see 'At a Glance'); climate-related remuneration for senior executives and managers

Planned future activities

Review assurance, repeating materiality assessment in 2024

Ramp up of SAF procurement, ongoing scenario analysis, reviewing guidance and evidence on pathways to support 1.5°C transition

More detailed work on risk impacts to 2030 and 2040, actions to maximise climate resilience, and risk mitigation KPIs

Delivery against existing targets, review 2030 targets in line with latest evidence on 1.5°C-aligned transitions

Leading our industry in SAF projects

What is Sustainable Aviation Fuel?

Sustainable Aviation Fuels (SAF) are chemically almost identical to kerosene.

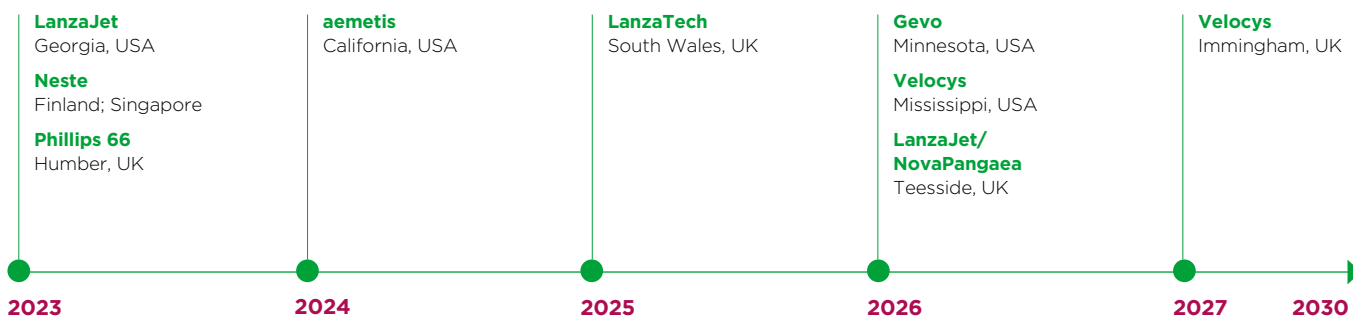
The feedstocks for these fuels – currently waste materials such as used cooking oil, municipal waste or waste wood – absorb CO₂ in their growth

cycle before this carbon is recycled into fuel and then consumed in the flight.

There are eight certified pathways to making SAF based on use of specific technologies. These processes are certified to international standards to ensure the fuels are safe to use. SAF can be used in existing aircraft and airport fuelling infrastructure.

IAG also ensures its SAF complies with strict sustainability certification schemes to ensure the feedstocks come from sustainable sources, and that the production processes conserve water and energy and have minimal wider impacts.

Key SAF projects – production dates



Role in IAG transition plan

SAF is a key solution in IAG’s transition plan to net zero (Section A.1.2). It reduces carbon emissions on a greenhouse gas lifecycle basis and typically by 70 per cent or more compared with the fossil jet fuels it replaces.

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

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

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



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

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

Planet spotlight: Sustainable Aviation Fuel in 2022



First alcohol-to-jet SAF plant

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



First UK-produced commercial scale SAF

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



New SAF offers for customers

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



A.1.2. Transition plan

Overview

IAG is targeting net zero emissions by 2050 across its Scope 1, 2, and 3 emissions.

'Net zero' means any residual emissions from IAG operations in 2050, or by the manufacture and transport of goods supplied to the Group, will be mitigated by an equivalent amount of CO₂ removed from the atmosphere via carbon removals.

IAG is on track to deliver its 2025, 2030 and 2050 climate targets (see below) by carrying out emission-reduction initiatives, working in collaboration with key stakeholders and proactively advocating for supportive government policy and technology development.

IAG is also driving internal action by using climate-related annual incentives for over 7,400 senior executives and managers.

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

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

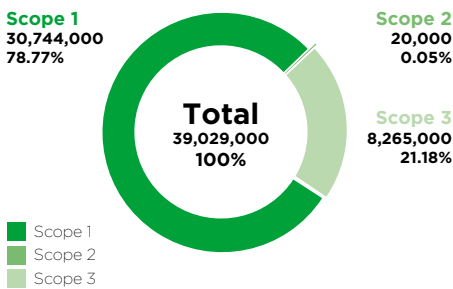
Roadmap to net zero

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

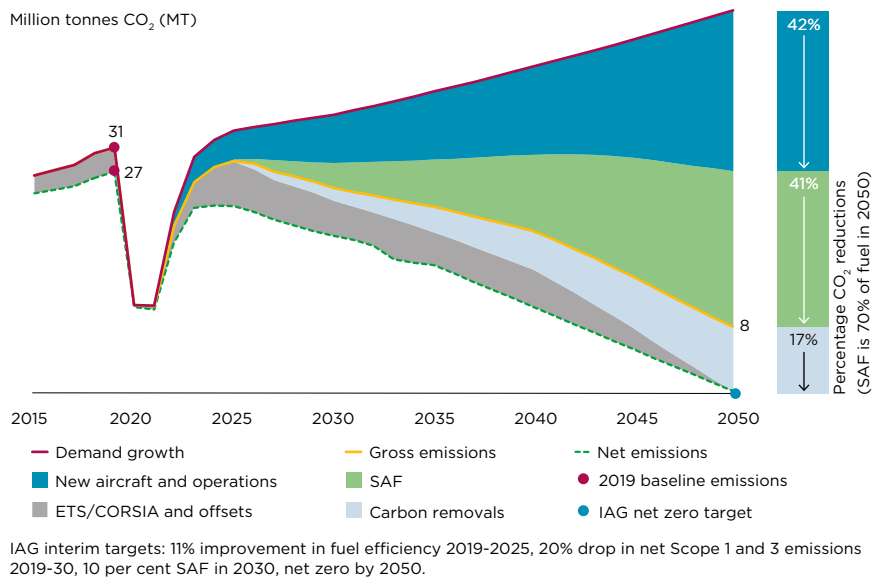
The version below is a core Group scenario which assumes continued policy support for aviation decarbonisation, an overall recovery to 2019 levels of passenger demand by 2024 and annual demand growth aligned with the long-term growth forecasts disclosed in Note 4 and 17 of the Financial Statements.

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

2019 Emissions (tonnes CO₂e)



Latest IAG Roadmap to Net Zero



Pillar of carbon roadmap	Delivery plans	Venture investments/key innovation partners
New aircraft and operations	<ul style="list-style-type: none"> €13.5 billion investment between 2023-30 for 192 new, efficient aircraft 	<ul style="list-style-type: none"> ZeroAvia (hydrogen aircraft manufacturer) I6 (fuel management software) NAVflight services (flight planning services) Honeywell Forge (fuel efficiency software)
SAF	<ul style="list-style-type: none"> US\$865 million committed to date on SAF offtake and agreements, based on assumed energy prices 	<ul style="list-style-type: none"> LanzaJet (sustainable fuels producer)
Carbon removals	<ul style="list-style-type: none"> Refining the IAG carbon removals roadmap 	<ul style="list-style-type: none"> Heirloom (carbon capture start-up)
Market-based measures and offsets	<ul style="list-style-type: none"> Support for the global CORSIA scheme to limit net emissions from aviation All airlines offer voluntary offsets for customers 	<ul style="list-style-type: none"> CHOOOSE (customer offsetting platform)
Supply chain	<ul style="list-style-type: none"> 74% of suppliers by spend have submitted scorecards on ESG performance New supplier contract clause on sustainability 	<ul style="list-style-type: none"> EcoVadis (business sustainability ratings)

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

IAG supports the 1.5°C ambition of the Paris Agreement and continues to review evidence on aviation pathways which support this.

Where possible, IAG will work with relevant stakeholders, including the Science-Based Targets initiative (SBTi) and Transition Pathway Initiative (TPI), to build an understanding of aviation industry pathways to net zero, how these contribute to national and global goals, and how companies and policy makers can drive investment into a green transition.

Future emissions intensity

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

Gross emissions (MT CO₂):

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

Gross emissions intensity (g CO₂/pkm):

- 2030 - 27 per cent lower
- 2035 - 39 per cent lower
- 2050 - 83 per cent lower

IAG supports the inclusion of carbon removals in industry decarbonisation pathways, and in external assessments of support for the 1.5°C global ambition.

