

IAG INTERNATIONAL AIRLINES GROUP

We connect what matters

Annual Report and Accounts 2025

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Management Report

IAG is required to prepare a Management Report in accordance with Article 262 of the Spanish Companies Act and Article 49 of the Spanish Commercial Code. Pursuant to this legislation, this Management Report must contain a fair review of the progress of the business and the performance of the Group, together with a description of the principal risks and uncertainties that it faces. In the preparation of this report, IAG has taken into consideration the guide published in 2013 by the Spanish National Securities Market Commission (CNMV) which establishes a number of recommendations for the preparation of management reports of listed companies.

View our online annual report at: www.iairgroup.com/investors-and-shareholders/financial-reporting/annual-reports/

The Management Report is composed of the following sections:

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The Annual Corporate Governance Report is part of this Management Report but has been presented separately. This report has been filed with the CNMV, together with the required statistical annex, in accordance with the CNMV Circular 2/2018, dated 12 June. The Annual Corporate Governance Report and the statistical annex are also available on the Company's website www.iairgroup.com.

The consolidated Non-Financial Information Statement and Sustainability Information (together referred to as the 'Sustainability statement' in this Management Report) complies with Spanish Law 11/2018, of December 28, amending the Commercial Code, the consolidated text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of July 2, Law 22/2015, of July 20, on Auditing, in matters of non-financial and diversity information, and Law 5/2021, of April 12, amending Article 49.6.II, fourth paragraph, of the Commercial Code. This statement is prepared in accordance with the EU Corporate Sustainability Reporting Directive (CSRD) on a voluntary basis.





A very strong performance

2025 has been a very strong year for International Airlines Group (IAG). We continue to see robust travel demand across our core markets, and our transformation programme is delivering enhanced customer experiences while strengthening our financial performance. We remain committed to providing sustainable returns for our shareholders.

Financial highlights

Revenue
€33,213 million
+3.5% vly

Operating profit before exceptional items[1]
€5,024 million
+13.1% vly

Free cash flow[1]
€3,146 million
-€410 million vly

Operating profit
€5,024 million
+17.3% vly

Basic earnings per share
71.3 € cents
+28.0% vly

Adjusted earnings per share[1]
69.5 € cents
+22.4% vly

Total dividend
€0.098 per share
+8.9% vly

Excess cash return
€1.5 billion
€1.0 billion share buyback in 2025

Non-financial highlights

Net Promoter Score (NPS)
29.5 pts
+6.9 pts vly

Carbon intensity
77.5 gCO_2/pkm
-0.7% vly

Senior leadership roles held by women
35%
-1 pt vly

1 For more information, see the Alternative performance measures section.



Javier Ferrán
Chairman

Delivering value with purpose

In 2025, IAG continued to deliver on its strategy, strengthening its position as a global aviation leader while advancing its purpose of connecting people, businesses and countries.

IAG's purpose reflects the Group's role in enabling global mobility, supporting trade and tourism and fostering cultural and economic exchange. By combining scale with innovation and a commitment to sustainability, IAG creates opportunities while delivering long-term value for customers, communities and shareholders.

This year, we built on the momentum of 2024, navigating a complex global environment while delivering record financial results, accelerating our transformation and maintaining our commitment to sustainability and innovation.

A year of strong performance

In 2025, we delivered a very strong performance, supported by robust demand, disciplined cost control and an increasingly modern, fuel-efficient fleet.

Our performance reflects the strength of our brands, the resilience of our business model, and the dedication of our employees across the Group. On behalf of the Board, I extend my sincere thanks to all our colleagues for their contributions, and to our shareholders for their continued trust and support.

Investing in our future

In 2025, we invested €3.4 billion in capital expenditure, underscoring our commitment to fleet renewal and fleet-related investments such as cabin upgrades, lounges, IT and operational efficiency.

The fleet investment supports IAG's transformation programme, enhancing fuel efficiency, sustainability and customer experience. These modern aircraft are expected to reduce fuel consumption by up to 30%, aligning with IAG's sustainability goals and delivering significant cost savings.

Creating value for shareholders

Our financial strength in 2025 enabled us to take decisive steps to create shareholder value.

The Group's robust cash generation and disciplined capital allocation allow us not only to invest in future growth but also to return significant capital to our shareholders. Building on our 2024 and 2025 share buyback programmes, we have announced a further return of excess cash of €1.5 billion in the next 12 months. This reflects our confidence in IAG's long-term prospects.

These actions underscore our balanced approach to capital allocation – maintaining a strong balance sheet, investing in strategic priorities while rewarding our investors. Our healthy liquidity position and improved leverage ratio provide the flexibility to continue this approach in the years ahead.

Our goal remains clear: to create long-term value and position IAG as one of the most attractive investments in the global aviation sector.

Remaining committed to sustainability

Sustainability is embedded in our business, driving action on fleet renewal, operational efficiency, Sustainable Aviation Fuel (SAF) and carbon removals.

IAG remains committed to a more sustainable future and delivering decarbonisation through innovation and collaboration.

The competitiveness of European aviation must not be compromised by the increasing costs of sustainability, and we are working with our partners in industry and government on relevant policies.

Chairman's letter *continued*

Resilience in a changing world

While our results are strong, we remain vigilant in the face of external challenges. Geopolitical tensions, airspace restrictions and supply chain disruptions continue to affect the aviation sector. We are also mindful of the evolving regulatory landscape, particularly around sustainability and competition. However, IAG's scale, diversified portfolio and strong financial position give us the resilience to adapt and thrive.

Unlocking value through our people

Our success depends on the dedication and expertise of our nearly 75,800 employees across our organisation. They are the foundation of our results and progress, driving operational excellence and delivering exceptional service to millions of customers worldwide.

The diversity of our workforce is critical to our business. Our colleagues represent over 120 nationalities, speak dozens of languages and bring a wide range of cultures, identities, backgrounds, skills and perspectives. This diversity strengthens our ability to innovate, adapt and build resilience, ensuring long-term success in a rapidly changing industry.

We continue to invest in outreach programmes that create pathways into aviation for individuals who may not have previously considered a career in this sector. Our recruitment in 2025 included 190 cadet pilots across Aer Lingus, British Airways and Iberia. These programmes include financial support to remove barriers to entry and broaden access to pilot careers, reinforcing our commitment to inclusion and opportunity, while still focusing on appointments based on merit.

Looking ahead

IAG enters 2026 with momentum, driven by strong profitability, disciplined cost control and strategic fleet investment.

We face a dynamic environment with economic uncertainty, evolving regulatory requirements and geopolitical tensions. Navigating these challenges will require an ongoing transformation programme and a continued focus on delivering for customers and shareholders.

However, with robust demand across key markets, the Group is well positioned to deliver. With a talented team and solid financial framework today, combined with a clear vision for the years ahead, we are confident in the future of IAG.

IAG's purpose – to connect people, businesses and countries – is not just a statement but the foundation of our strategy and the driver of our ambition to continue improving in the future.

Thank you for your continued support.

Javier Ferrán
Chairman





Connecting people, businesses and countries



Aviation plays a vital role in driving global economic and social progress. At IAG, our purpose is to connect people, businesses and countries. With the combined strength of some of the most respected brands in the industry, we are a resilient group with global reach. We believe in the power of aviation to transform lives – enabling personal and professional connections, supporting global trade and fuelling economic growth.

Connecting... people...

Journeys that unite and inspire
Travel is more than movement – it's connection. Every flight is an opportunity to bring people closer, unite cultures and share ideas, creating experiences that strengthen relationships and build a more connected world.

Building business partnerships
Business travel connects people who drive decisions. We help companies meet face-to-face, strengthen relationships and unlock opportunities that support economic growth and long-term success.









businesses...

Driving global trade through air cargo
Air cargo powers progress. We link businesses across continents, enabling global trade and delivering goods that keep economies moving and communities thriving.

Harnessing technology to transform operations
Technology drives efficiency and innovation. We leverage cutting-edge solutions to enhance performance, streamline operations and deliver smarter, more sustainable travel for the future.

and countries

Commitment to sustainability
We recognise the need for the world to achieve net zero emissions by 2050, and IAG has a pathway to get there through SAF, fleet renewal and mitigation through carbon removals. This must happen in a way that maintains the global competitiveness of European aviation.

Supporting communities in times of need
Our commitment goes beyond travel. We stand with communities during crises, supporting charities and relief efforts that bring support, aid and resilience where it matters most.