IAG's short- and long-term targets have been independently assessed by TPI as 1.5°C-aligned and it's mid-term target assessed as well-below-2°C-aligned.

The TPI assessment compared the milestones in the 2021 IAG roadmap with an industry-wide pathway modelled by the International Energy Agency (IEA), taking removals commitments into account.

What are carbon removals?

Carbon removals solutions extract CO₂ already in the atmosphere and store it in biological or geological ways.

Four key types are relevant for IAG:

- Nature-Based Solutions (NBS) - include creating new forests and peatland
- BioEnergy Carbon Capture and Storage (BECCS) - capturing biogenic carbon from industrial facilities and storing it in e.g. underground aquifers
- CCS with SAF production - as above and including the use of byproducts which can absorb CO₂
- Direct Air Capture (DAC) - absorbing CO₂ directly from the air using a catalyst

Carbon removals projects differ from carbon avoidance projects, which prevent the future release of CO₂. IAG sees carbon avoidance projects as a key transitional solution en route to full use of removals.

When IAG or operating companies choose to voluntarily invest in carbon avoidance and removal projects, they work in collaboration with key partners, carry out due diligence to select reputable providers and select projects carefully to meet and align with verified quality standards such as Gold Standard and Verified Carbon Standard (VCS).

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

Role in IAG transition plan

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

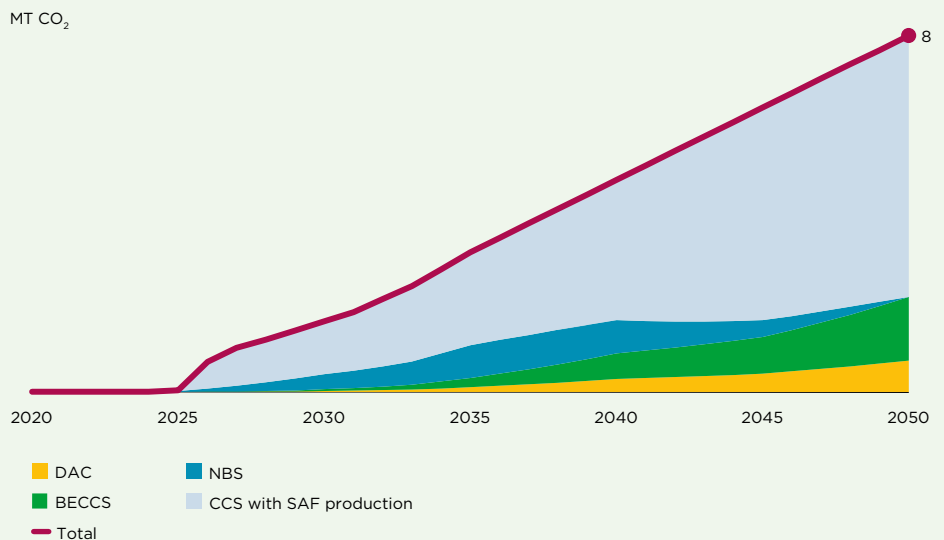
By 2050 it will only work with suppliers who do the same, as part of meeting the Group Scope 3 commitment. It is already encouraging suppliers to transition from offsets to removals as part of a new supplier contract clause which is being rolled out across its supply chain.

Based on the latest roadmap detailed below, the Group expects to use approximately 100 MT of carbon removals between 2022 and 2050 to mitigate Scope 1 emissions and could potentially be removing 2 MT annually in 2030, conditional on clear and globally agreed verification and quality standards for removals, inclusion of removals in ETS schemes, and stable policy support.

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

It continues to advocate for policies that will accelerate global uptake of carbon removals, via the Coalition for Negative Emissions and other trade associations listed in A.1.7., and supports the inclusion of removals in the EU, Swiss and UK ETS.

Illustrative carbon removals ramp up



A.1.3. Metrics and progress

Overview

IAG's transition plan focuses on reducing CO₂ from jet fuel use, as this represents over 99 per cent of Scope 1 emissions. The Group measures its full carbon footprint and tracks multiple metrics each quarter to ensure progress on tackling climate change.

2022 saw strong progress against the key metric of carbon efficiency. With a 12 per cent improvement to 83.5g CO₂/pkm¹, the Group is on track to deliver the 2025 target of 80g CO₂/pkm.

Calculation methodology

Emissions are calculated by multiplying fuel and energy use by appropriate conversion factors that are aligned with

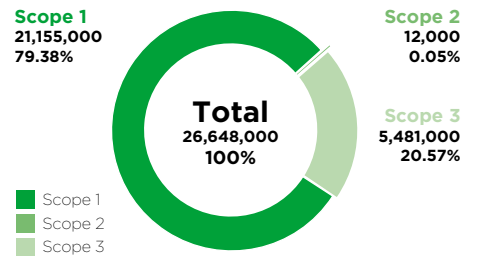
the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report. 2022 UK Government conversion factors are applied across the Group as these are deemed to be the most robust available. Other factors like International Energy Agency emissions factors are used in specific cases as described in the NFIS.

IAG discloses methane (CH₄) and nitrous oxide (N₂O) as Scope 1 non-CO₂ greenhouse gases (GHGs), in line with the UK conversion factors.

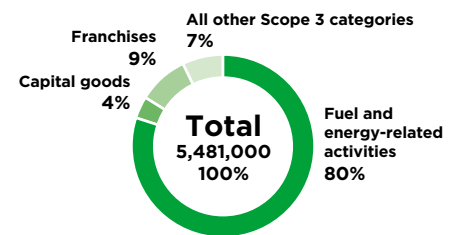
Emissions of CH₄ were 13,072 tonnes in 2022 and N₂O were 198,324 tonnes.

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

2022 Emissions²



Scope 3 emissions²



Key carbon footprint metric	GRI standard	Unit	vly	v2019	2022	2021	2020	2019	2018
Scope 1 CO₂e	305-1	MT CO ₂ e	94%	(31%)	21.15	10.92	11.02	30.74*	29.99
Net Scope 1 CO₂e		MT CO ₂ e	82%	(29%)	19.13	10.50	10.85	26.95*	27.22
Scope 2 location-based	305-2	kt CO ₂ e	30%	(31%)	51.1	39.2	48.2	74.6*	70.4
Scope 2 market-based	305-2	kt CO ₂ e	40%	(40%)	11.7	8.4	9.3	19.7*	40.7
Scope 3	305-3	MT CO ₂ e	65%	(34%)	5.48	3.32	3.66*	8.27*	8.79

Key emission reduction metric	GRI standard	Unit	vly	v2019	2022	2021	2020	2019	2018
Flight-only emissions intensity	305-4	gCO ₂ /pkm	(12%)	(7%)	83.5	94.6	106.2	89.8	91.5
GHG reduction initiatives	305-5	ktCO ₂ e	38%	6%	82.4	59.7	17.2	77.4	65.9
Net reduction (ETS³)		ktCO ₂ e	720%	(44%)	1,796	219	0	3,182	2,634
Net reduction (offset projects)		ktCO ₂ e	17%	n/a	229	196*	168	nr	nr
Fleet age		years	6%	5%	11.9	11.2	10.6	11.4	11.3

Other metric	GRI standard	Unit	vly	v2019	2022	2021	2020	2019	2018
Scope 2 emissions intensity	305-4	gCO ₂ /pkm	(41%)	(8%)	0.20	0.34	0.47	0.22*	0.22
Revenue per tonne CO₂e		€/tonne CO ₂ e	41%	32%	1,088	771	705	827	811
Jet fuel	301-1	MT fuel	94%	(31%)	6.64	3.42	3.45	9.65	9.41
SAF		kT fuel	338%	n/a	10.3	2.4	nr	nr	nr
Electricity	302-1	'000 MWh	13%	(20%)	213.7	189.0	200.1	267.7	234.9
Energy	302-1	Mn MWh	93%	(31%)	81.5	42.1	41.9	119.7	119.4
Renewable electricity⁴		%	(5pts)	9pts	81%	86%	86%	72%	54%
Renewable energy		%	(0.1pts)	0.2pts	0.4%	0.5%	0.4%	0.2%	nr

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

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

1 pkm means 'passenger-km'. The passenger-km used for this calculation is 213,376 million, which excludes no-show passengers. The cargo-tonne-km used is 3,712 million, which excludes cargo carried on other airlines or trucks. The jet fuel used excludes fuel for franchises and engine testing.