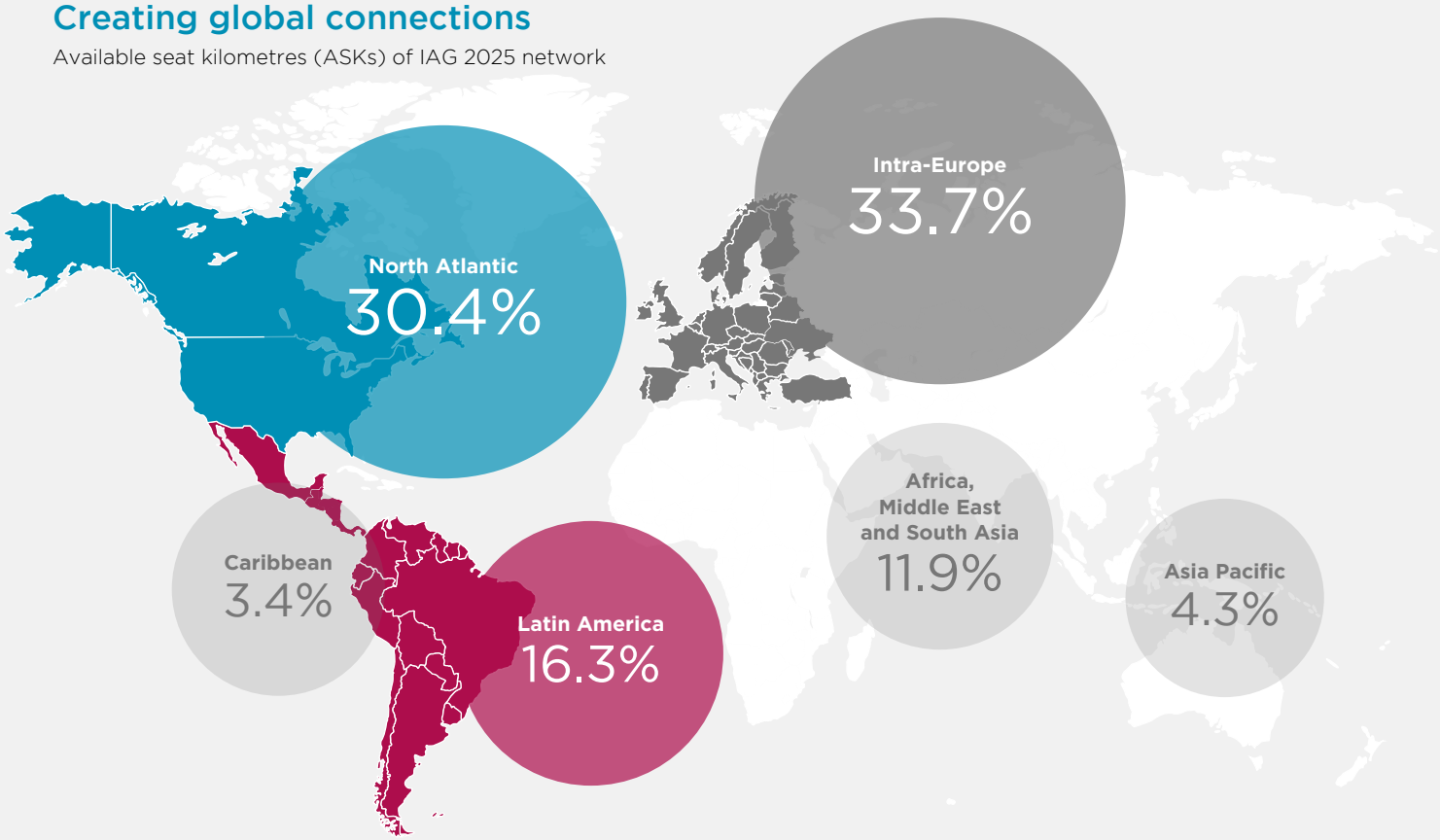


A global airline group

We are the leading airline group from Europe to the North Atlantic and Latin America, with extensive connectivity intra-Europe and with the rest of the world.

Creating global connections

Available seat kilometres (ASKs) of IAG 2025 network



North Atlantic

#1

long-haul market from Europe by size (€37 billion[1] market)

London

#1

long-haul premium air travel[2]; the US is 35% of London long-haul ASKs

Latin America

#1

investment market for Spanish companies outside the EU

'Madrid is the new Miami'

43%

increase in number of Latin American visitors received[3]

Intra-Europe

Spain

#1

domestic market in Europe[4], and the Spain–UK corridor is the largest market

Intra-Europe is a resilient market, with record tourist visits

1 Source: IATA – DDS (excl. Russia and Turkey) Total Market Revenues by Origin and Destination (O&D) to/from Europe, full year 2025 (€ billion).
2 Source: OAG – London with 13,400 premium long-haul seats per day, followed by Dubai 10,600 and New York 9,500 as the top three.
3 Source: Instituto Nacional de Estadística (INE) YTD October 2025 versus same period in 2019.
4 Source: OAG – IAG had a 55% seat share of this market in 2025.

Our world-class airlines and businesses

We bring together leading brands in our industry to form a group that makes everyone stronger, together.

The scale of our operation

285
destinations across 93 countries

122 million
passengers

75,786
employees globally

We have a portfolio of world-class airlines

Aer Lingus
Fleet
63



British Airways
Fleet
298



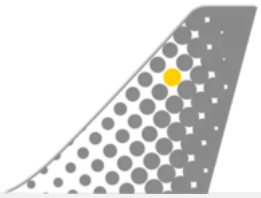
Iberia
Fleet
120



LEVEL
Fleet
7



Vueling
Fleet
139



...and complementary businesses

IAG Loyalty, including British Airways Holidays
Avios issued
200 billion

IAG Loyalty

IAG Cargo
Cargo tonne kilometres
5,273 million

IAG Cargo

Our airline partnerships

We work with both airline and non-airline partners to create a wider, more attractive offering to our customers

- Atlantic Joint Business (with American Airlines and Finnair)
- Qatar Joint Business (with Qatar Airways)
- Siberian Joint Business (with Japan Airlines and Finnair)
- Peru and Ecuador Joint Business (with LATAM)
- China Joint Business (with China Southern)
- **one**world

For more information, see the operating companies' sections



Luis Gallego
IAG CEO

Creating value for our shareholders

Luis Gallego, IAG CEO, reflects on 2025, a year in which the Group continued to deliver its strategy, underpinned by its transformation programme.

IAG has a powerful role to play in global economic and social advancement as one of the world's leading aviation businesses, connecting people, businesses and countries, which is why demand for our services has been so robust. We create long-term value for our shareholders as well as delivering for our wider stakeholders.

We have a business model in which IAG sets the strategy for the Group and its portfolio of businesses; performance-manages those businesses such that they individually and collectively are some of the best performing in the world; allocates capital to maximise long-term shareholder value; and develops the talent that delivers best-in-class results.

For our shareholders this will deliver long-term value creation: good revenue growth; ongoing earnings growth; sustainable dividends through the cycle; and excess capital returned to shareholders.

Our performance in 2025

2025 was another very strong year in which we delivered record operating profit. We have grown our revenue by 3.5%, increased our operating profit before exceptional items by 13.1% and grown our adjusted earnings per share by 22.4%.

This highlights the underlying strength of demand for travel, a long-term secular trend, as well as the attractive nature of IAG's core markets, brands and customers. This diversity is one of the key strengths of our portfolio. Trading was generally strong across all our markets and even with softness in the third quarter we still delivered a record profit in that quarter. We finished the year strongly.

We continue to execute on our transformation which is delivering market-leading margins at Group and at individual operating company level. Group margins of 15.1% are now at the top of our through-the-cycle range whilst Iberia delivered a 16.2% margin, an excellent performance, with British Airways not far behind at 15.2%. Our margins, as in previous years, continue to be significantly better than those of our global competitors.

We invested in the business, with €3.4 billion spent on aircraft, customer-focused products, IT and property. This contributed to excellent operational performance, alongside improving customer Net Promoter Scores (NPS).

The strength of our operating performance and capital allocation has delivered significant value creation for our shareholders. We are proposing a final dividend of €228 million, taking the total dividend for 2025 to €448 million, an increase in total dividend per share of 8.9%. Last February we announced a €1 billion share buyback and we are pleased to be announcing another return of excess cash of €1.5 billion today. This takes the total amount of excess cash returns announced in the last three years to €2.85 billion as we build a track record of cash returns to shareholders.

Delivering our strategy

Our business model and strategy are designed to deliver sustainable earnings growth in the medium term.

The first pillar of our strategy is to strengthen the core of the business. This means that we will grow our portfolio of global leadership positions and strengthen our portfolio of world-class brands.

Over the next few years we plan to grow our capacity (measured in available seat kilometres, ASKs) by around 2% to 4% each year. This broadly reflects the mix of growth we see in our markets as well as expected aircraft deliveries.

We expect revenue generation from our capacity growth to be supported by constrained global market supply dynamics for a number of years due to delivery delays from the aircraft manufacturers, with orders increasingly likely to be used as replacements rather than for growth.

Leveraging our global leadership positions

Investing in the North Atlantic: IAG and its joint business partners have market share of 49% on the North Atlantic. Alongside our partners we serve North America 136 times each day to 34 destinations. The market is served at IAG by Aer Lingus, British Airways, Iberia and LEVEL. The North Atlantic is a more mature market and is expected to grow at low-single-digits over the medium term.