2 Rounded to the nearest '000 tonnes CO₂e.

3 2020 emissions were below the EU ETS sector cap for aviation so no net reductions were delivered.

4 For completeness, Scope 2 emissions cover electricity use at airports and overseas offices, which are partly outside IAG's operational control.

As part of complying with UK Streamlined Energy and Carbon Reporting regulation, IAG can disclose that 56 per cent of Group energy use was UK energy use, based on Scope 1 emissions and Group electricity use in UK-based offices.

A.1.4. Emissions reduction initiatives

Relevant standards: TR-AL-110a2. GRI 305-5.

Reducing gross and net emissions is a collective effort across the Group. Examples are throughout this report.

By 2030, fleet renewal and SAF programmes will have the biggest impact on reducing gross emissions, and CORSIA will have the biggest impact on reducing net emissions. In addition, other specific initiatives are run within operating airlines.

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

1,580,000

illustrative tonnes of CO₂ saved this year from a more efficient fleet, compared to the 2019 fleet pre-COVID-19

30,000

tonnes of CO₂ saved from SAF purchased this year, five times higher than the saving in 2021

80,000

tonnes of CO₂ saved from operational efficiency initiatives such as reduced use of landing flaps, single-engine taxi-in and reduced weight on-board

230,000

tonnes of CO₂ avoided due to use of certified carbon offset projects, in locations such as Cambodia, Peru, the Congo Basin, Sudan and Malawi

Examples of initiatives across the Group:

Operating company	2022 examples
British Airways	9,980 tonnes of SAF delivered from Phillips 66, saving almost 30,000 tonnes of CO ₂ Rolled out a new fuel efficiency dashboard enabling pilots to better match fuel use to fuel needs Trials at airports of an electric bus for passengers and use of hydro-treated vegetable oil (HVO) in ground vehicles
Iberia	Began operation of a 10,000m ² solar installation to generate 2.7 million renewable kWh annually Efficiency initiatives across the whole flight phase including take-off, cruise, approach and landing
Aer Lingus	Welcomed two A320neos to the fleet, which save up to 20 per cent of fuel compared to the aircraft they replace More efficient flightpaths out of Dublin airport saved around 1,200 tonnes of CO ₂
Vueling	Demonstrated 72% CO ₂ saving on a Green Flight between Barcelona and Lyon using SAF and a straighter path Moved to a new, more sustainable headquarters, certified to international BREEAM ¹ standards
IAG GBS	Rolled out a new supplier contract clause encouraging emissions reductions
IAG Cargo	SAF deals with key cargo customers including Kuehne + Nagel, Bolloré Logistics, DB Schenker and DHL Trials including a lease of 40 tractor units running on HVO biofuel, and an electric tractor
IAG Tech	Migration of IT services to Amazon cloud servers, saving energy and CO ₂
IAG Loyalty	British Airways Executive Club Members can use Avios points to contribute to verified carbon offset projects

A diverse portfolio of SAF

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

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

Key SAF partnerships

Partner	Project name if relevant	Production location	Planned production start
Phillips 66		Humber, UK	In production
Neste		Finland; Singapore	2023
LanzaJet	Freedom Pines	Georgia, USA	End 2023
aemetis	oneworld	California, USA	2024
LanzaTech	Project Dragon	South Wales, UK	2025
Gevo		Minnesota, USA	2026
Velocys²	Bayou Fuels	Mississippi, USA	2026
LanzaJet/NovaPangaea²	Speedbird	Teesside, UK	2026
Velocys²	Altalto	Immingham, UK	2027

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

A.1.5. Scenario analysis

Overview

In 2022, IAG carried out multiple and aligned forms of scenario analysis:

- The IAG Sustainability team and the Enterprise Risk Management (ERM) team reviewed all climate-related risks and opportunities and potential impacts to 2024 and 2030. The impacts of material risks are quantified as part of the Company-wide ERM process which receives Board oversight
- Operating airlines modelled compliance-related costs, including from the UK and EU ETS and CORSIA, to 2030
- TCFD-aligned scenario analysis was repeated using a dual timeframe of 2030 and 2040
- Ongoing analysis was carried out on the Flightpath Net Zero strategy to 2050

This scenario work informs strategy, planning, risk management and financial management.

IAG takes a proactive approach to managing climate-related risks and opportunities, and is committed to managing their regulatory, reputational, financial, market and technology aspects.

Applying carbon prices

IAG concurrently applies carbon prices to financial planning and to future scenario analysis.

The fleet team uses updated carbon prices and price forecasts for shorthaul and longhaul fleet purchasing decisions, based on market values and reputable external sources. The Group airlines use carbon prices in financial planning, and flight operations teams and pilots use carbon prices in operational decisions about fuel uptake.

Potential acquisitions include an assessment of exposure to climate-related issues and policy.

For the period 2022-30, UK ETS prices of £75-£150/tonne, EU ETS prices of €67-€130/tonne and CORSIA prices of \$11-\$21/tonne were used for modelling compliance costs.

EU and UK ETS prices are based on market prices and the UK Department for Transport (DfT) Aviation Forecast, and CORSIA prices are based on internal analysis and ICAO industry price forecasts.

TCFD-aligned scenario analysis

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

This was a structured, qualitative discussion of potential climate-related impacts and business responses, using the latest evidence and analysis from reputable sources like the UN, Eurocontrol and Climate Action Tracker (CAT).

1.5°C scenarios¹ were chosen for transitional risks, in recognition of IAG and global targets. 2°C and 3°C warming scenarios were chosen for physical risks, based on the latest UN projections.

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

The 2021 and 2022 exercises involved representatives from multiple teams including Strategy, Treasury, Finance, Government Affairs, Commercial Planning, Investor Relations, People, Enterprise Risk Management, IAG Tech, IAG GBS, IAG Loyalty and sustainability representatives from all operating airlines. The Group Sustainability team collated inputs, which were reviewed by the IAG Sustainability Steering Group.

The Group remains resilient to the most material climate-related impacts – industry-wide policy shifts – and these have been quantified and mitigation plans embedded into financial and strategic planning. Industry-wide changes also create opportunities for the Group to move to become more resilient than its competitors.

To address significant uncertainty around future policy, technology and market trends, IAG is repeating scenario analysis annually. It will implement action plans in 2023 to further improve resilience to wider changes.

1 'Orderly' and 'disorderly' scenarios were chosen as per TCFD definitions. These scenarios compare smooth, predictable and idealised climate-related changes with abrupt, variable and disjointed changes across regions.

A.1.6. Risks and opportunities

Climate-related risks are assessed and managed within the ERM framework as described in Section C.6. and in the Risk management and principal risks factors section under Principal Risk 'Sustainable Aviation'. Opportunities are managed within relevant teams.

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

The carbon-reduction targets in the Flightpath Net Zero strategy are the key measures for assessing the mitigation of these risks, along with the consideration of these risks in relevant governance processes. The external risk environment, materiality of risks, mitigation actions and KPIs for these mitigating actions are reviewed regularly.

The table below lists risks assessed through the ERM process. The most material risks are policy risks. Risk timeframes align with corporate planning timelines.

TCFD risk type	Risk and/or opportunity combined description	Risk time frame	Risk trend	Scenario dependency ¹
Physical	Resilience to acute weather events	M	Stable	Temperature
	Resilience of routes and assets to chronic climate changes	L	Stable	Temperature
Market	Customer spend due to perceptions of IAG ESG progress	S	Up	Transition
	Customer spend due to perceptions of aviation industry ESG progress	S	Up	Transition
	Perceived quality of offset and removal projects	M	Stable	Transition
	Supply chain readiness	L	Down	Transition
Policy	Demand impact of EU and UK climate policy	M	Stable	Transition
	Resilience to changes in ETS/CORSIA pricing	M	Stable	Transition
	Policy asymmetry across regions	M	Up	Transition
	Extra regulation on activity not emissions	L	Stable	Transition
	Lack of supporting SAF infrastructure or policy	M	Down	Transition
	Regulation on non-CO ₂ effects	L	Up	Transition
Technology	Access to and readiness for lower-emission technologies	L	Down	Transition
	Access to SAF	M	Down	Transition

Key: short-term (S) is 1-2 years, medium-term (M) is 3-5 years, long-term (L) is more than 5 years.