During 2025 British Airways' capacity was broadly flat in this market, as lower aircraft availability offset growth. Trading was robust throughout the year, particularly in its premium cabins, offsetting some third quarter softness in the US point-of-sale economy leisure segment. Both Aer Lingus and Iberia started to deploy their new A321XLR aircraft, profitably delivering growth from greater frequency, year-round services and targeting secondary destinations. Competitor growth into both Spain and Ireland from North America has been significant, so the ability to deploy these efficient aircraft is strategically important.

Investing in the South Atlantic: IAG is the market leader in the South Atlantic, operating, on average, 54 flights each day to and from Latin America, through Iberia, LEVEL and British Airways. The South Atlantic is seeing structurally higher growth and is expected to grow at mid-single-digits in the medium term.

During 2025 Iberia continued its strategy to add frequencies to its primary destinations, growing at 4.4% in the year. In particular it introduced the A321XLR to fly to South America for the first time, adding Fortaleza and Recife in Brazil. Whilst there is more capacity now being added by other airlines, Iberia's competitive cost base, investment in its customers and operational efficiency is delivering exceptional performance.

Investing in Europe, including domestic Spain: The short-haul European market represents 34% of IAG's total capacity and is served by our network carriers delivering feeder traffic for long-haul routes (Aer Lingus, British Airways and Iberia), alongside our efficient lower-cost operations providing a combination of feeder and point-to-point services (BA Euroflyer, BA Cityflyer, Iberia Express and Vueling). We have seen good performance in our core market of Spain but demand in Northern Europe has been weaker, exacerbated by higher costs to operate in those markets.

Investing in the rest of the world: Throughout the rest of the world we are selective in where we fly and our capacity is mostly delivered by British Airways and Iberia. This focus on where we deploy our capacity has seen positive performance in most markets in 2025. In particular the Asia Pacific market has been strong.

Strengthening our portfolio of world-class brands

We continually invest in the propositions of all our airlines to improve customer experience, operational resilience, efficiency and sustainability.

Our two most important non-financial metrics are On Time Performance (OTP) and Customer NPS and both of these improved in 2025. Group OTP improved by 4.6 points to 82.4% as British Airways in particular improved its operational performance, whilst Iberia and Vueling continue to deliver world-class punctuality. Iberia Express is the most punctual airline in Europe and Iberia is the sixth most punctual airline in the world. Not only does On Time Performance drive significant productivity and efficiency benefits but it is also the biggest driver of customer satisfaction, which increased by 6.9 points in 2025. Our investments in customer service, lounges, on-board food and digital products have all also contributed to the increase.

In November we announced a partnership to implement Starlink-enabled high-speed Wi-Fi connectivity on Aer Lingus, British Airways, Iberia, LEVEL and Vueling aircraft. This will allow customers to stay connected, with download and upload speeds as good as home connectivity, enabling fast downloads, streaming and online gaming for customers on IAG airlines. The first Starlink-enabled aircraft is due to go live with British Airways in March.

Asset-light businesses and airline partnerships

The second pillar of our strategy is to grow our complementary businesses. They are a key part of the portfolio, providing more diverse revenue streams and higher earnings growth and require significantly less capital than our airline businesses.

IAG Loyalty continues to perform well and its profit this year is now double what it was in 2019. We are seeing growth coming predominantly from new members collecting Avios from existing IAG partners, as reflected by the business increasing its active customer base by 10% in the year and issuing 13% more Avios in 2025 than in 2024. IAG Loyalty renewed its two largest non-airline partnerships in 2025, with both American Express and JPM Chase extending their agreements. The Holidays business continues to do well within IAG Loyalty, with higher quality revenue coming mainly from changes to the British Airways Club scheme. It saw a 9% increase in revenue per booking and 83% of revenue now comes from British Airways Club members. In particular, revenue from members of British Airways Club elite tiers is growing more than 15 times faster than revenue from other members. We remain confident in our position in our legal case against HMRC, which is scheduled to be heard at the end of 2026.

Other capital-light businesses include our Maintenance, Repair and Overhaul (MRO) business in Spain, which offers airframe and engine services to internal and third-party customers. We saw a strong revenue increase in the first half of the year as we worked more with third parties compared to the previous year.

Airline partnerships continue to be an essential part of the long-term strategy of the business, giving our customers access to the biggest network of destinations and frequencies globally in a capital-disciplined way whilst enabling IAG to benefit from cross-sales, connecting traffic, corporate agreements and frequent flyer agreements.



Chief Executive Officer's review *continued*

Transforming our businesses

Our transformation programme drives our operational and financial performance, helping us to deliver margins that are currently at the top end of our range but would also provide lower cyclicality and greater resilience in a consumer downturn.

Whilst the transformation has already delivered material improvements in the last few years, we still have a significant amount of work to do, as highlighted in our recent investor updates on British Airways and Iberia. Whilst British Airways has already achieved its target 15% operating margin it still has a lot more to deliver, in particular in its commercial systems rollout and continued operational efficiencies. It is also waiting for a significant number of more efficient, high-premium-capacity aircraft to be delivered over the coming years. Iberia has a well-established customer and operational platform and plans to grow its long-haul capacity, particularly to Latin America. We plan to hold an investor day in 2026 to highlight the high-growth, high-margin, high return-on-capital opportunity that we have at IAG Loyalty. The combination of these programmes is what gives us confidence in our ability to continue to create significant shareholder value.

Our sustainable value-creation framework

Our strategy is designed to drive sustainable profitability and accretive earnings growth. We have set medium-term targets to ensure that we create value for shareholders in a sustainable way, through the cycle. These are:

- Operating margin of 12–15%
- Return on Invested Capital of 13–16%
- Net leverage of less than 1.8x.

These targets are supported by our disciplined capital allocation framework.

A strong Balance Sheet

Our first priority is to ensure that the business has a strong and stable financial foundation.

We are aiming to build a more efficient balance sheet over time that balances security for the future with optimising the cost of capital to the business, whilst also allowing us to deploy excess capital to maximise value creation.

We have a target to be lower than 1.8x net leverage, which we think is appropriate for a capital-intensive and cyclical business. This is a level approximate to that at which the ratings agencies assign investment grade status, which in turn ensures access to capital at competitive rates. IAG is currently rated Investment Grade by both Moodys and S&P Global.

The Group has an undrawn five-year $3 billion sustainability-linked, secured Revolving Credit Facility, entered into in 2024.

We now have the objective to ensure our gross leverage remains between 1.5x and 2.0x by increasing the number of unencumbered aircraft in the fleet. During 2025 16 of 25 aircraft deliveries were unencumbered. Going forward we plan to purchase the majority of the 17 aircraft deliveries in 2026 as unencumbered. We are targeting to increase the value of our unencumbered assets over time.

We are also reducing our debt, having repaid, retired and repurchased €1.6 billion of gross debt during 2025. Over time we expect our overall level of financial debt to reduce further, so that the vast majority of our debt is in aircraft leases.

Investing in the business

With a strong foundation in place, our next priority is to invest in the business in order to create value through long term earnings growth, at a rate of return that targets a Return on Invested Capital of 13% to 16% through the cycle. This also supports our Group operating margin target range, which reflects the different business models and markets of each of our operating companies.

Our biggest capital investment is in our fleet. This investment supports our strategy to strengthen our core and provides the platform for brand differentiation, thereby increasing customer NPS, as well as driving more efficient, sustainable operations.

In the North Atlantic, IAG is driving returns and margins principally through the rebuilding of British Airways' premium capacity to pre-COVID levels and through Iberia and Aer Lingus's new A321XLR aircraft, which are already exceeding expectations from both a customer and financial standpoint.

In the Latin American market, Iberia's earnings growth is being accelerated by its fleet of A350 and now A321XLR aircraft.

In the short-haul market our objective is broadly to maintain our overall fleet size, delivering some growth through upgauging as well as cost savings through new efficient aircraft. In particular this is planned through the introduction of a Boeing 737 fleet at Vueling which will deliver a significantly lower ownership and operating cost at the airline.

In 2025 the Group placed orders for 71 latest-generation, fuel-efficient long-haul aircraft that are planned to be delivered between 2028 and 2033, as well as options for a further 23 aircraft. These will be for a combination of replacement and growth and will be deployed in alignment with our long-term profit pool framework.

IAG's fleet is well-invested but continues to experience delays to deliveries due to issues at its suppliers, which is resulting in lower capital expenditure in the short term. Our current expectations are that in 2027 and 2028 we will spend an average of €4.9 billion per annum; between 2029 and 2031 this will average €5.6 billion; and from 2032 onwards spend will normalise at around €4.5 billion per annum.

A sustainable dividend

IAG is committed to paying its shareholders a sustainable ordinary dividend through the cycle. We reintroduced a dividend in 2024 and paid a total dividend of €427 million for the 2024 year, or €0.09 per share.