IAG continues to analyse risk and transition scenarios to inform mitigation plans to 2030. Key parameters for defining scenarios are below, based on UN, CAT, UK Climate Change Committee and internal analysis. These are kept under review.

Physical risk parameters	Current projection	2°C scenario	3°C scenario
Global scenario to 2100	2.4°C	RCP ² 2.6	RCP 4.5
Transition risk parameters	Current policies/projections	Current targets	1.5°C-aligned scenario ¹
Global emissions vs 2019	0%	-7%	-41% (-27%) ³
UK emissions vs 2019	-28%	-42%	-42%
EU emissions vs 1990	-55% (via Fit for 55)	-55%	-62%
US emissions vs 2005	-37%	-50%	-58%
Aviation (net) emissions vs 2019	-15% (via CORSIA)	-15%	-15%

¹ Whether the cost impacts depend more on the temperature scenario (2°C or 3°C), or type of transition (orderly or disorderly).

² Representative Concentration Pathway (RCP), a globally recognised scenario for physical changes under different temperature ranges.

³ A 41 per cent drop by 2030 represents an orderly transition. A 27 per cent drop represents a disorderly transition because smaller global emissions reductions to 2030 require rapid decarbonisation after 2030 to return to 1.5°C by 2100.

Risk Impacts and Mitigation

Description as per previous page	Potential unmitigated financial impacts	How IAG is mitigating
Resilience to acute weather events	Days of lost revenue due to additional flight disruption and associated mitigation and passenger compensation costs	Existing operational resilience processes can minimise extra disruption from e.g. more turbulence from US-UK flights
Resilience of routes and assets to chronic climate changes	Changed revenue from a different route network or a different frequency of flights to climate-affected destinations, changes in operational maintenance costs	Scale of route network means impacts above plan are not material so no immediate action needed. Aircraft are mobile assets which can be moved to different locations to account for e.g. more hurricanes in Caribbean
Customer spend due to perceptions of IAG ESG progress	Customers change frequency of flying, duration of trips, or spend less relative to other carriers	Delivering emissions reductions, developing emissions dashboards for customers, expanding customer communications
Customer spend due to perceptions of aviation industry ESG progress	Customers change frequency of flying, duration of trips, or spend less relative to other travel modes	Support for global instruments like CORSIA, working via trade associations to advance green solutions
Perceived quality of offset and removal projects	Exposure to sudden variability in prices, cost of CORSIA credits, scale of growth in revenue by 2050 due to available volume of removals to deliver net zero	Strategy to avoid price spikes, governance to ensure offset quality, a removals roadmap based on external evidence, advocacy for policy support and monitoring regimes
Supply chain readiness	Sustainability compliance or technology change causing unplanned changes in cost of goods and services provided to IAG or associated supplier management costs, margin erosion	Supply chain sustainability programme which includes ESG scorecards and supplier risk screening
Demand impact of EU and UK climate policy	Pass-through of industry-wide costs affects ticket prices and so demand	Impacts of emerging policy assessed as part of longer-term financial planning and strategy
Resilience to changes in CORSIA/ETS pricing	Exposure to long-term price increases affects compliance costs	Strategy to reduce impact of price spikes; using carbon prices in fleet and financial planning
Policy asymmetry across regions	Changing numbers of customers relative to other carriers who are under more favourable or more restrictive policy regimes	Advocacy for global solutions such as the ICAO Long-Term Aspirational Goal agreed in 2022
Extra regulation on activity not emissions	Industry-wide taxes or levies increase operating costs and have potential demand impacts, demand management measures equate to lost revenue	Advocacy in support of emissions-reducing measures like SAF and against economically inefficient measures like taxes
Lack of supporting SAF infrastructure or policy	Higher prices of SAF in core markets due to lack of investment in SAF production or cost of inputs	Advocacy for SAF policy, e.g. via UK Jet Zero Council, and a strategy to procure SAF in regions where supportive policy exists
Regulation on non-CO₂ effects	Potential multiplier on ETS costs, lost revenue due to route restrictions, or operational costs due to non-CO ₂ management	External research suggests just 10% of flights could be 80% of impacts. Advocacy via trade associations to support monitoring and targeted solutions such as route optimisation and SAF uptake
Access to and readiness for lower-emission technologies	Higher ETS costs if technology access is restricted or technology development is slow	Hangar 51 Ventures team aligns research and work with the Flightpath Net Zero strategy
Access to SAF	Changing unit prices of SAF in core markets	Securing SAF deals and taking equity in early-stage projects where relevant

A.1.7. Stakeholder engagement

Relevant standards: GRI 102-13/43/44

Overview

The aviation industry will decarbonise faster with stakeholder and policy support.

The Group and its operating airlines regularly engage with key stakeholders: governments and regulators, shareholders, lenders and other financial stakeholders, trade associations, customers, suppliers, employees, communities, NGOs and academic institutions to advocate for support for emissions reductions and to share progress on Flightpath Net Zero.

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

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

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

Key stances on climate change

IAG supports cost-effective approaches to deliver net zero emissions by 2050, advance low-carbon solutions, and support global efforts to align with 1.5°C.

Actions across ten associations are listed below. If the climate-related positions of trade associations are deemed to be substantially weaker or inconsistent with these internal stances, IAG representatives take roles on task forces and working groups and respond to consultations to communicate our stances and constructively move to alignment.

IAG is proud to have consistent stances on climate change with all the organisations of which it is a member (below). IAG has positively influenced this outcome by contributing expertise and time to drive net zero commitments, and create and support roadmaps to net zero emissions across SA, A4E, oneworld, JZC, and ATAG. IAG has also driven and encouraged higher SAF ambitions across the JZC, oneworld and WEF.

IAG and key trade associations are listed on the EU Transparency Register.

Key principles of climate-related engagement

Aviation is a global industry and IAG remains committed to global policy approaches.

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

IAG advocates for carbon pricing as a key instrument to determine both the pace of emissions reductions for the aviation industry and the balance of in-sector and out-of-sector reductions.

IAG prioritises advocacy on SAF too, as this is a key emissions reduction driver in the next decade, and supports policies on operational efficiency, zero-emission aircraft and carbon offsets and removals.

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

Member of organisation

IAG involvement in organisation and actions to ensure and move to consistent stances

UK focus

Sustainable Aviation (SA)

One of 13 members of SA Council, which governs activities for 44 members

Drove development of net zero roadmap in 2020, proposed interim industry climate targets in 2021, active participant in workstreams to advance green solutions

Jet Zero Council (JZC)

Chairs SAF Delivery Group, supported creation of UK Jet Zero Strategy in 2022 to deliver net zero UK aviation by 2050, British Airways CEO a member

Royal Aeronautical Society (RAeS) – Greener by Design group (GbD)

Executive Committee of GbD, attended non-CO₂ conference in 2022 to understand how best to mitigate these effects

Spain/Europe focus

Grupo Español para el Crecimiento Verde Airlines 4 Europe (A4E)

Iberia is one of over 50 corporate members supporting green growth

Founding member, drove development of net zero roadmap in 2021, supported RefuelEU consultation responses and other work to advance green solutions

Global focus

Coalition for Negative Emissions

Founding member in 2020, Steering Group member, active contributor to consultation responses to UK Government on how to scale up carbon removals

oneworld (represents 15 airlines)

Chairs Environment Strategy Board (ESB), coordinated net zero roadmap and 10 per cent SAF ambition across 2020-21, hosted two ESB meetings in London in 2022, continues to provide support for advancing green solutions

Air Transport Action Group (ATAG)

Significant airline contributor to global aviation roadmap to net zero in 2020-21, which helps to inform industry priorities for continual advancement of green solutions

World Economic Forum (WEF) – Cleaner Skies for Tomorrow Coalition

Regular contributor to reports on how to scale up SAF as a low-carbon solution, advocated for 10 per cent SAF ambition by 2030

IATA (represents 300 airlines worldwide)

Chaired IATA Sustainability and Environment Advisory Council (SEAC), representatives on IATA working groups to advance policies for green solutions, supported advocacy for net zero commitment at ICAO and strengthening of CORSIA baseline

A.2. Planet – wider issues

A.2.1. Waste

Relevant standards: GRI 306-1/2/3 (2020).