During 2025 we increased the interim dividend to €220 million (€0.048 per share) partly as we moved to a 50:50 balance between interim and final dividend and reflecting a year-on-year increase broadly in line with inflation. This means that we are proposing a final dividend for 2025 of €228 million, or €0.05 per share. This represents an increase in the total dividend per share of 8.9%.

Returning excess cash to shareholders

We are committed to returning excess cash to shareholders if no inorganic opportunities exist, with consideration to the outlook and to future capital requirements.

We are currently participating in the partial disposal process by the Portuguese government of TAP, which we think is a strategically interesting opportunity for the Group but will have to be on terms that create value for IAG's shareholders.

As a result, we will return €1.5 billion of excess cash to shareholders in the next 12 months.

In line with our policy to manage an efficient but strong balance sheet and in anticipation of the step-up in capital expenditure over the next five years, we will distribute excess cash to shareholders when net leverage is below 1.0x to 1.5x.

Based on our conviction in our strategy and execution, which allows us to generate significant free cash flow, we will be able to continue to pay a sustainable dividend and make further significant excess cash returns to shareholders in the future.

Commitment to sustainability

We recognise the need to achieve net zero emissions by 2050 and for the aviation sector to develop sustainably. IAG advocates for a transition where climate regulations uphold the competitiveness of all airlines globally. This means regulators must administer appropriate, fair obligations on all airlines to reduce carbon emissions, alongside providing incentives that support the delivery of each emission-reduction initiative.

In 2025 we made further progress in line with our sustainability roadmap, achieving a carbon intensity of 77.5gCO_2/pkm. This was achieved by increasing our Sustainable Aviation Fuel usage to 3.3% of our total fuel volumes in the year. The Group also took delivery of

25 latest-generation aircraft, which are more efficient than the aircraft they replaced, and continue to deliver operational efficiencies across our flight operations.

The deliverability of emission-reduction initiatives is undertaken in collaboration with key stakeholders. The Group monitors its targets in relation to available government support and market conditions to ensure it remains competitive with peers. The current regulatory requirements mean that European airlines will continue to be burdened with significant extra cost and be disadvantaged compared to our global competitors. We therefore continue to engage with governments and regulators to find solutions to these challenges, to support the delivery of the sector's sustainability goals.

Committed to our people

All of our activities, from customer service to operations to the supporting functions, are delivered by our excellent and committed people. During the year we increased our headcount to 75,786 as we grew the business.

We are committed to supporting our employees throughout their careers at IAG. We support early-stage careers through graduate and apprenticeship programmes. Our pilot training academies at Aer Lingus, British Airways and Iberia offer funded training to a new cohort each year, helping to ensure that our airlines have a pipeline of well-trained new pilots, as well as making this role more accessible.

We are committed to an inclusive and supportive workplace. We value diversity of ideas, perspectives and experiences and are always striving to find the very best talent.

Our leaders play a key role in driving culture and transformation, and we continue to invest in talent, leadership and succession.

We are continuing to work towards sustainable pay agreements that benefit everyone. A number of agreements align pay with customer and productivity outcomes, and I am delighted that we have already launched employee share plans in Spain and plan to launch similar ones in the UK and Ireland in 2026, enabling all colleagues to share in the continued success of our business.

Regulatory environment

We continue to face external challenges in our operational and regulatory environment.

The Air traffic control (ATC) situation in Europe remains difficult, as a result of conflict-related airspace closures, staffing issues and weather-related disruption. Whilst 2025 was slightly better than 2024 this issue continues to affect our customers and is an ongoing cost headwind to the airline sector. Structural reform, through the EU-led Single European Skies initiative, remains as far away as ever.

In January 2025 the UK Government confirmed its support for a third runway at Heathrow. IAG supports this commitment to growth but the cost must be far lower to ensure that Heathrow remains globally competitive. We are working with the Government, UK regulator and other stakeholders to make sure that the environment in which we operate supports economic growth, is affordable and improves service standards.