Overview

IAG has one of the most comprehensive waste reduction plans in the airline industry.

The '5 by 2025' plan covers five waste streams and five business units, with waste generation and recycling targets across on-board, office, cargo and maintenance waste and a zero-based approach to single-use plastic (SUP). IAG is committed to reducing, reusing and recycling waste and dealing with any hazardous waste in line with relevant national and international regulations.

On-board services are the main source of waste. Key waste outputs include plastic packaging, leftover food waste, drinks cans and cabin items such as wrappers. Key inputs included on-board meals and amenity kits supplied to passengers.

In 2022, IAG operations generated:

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

13,806 tonnes were recovered or recycled.

Waste is typically offloaded and processed at airports by third-party caterers, with some materials recovered on-site and other materials incinerated or sent to landfill. The majority of cabin and catering waste is processed at IAG's hub airports - London, Madrid and Barcelona - although the Group flies to over 200 airports worldwide.

Reducing food waste remains an area of focus. For example, Iberia offers a Buy-Before-You-Fly service on shorthaul flights and British Airways offers a pre-ordering service for products from the on-board SpeedBird Cafe, to give passengers the choice of buying fresh and ambient products before departure. These services remove food waste from unpurchased shorthaul economy cabin meals while maintaining customer choice. British Airways has a target to halve food waste volumes between 2019 and 2025.

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

Track record on waste



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

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

Commentary on key metrics

Key metrics	Description	Commentary
Overall waste	Includes waste from all streams – on-board, office, cargo and maintenance waste – and an extrapolation of waste processed at overseas airports, where waste destinations are not always reported by third parties.	Waste volumes increased as flying recovered and waste intensity metrics are returning to pre-pandemic levels. Trends are expected to stabilise in 2023.
Waste recycling and recovery	Includes re-use, downcycling, upcycling, energy from waste, composting and anaerobic digestion. Regulations, including International Catering Waste (ICW) regulations, limit the amount which can be recycled.	Overall recycling/recovery rates are 26 per cent, up from 21 per cent in 2019. The impact of airline recycling initiatives is expected to become clearer in 2023.
Single-Use Plastic (SUP)	Items made wholly or partly of plastic and are typically intended to be used just once or for a short period of time before they are thrown away. This aligns to the EU definition.	160 tonnes of SUP were reduced from initiatives such as using birchwood cutlery and replacing packaging on blankets. The IAG GBS Procurement team is evaluating alternatives to plastic as part of procurement processes.
Waste/pax at hubs	On-board catering waste generated per passenger, including volumes later recycled and recovered. Passenger numbers are based on those inbound and outbound passengers who have their waste processed at hub airports London Heathrow and Gatwick, Madrid, Barcelona and Dublin.	Waste generation ratios per passenger are gradually decreasing back to pre-pandemic levels.

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

A.2.2. Noise and air quality

Relevant standards: GRI 305-7.

IAG has delivered a 12 per cent reduction in noise per take-off and landing cycle (LTO) versus 2019, driven by fleet renewal. It remains committed to reducing the impact of aircraft noise and air pollution on local communities near airports and supports innovation as a means of delivering this. Noise and air quality performance are monitored using national databases and global aircraft noise standards.

Group airlines continue operational practices to minimise noise impacts, such as the use of continuous descents. They engage with stakeholders such as community groups, regulators and industry partners to understand their concerns and participate in research and operational trials to identify and refine solutions. In 2021 and 2022, Iberia participated in the EU AVIATOR project to better understand air pollution at airports, including the impact of a 30 per cent SAF blend.

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

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

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

² Restated using the latest available data.

Related risk: Operational noise restriction and charges

Risk and/or opportunity description and potential impact	Mitigating actions
Airport operators and regulators apply operational noise restrictions and charging regimes which may introduce additional costs or restrict airlines' ability to operate, e.g. restrictions on night flights.	<ul style="list-style-type: none"> Investing in new quieter aircraft as part of fleet modernisation Continually improving operational practices including continuous descents, slightly steeper approaches, low-power/low-drag approaches and optimised departures Internal governance and training and external advocacy in Ireland, Spain and the UK to manage noise challenges

B. People

B.1. Overview

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

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

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

At the start of 2022 we announced our ambition for 40 per cent of women in senior leadership roles by 2025. This new ambition was underpinned by a new diversity and inclusion framework and strategy and we have been making strong progress in making IAG a more inclusive place to work.

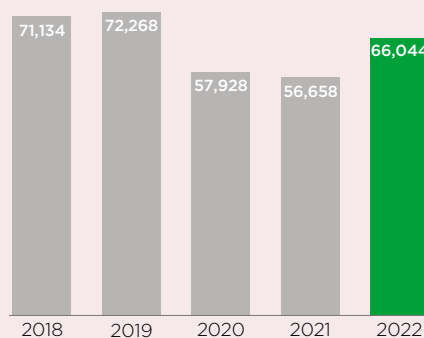
In 2022, we have seen the percentage of women in the IAG Management Committee increase 8 percentage points with the appointment of Sarah Clements as IAG's new General Counsel. We end the year at 34 per cent of women in senior leadership roles, up from 33 per cent in 2021. We remain confident we are on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

B.2. Key metrics and progress

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

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

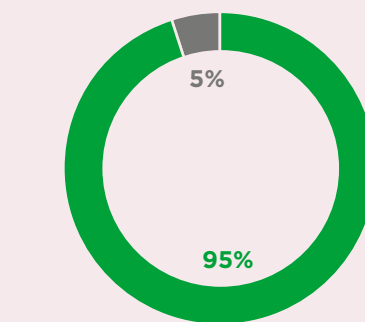
Headcount



Number of senior women increased to

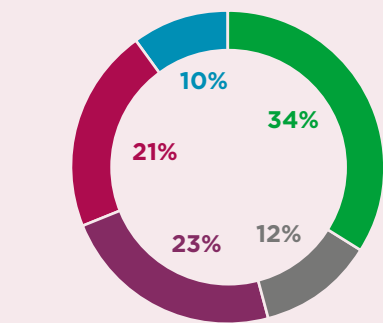
34%

Headcount by employment contract



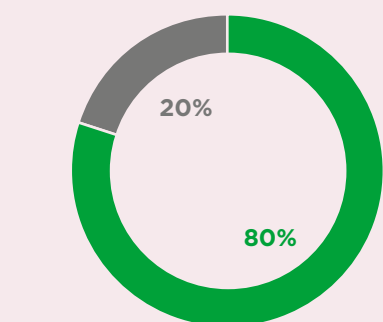
■ Permanent
■ Temporary

Headcount by employment categories



■ Cabin Crew
■ Pilots
■ Airport
■ Corporate
■ Maintenance

Headcount by employment type



■ Full-time
■ Part-time

B. PEOPLE

Table of key measures

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

Note: 'nr' means 'not reported'.

1 The mean of the manpower equivalent captured quarterly to reflect seasonality.

2 Actual number of people employed across the Group at December 31, 2022.

Table of key measures continued

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

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

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

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

Note: 'nr' means 'not reported'.

Description and commentary for key workforce metrics

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



B.3. Equity, Diversity and Inclusion

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

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

The IAG Diversity Panel, created in 2021, sees representatives across all operating companies sharing best practice and leading on the co-design and implementation of new EDI initiatives. In 2022, the panel welcomed internal and external guest speakers on specialist subjects such as gender diversity in aviation and reverse mentoring. Members of the panel have joined Women in Hospitality and Leisure (WiHTL) Committees, including specialist areas such as Race & Ethnicity and Disability.

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

Achievements in 2022

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

“Diversity is one of IAG's core strengths”

B.4. Health, safety and well-being

Overview

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

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

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

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

Focus areas

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

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

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

B.5. Human rights and modern slavery

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

IAG is taking steps to prevent incidences of modern slavery within the Group and across its supply chains.

The IAG Group Slavery and Human Trafficking Statement outlines these actions and is available on the IAG website. This statement is made under section 54, part 5 of the 2015 UK Modern Slavery Act (MSA). In terms of policies associated with human rights, IAG asks suppliers to comply with the Supplier Code of Conduct, which expressly prohibits the use of child labour and any form of slave, bonded, forced, involuntary prison labour, human trafficking or exploitation. Modern slavery clauses feature in all new supplier contracts as well as contract renewals.

IAG remains committed to taking swift and robust action if any evidence relating to slavery or human trafficking in our business supply chain is identified.

IAG is taking steps to prevent human trafficking. Human trafficking is of particular concern to IAG and to the wider aviation industry, as the Group transports millions of passengers every year and has tens of thousands of suppliers across the world. Operating airlines work closely with governments and the airports in which they operate to ensure that any suspected trafficking on our flights is identified, reported and dealt with appropriately. IAG also supports the 2018 IATA resolution denouncing human trafficking and reaffirming a commitment to tackle this issue.

Operating airlines also train staff to recognise and respond to the signs of potential human trafficking situations and provide procedures for reporting where any cases are suspected. This training is managed at airline level. In 2022, over 24,000 employees have completed training covering human rights topics, compared to 27,000 employees in 2021.

Related risk: Human rights

Risk description and potential impact

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.

Mitigating actions

- Updated Group Slavery and Human Trafficking Statement
- Training for staff to recognise signs of potential human trafficking and guidance and processes in place to report this
- See C.4. Supply chain governance

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

B.6. Community engagement and charitable support

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

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

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

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

Group operating companies have partnerships with a range of organisations including:

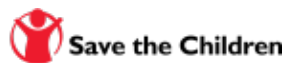
Disasters Emergency Committee (UK)



Flying Start (UK)



Save the Children (Spain)



Lovaas Foundation (Spain)



Dublin Pride (Ireland)



Special Olympics (Ireland)



Business vs Smog (Poland)



Noble Gift (Poland)



UNICEF (global)



B. PEOPLE

Aer Lingus and Paralympics Ireland

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



C. Principles of sustainability governance

C.1. Sustainability strategy

IAG's vision is to be the world's leading airline group on sustainability.

That means using its scale, influence and track record to not only transform the business but drive the system-wide changes required to create a truly sustainable aviation industry. IAG is committed to delivering best practices in sustainability programmes, processes and impacts, while executing Group strategy.

IAG aligns its environmental strategy with the three overall strategic priorities of the business described in the Strategy section.

Material issues

IAG orientates its sustainability strategy around material issues: those which are most important to key stakeholders and which have the biggest external impacts.

To identify these issues over a three-year timeframe and to 2030, IAG repeated a materiality assessment in 2021 which was facilitated by an independent third party. External stakeholders included investors, corporate customers, policy makers, trade associations, fuel suppliers, airports, and NGOs. Internal stakeholders included IAG Board members, all IAG Management Committee members, and operating company sustainability representatives.

The results inform ongoing disclosures and strategy.

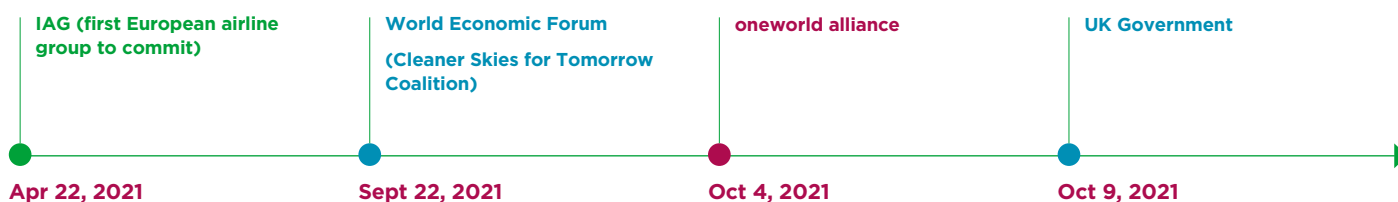
Tackling climate change was identified as the most material issue in the long-term. In the short-term, as the business recovers from the COVID-19 pandemic, profitability and customer and employee engagement and well-being remain high priorities. IAG will consider use of a double materiality assessment when it next repeats this analysis, which is expected to be 2024.

IAG does not have specific risk provisions, targets or guarantees related to non-material issues such as water consumption, biodiversity, raw materials consumption or light pollution. More information on water and biodiversity is available in the Additional Disclosures section of the NFIS.

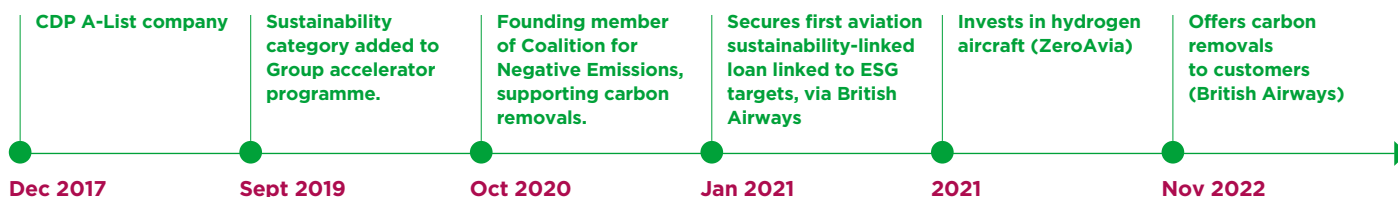
Leading net zero by 2050 roadmaps and commitments



Leading 10% SAF by 2030 commitments

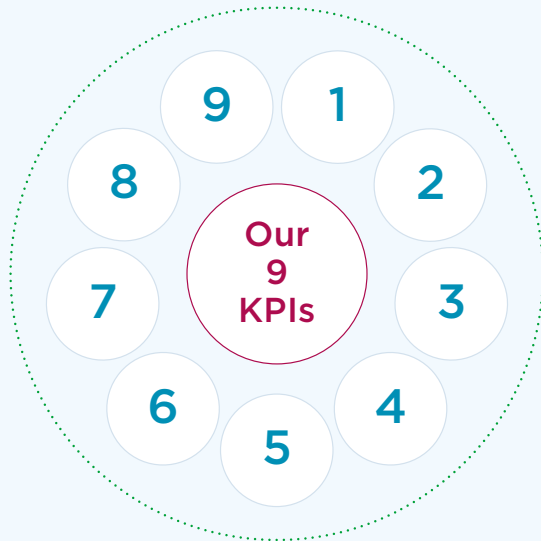


Leading innovation



- Drove/leading role
- Supported
- IAG-specific

Sustainability leadership KPIs



IAG drives progress based on nine strategic KPIs agreed by the Board in 2021.

- 1 Clear and ambitious targets relating to IAG’s most material issues**
2022 action
 2025, 2030 and 2050 carbon targets and published transition plan. British Airways and Iberia have sustainability-linked loans related to 2025 carbon efficiency.
- 2 Low-carbon transition pathway embedded in business strategy**
2022 action
 Sustainability aspects included in one-year, three-year and 2030 business planning for operating companies.
- 3 Management incentives aligned to delivering a low-carbon transition plan**
2022 action
 Over 7,400 senior executives and managers have 10 per cent of their annual incentive linked to annual carbon intensity targets.
- 4 Leadership in carbon disclosures**
2022 action
 A-List company in CDP climate ratings in 2022 (Top 3 per cent). Highest-ranked airline in TPI climate ratings (Score: 17/18).
- 5 Accelerating progress in low-carbon technologies including aircraft technology, SAF, carbon offsets and carbon removals**
2022 action
 Sustainability remains a focus area within the IAG accelerator programme Hangar 51.
- 6 Accelerating innovation in low-carbon technology as above**
2022 action
 LanzaJet Freedom Pines SAF plant was the first project worldwide to receive a catalyst grant from the Breakthrough Energy Catalyst Grant.
- 7 Industry leadership in the innovation and deployment of SAF including power-to-liquids**
2022 action
 250,000 tonnes of SAF secured for 2030, 25 per cent of target.
- 8 Stepping up our social commitments including on diversity, employee engagement and sustainability as a core value**
2022 action
 34% women in senior executive roles, a 1 percentage point increase on 2021.
- 9 Industry leadership in stakeholder engagement and advocacy**
2022 action
 Leadership roles across multiple trade associations. See A.1.7.



Leadership in carbon disclosures

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

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

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

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

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

Governance spotlight: Jet Zero Council



Overview

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



Jet Zero Consultation

A consultation on our strategy for net zero aviation



IAG support

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

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



Jet Zero Strategy

Delivering net zero aviation by 2050



Scope

The JZC is a partnership between industry and Government to bring together ministers and CEO-level stakeholders, with regular meetings and subgroups to drive the ambitious delivery of new technologies and innovation to cut aviation emissions.



Next steps

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

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

C.2. Governance frameworks

Relevant standards: GRI 102-46/-48

Overview

IAG has robust governance in place to ensure joined-up and progressive decisions on sustainability.

This also helps to ensure that wider stakeholder engagement is consistent with material issues and environmental priorities and goals. An annual meeting planner for the Board ensures sustainability governance processes fit within the reporting and disclosure framework of the Group.

The Group's unique structure means that each individual operating company has a distinct sustainability programme. These are regularly reviewed to ensure alignment with the Group sustainability strategy and principles, which covers material issues, KPIs and engagement plans.

Relevant forums and levels of responsibility are indicated below. Information flows between groups is covered in Sections C.6., on the second page of the Risk Management and Principal Risk factors section, and in the Corporate Governance section.

Board/management committee	Frequency of meetings	Responsibility in relation to sustainability
Board	At least quarterly	Approval for strategy, major investments, risk management and controls and review of progress against environment and people plans including climate-related goals and targets
Board Safety, Environment and Corporate Responsibility (SECR) Committee	At least quarterly	Dedicated oversight of Group sustainability programme and alignment with strategic priorities, review of progress against environment and people plans. Provides a link between operating company management committees and the IAG Board
IAG Audit and Compliance Committee	At least quarterly	Ensures compliance with relevant regulation and reviews Annual Report and Accounts and Non-Financial Information Statement
IAG Management Committee	At least quarterly	Reviews and challenges Group programmes, the alignment of operating company-specific programmes with Group priorities and strategy, and progress against plans
Operating company management committee	At least quarterly	Reviews and challenges operating company-specific environment and people programmes
Forum	Frequency of meetings	Responsibility in relation to sustainability
IAG Sustainability Steering Group (SSG)	At least quarterly	Comprised of senior representatives from across the Group who provide oversight of environmental and social initiatives and reporting
IAG SAF Steering Group	At least quarterly	A cross-Group meeting focusing on SAF projects and progress
IAG Sustainability network	Monthly	Sharing sustainability updates and ideas across all business units and over 30 sustainability representatives. In 2022, three Group workshops were also hosted: in Spain, Ireland and Poland
Hangar 51 Governance Committee	At least bi-annually	Reviews new potential investments to consider emerging climate technologies and partnerships with sustainability start-ups Members include the Chief Strategy Officer, Chief Financial Officer, Chief Information Officer and General Counsel
Individual	Frequency of reporting	Responsibility in relation to sustainability
IAG CEO	At least quarterly	Chairs the IAG Management Committee, updates the Board, and ensures Board-level decisions are directed into action across the Group
IAG Chief People, Corporate Affairs and Sustainability Officer (CPCASO)	At least quarterly	Reports into the IAG CEO. A member of IAG Management Committee. Chairs the SSG and provides approval and direction of Group programmes
IAG Group Head of Sustainability	Regularly as relevant	Reports into IAG CPCASO. Chairs the Sustainability network
IAG Group Head of People	Regularly as relevant	Reports into IAG CPCASO

Wider governance

Wider governance processes integrate sustainability aspects. As part of the Group-wide ERM process, sustainable aviation and people, culture and employee relations risks are presented bi-annually to the Audit and Compliance Committee and annually to the Board. One-year financial plans and three-year business plans are coordinated by Group Finance and include sustainability aspects.

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

C.3. Workforce governance

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

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

Working policies and rights at work

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

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

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

Training and development

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

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

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

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

Diversity

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

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

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

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

See Section B.3. for more diversity initiatives.

C.4. Supply chain governance

Relevant standards: GRI 308-2, GRI 414-2.

Overview

IAG Global Business Services (IAG GBS) continues to engage with, support and monitor suppliers to ensure all products and services provided to IAG are on a path to net zero by 2050.

The IAG GBS Group Procurement team leads the Supply Chain Sustainability Programme by delivering in four key areas:

- The Supplier Code of Conduct (SCoC)
- Independent risk screening and sustainability assessments
- Corporate Social Responsibility (CSR) Audits
- Embedding sustainability as standard in the procurement process

From insight to action in 2022

The SCoC has been issued to the existing supply chain and integrated into the new supplier onboarding process. New suppliers are requested to acknowledge their commitment to achieving net zero emissions by 2050, and the need for a roadmap, supported by deliverable plans, to achieve this target.

IAG GBS is also partnering with EcoVadis, a market-leading provider of business sustainability ratings, to assess suppliers using a holistic environmental, social and governance (ESG) scorecard.

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

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

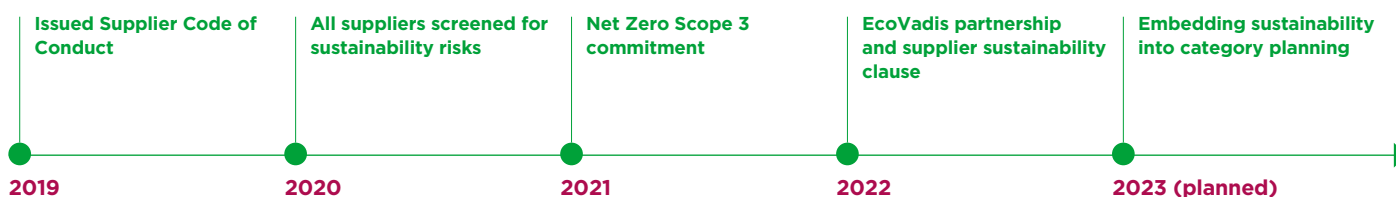
All suppliers also undergo annual screening for any legal, social, environmental and financial risks. The Group Procurement and Compliance teams assess any suppliers identified as having potentially higher levels of risk and implement mitigation plans where necessary. Any issues are flagged to the risk owners within the Group to jointly take appropriate action.

In 2022, IAG GBS embedded sustainability aspects into the day-to-day operation of the organisation and included sustainability targets in the performance objectives of all IAG GBS employees.

IAG GBS has verified the existing, active supplier base and IAG’s airlines’ interline relationships in Russia and Belarus in order to determine the potential implications of, and actions to be taken, due to the trade sanctions issued as a response to the war in Ukraine. Follow-up and support have been provided to IAG’s operating companies with regard to mitigation actions taken in response to the findings (e.g. payment stop/blockage) in coordination with the relevant Compliance Teams.

Building a sustainable future in 2023

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



Tracking metrics and progress

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

Related risk: Supply chain sustainability compliance

Risk and/or opportunity description and potential financial impact	Mitigating actions
Potential breach of compliance on sustainability, human rights or anti-bribery by an IAG supplier resulting in financial penalties, legal, environmental, social and/or reputational impacts.	<ul style="list-style-type: none"> • IAG GBS procedures above as well as integrity, sanctions and IAG Know Your Counterparty due diligence for higher-risk third parties • Internal governance on supplier management to identify challenges and mitigation • Supplier screening using external business intelligence databases which actively monitor supplier status and flag risks including sustainability

C.5. Ethics and integrity governance

Relevant standards: GRI 102-16/-17, 205-1/-2/-3

Overview

All directors and employees are expected to act with integrity and in accordance with the laws of the countries in which they operate.

IAG's Group Code of Conduct (CoC), last revised in 2019 and approved by the Board, sets out the general guidelines that govern the conduct of all directors and employees of the Group when performing their duties in their business and professional relationships. Mandatory CoC training and communications activities are carried out for directors, employees and third parties on a regular basis to maintain awareness and understanding of the principles that govern the conduct of the Group. This policy is available on the IAG website.

In 2022, a new Group-wide Whistleblowing Policy was issued and all the Group channels consolidated to one whistleblowing channel provided by an independent third-party provider, EthicsPoint, where concerns can be raised on an anonymous and confidential basis.

This channel is available to members of staff as well as suppliers, with information on how to access it published in the CoC and SCoC. If any employee has a concern about unethical behaviour or organisational integrity, they are encouraged to first speak with their manager or a member of the Legal, Compliance or Human Resource teams. Similarly, suppliers are encouraged to contact their primary contact within the business.

IAG will not tolerate any retaliation against individuals using the whistleblowing channel or contributing to investigations arising from reports to the whistleblowing channel.

Whistleblowing reports received for each Operating Company are triaged by the Compliance teams to direct to the most appropriate area for investigation, maintaining independence in this investigation process.

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

In 2022, whistleblowing reports concerned issues relating to employment matters (64 per cent), dishonest behaviour/reputation (29 per cent), health and safety (6 per cent) and regulatory matters (1 per cent). All reports were followed up and investigated where appropriate, and no material concerns were identified.

Anti-corruption and anti-money laundering

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

In 2022, a Group-wide anti-bribery and corruption policy was issued. This sets out the minimum standards that are expected by the Group, its directors and employees, including definitions and guidance for bribery, gifts and hospitality guidance, political and charitable donations, public officials, facilitation payments amongst others.

Each Group operating company has a Compliance Department responsible for managing the anti-bribery programme in their business. The compliance teams from across the Group meet regularly through Working Groups and Steering Groups, under the IAG General Counsel. They

conduct an annual review of bribery risks at operating company and Group level.

The main risks identified for 2022 were unchanged from the previous year and relate to the use of third parties, operational and commercial decisions involving government agencies, and the inappropriate use of gifts and hospitality. No material compliance breaches were identified in 2022, as in 2021.

Anti-bribery and corruption training is mandatory for all relevant personnel in IAG operating companies, Group functions and the Board. Individual training requirements are set by each operating company and function and are determined by factors such as the level and responsibilities of an employee.

Revised Group-wide anti-bribery e-learning was rolled out in 2019 and is required to be completed every three years.

To identify, manage and mitigate potential bribery and corruption risks, IAG uses risk-based third-party due diligence which includes screenings, external reports, interviews and site visits depending on the level of risk that a third party presents. Any risks identified during the due diligence process are analysed and a mitigation plan put in place as necessary. Certain risks could result in termination of the proposed or existing relationship with the counterparty. The IAG Audit and Compliance Committee receives an annual update on the anti-bribery compliance programme.

There were no legal cases regarding corruption brought against the Group and its operating companies in 2022, as in 2021, and management is not aware of any impending cases or underlying issues.

IAG has processes and procedures in place across the Group, such as supplier vetting and management, Know Your Counterparty procedures and financial policies and controls, which help to combat money laundering in the business.

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

C.6. ESG risk management

Relevant standards: GRI 102-11/-15.

Overview

Sustainable aviation risks and People, culture and employee relations risks are reported as principal risks to IAG.

These risks are considered and assessed under the Group ERM framework which is presented bi-annually to the Audit and Compliance Committee and annually to the SECR Committee and Board. More details on this framework, risk identification and assessment, and risk management can be found in the Risk management and principal risks factors section.

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

Sustainability risks and opportunities, including climate-related risks and opportunities, are also identified and assessed by the Group Sustainability team, in conjunction with the Group ERM team, and presented to the IAG CPCASO, IAG MC and SECR Committee. Plans to mitigate risks are developed by relevant risk owners in specific areas of the business, with agreed initiatives included in relevant operating company business plans.

People, culture and employee relations risks are managed by the Group's operating companies with guidance from the Group as appropriate.

Impact on operations and strategy

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

- In 2018, TCFD-aligned scenario analysis identified a need for more ambitious action on climate change, which contributed to the 2019 decision to design and adopt the industry-leading Flightpath Net Zero strategy to deliver net zero emissions by 2050.
- In 2021, IAG set a new net zero target by 2050 for Scope 3 emissions and IAG GBS appointed EcoVadis to help to track supplier sustainability performance and mitigate supply chain-related sustainability risks.
- In 2022, IAG expanded its commitment to invest in SAF development, production and supply, from US\$400 million to the equivalent of US\$865 million based on assumed energy prices, to manage climate policy risks and take advantage of energy-related opportunities.

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

As such, IAG adopts precautionary measures to mitigate these hazards, an approach known as the precautionary principle. For example, the precautionary principle is applied to the planning of operations and the development and launch of new services, by integrating climate considerations into three-year business plans and one-year financial forecasts and aligning activities with the Flightpath Net Zero strategy.

IAG also manages risks via the use of ISO-14001-aligned environmental management systems and is planning for all material environmental impacts across 100 per cent of flight operations and corporate activities to be covered by the IATA Environmental Management System (IEnvA) by the end of 2023.

IEnvA is the airline industry version of ISO 14001, the international standard for environmental management systems. IEnvA is tailored specifically for airlines and is fully compatible with the International Organization for Standardization (ISO).

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

In terms of the amount of provisions and warranties for environmental risks, IAG does not take out any specific insurance to cover environmental risks.

Related risk: Environmental regulation compliance

Risk description and potential financial impacts	Mitigating actions
An inadvertent breach of compliance requirements related to ESG reporting, emissions or waste management, or other environmental issues, leading to fines and potential reputational damage.	<ul style="list-style-type: none"> • Strengthening sustainability governance including reviews of annual disclosures via the Audit and Compliance Committee • Internal governance, training and assigning ownership for environmental compliance obligations • Working towards IEnvA accreditation to improve internal compliance processes

C.7.1. Reporting and data governance

The full contents of this sustainability report are included in the IAG Non-Financial and Sustainability Information Statement (NFIS), which is third-party independently verified to limited assurance standards in line with ISAE3000 (Revised)¹ standards. Compliance with specific frameworks and standards is listed under relevant section headings.

IAG complies with current and emerging standards on sustainability reporting.

These include obligations under EU Directive 2014/95/EU on non-financial reporting and its transposition in the UK and Spain, the 2018 UK Streamlined Energy and Carbon Reporting regulation, the Task Force on Climate-related Financial Disclosures (TCFD), and the EU Taxonomy Regulation (2020/852).

IAG does not align with GRI Core or GRI Comprehensive options but instead aligns with selected GRI standards based on compliance with Spanish Law 11/2018. In cases where GRI alignment was not possible, other standards aligned to airline industry guidance or internal frameworks were used and described.

Emissions data from intra-European flights is also independently verified within six months of the year end, for compliance with the UK and EU ETS, and for all flights for the UN CORSIA scheme. Any material changes to key metrics are highlighted in future Annual Reports.

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

The scope of environment performance data in this report includes all IAG airlines, subsidiaries and cargo operations over which IAG has operational control. This is also the scope of the net zero targets. Some exceptions for non-material business units have been applied for specific metrics, and these are clearly stated with rationale provided.

The scope of workforce and ethics and integrity data includes all IAG operating companies and support functions. Some exceptions have been applied and these are clearly stated with rationale provided.

The scope of human rights and modern slavery reporting is as above and includes data from all suppliers in the IAG supply chain.

For any specific cases where full-year data was not available for selected metrics, estimates have been applied based on business forecasts and data from prior months. Internal governance is in place to ensure that any estimations made are robust. Any prior-year restatements are indicated next to relevant metrics with reasons provided.

C.7.2. Alignment with GRI and SASB standards

Key: **Green** is GRI CORE

Sustainability section	Sustainability subsection	GRI	SASB
A.1. Planet - climate change	A.1.3. Metrics and progress	305-1/2/3/4/5, 301-1, 302-1	TR-AL-110a.1.
	A.1.4. Emissions reduction initiatives	305-5	TR-AL-110a.2.
	A.1.7. Stakeholder engagement	102-13/-43/-44	
A.2. Planet - wider issues	A.2.1. Waste	306-1/-2/-3 (2020)	
	A.2.2. Noise and air quality	305-7	
B. People and prosperity	B.2. Workforce metrics	102-7/8, 401-1, 405-1, 102-41, 404-1, 403-9	TR-AL-310a.1.
	B.6. Community engagement and charitable support	102-13 , 201-1	
C. Principles of sustainability governance	C.2. Governance frameworks	102-46/-48	
	C.3. Workforce governance	403-4, 408-1, 409-1	
	C.4. Supply chain governance	308-2, 414-2	
	C.5. Ethics and integrity	102-16 , 102-17, 205-1/-2/-3	
	C.6. ESG risk management	102-11 , 102-15	

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