Outlook

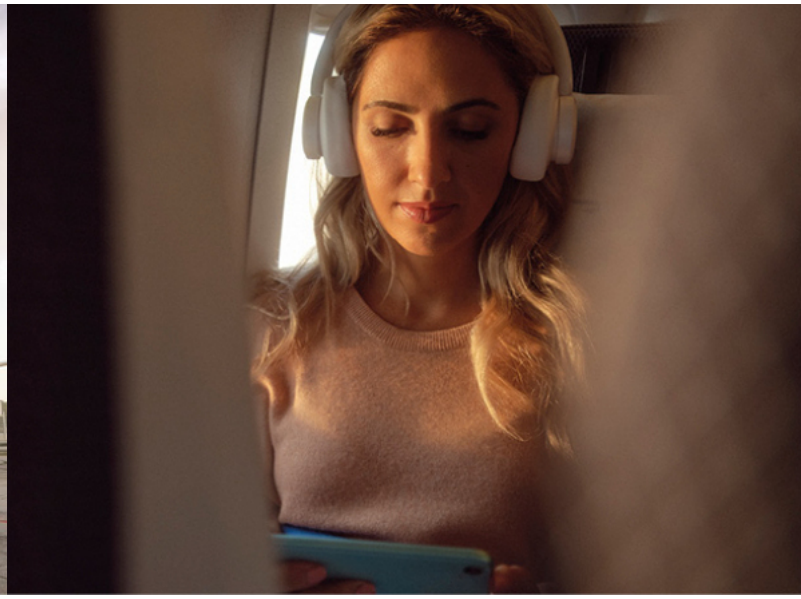
We are positively positioned for 2026.

The outlook for travel trends continues to be supportive, particularly in our core markets. We will continue to execute on our strategy, supported by our transformation programme. This will enable the continuing delivery of earnings growth at world-class margins, as well as significant free cash flow, which will help to strengthen the balance sheet as we build towards a step up in capital expenditure. We will continue to reward shareholders with a sustainable dividend and we plan significant excess cash returns to shareholders, starting with the €1.5 billion to be executed in the next 12 months.

I am incredibly grateful to our employees for their hard work in delivering another year of success across the Group in 2025 and I look forward to a positive year in 2026.

Luis Gallego
IAG CEO





Our engine for consistent performance

Our resources and relationships

Global leadership positions

IAG has leading networks and schedules in three of the world's most attractive aviation markets: North Atlantic, Latin America and intra-Europe.

A portfolio of world-class brands

Our airlines are the leading brands in their home hubs. From full service, through value, to low-cost carriers, we are focused on delivering the best service for our customers' needs.

A modern, fuel-efficient fleet

We continue to invest in the latest, fuel-efficient aircraft. Our network and schedule are delivered by our fleet of 627 long-haul and short-haul aircraft across our brands.

The best people

We hire and train the best people to deliver our services. We are led by a professional and experienced management team.

Strong capital structure

Our first capital allocation priority is for a strong balance sheet. After investing in the business, we then prioritise returns to shareholders, through dividends and additional cash returns.

Our proven business model



Our business model is centred on our purpose: to connect people, businesses and countries. We are an active parent company that invests in our airlines and fosters a culture of being stronger together.

Our operating model

The Group's structure maximises total returns for our shareholders.

As the parent company, IAG is responsible for managing and allocating capital, driving overall Group performance and setting the agenda for sustainability and innovation.

Drive portfolio and financial strategy

IAG allocates capital where it can get the most sustainable returns for shareholders. As a result, IAG has a track record of delivering market-leading financial results:

- Drive Group corporate strategy; set the portfolio
- Allocate capital, manage the balance sheet and shareholder returns
- Manage financial stakeholders
- Drive value through M&A, partnerships and joint businesses
- Manage funding of the business

Manage performance

IAG performance-manages the operating companies and each of our businesses is fully accountable for its own performance:

- Performance accountability
- Commercial independence
- Operational independence
- Customer value proposition and relationship
- People management
- Management of relevant stakeholders

Facilitate value capture and share best practices

The operating model brings different companies together to share ideas and expertise and to track progress. We are able to collaborate and challenge one another when it is helpful to do so. With this approach, we:

- Set the ambition for the Group
- Drive top talent management and pipeline
- Drive the sustainability agenda
- Facilitate the capture of additional synergies
- Drive innovation
- Provide centres of excellence to facilitate best-practice sharing

The value we create for our stakeholders...

Customers
Customers choose us primarily for our extensive network and schedule, and because they trust our brands.

Shareholders, lenders and other financial stakeholders
Our investors are looking for a stable business with a strong balance sheet and sustainable demand for travel.

Employees
Employee contribution is paramount to our strategy. Each operating company has established effective ways to engage, listen to and act on employee feedback.

Governments and regulators
Government policies impact many aspects of IAG's businesses. We seek to engage with governments and regulators responsibly to benefit our customers.

Suppliers
IAG is dependent on the performance of key suppliers that provide goods and services to our customers, including aircraft, engines, maintenance, airport operations and catering supplies.

...and for society
We are committed to environmental sustainability.

For more information, see the Sustainability section

For more information, see the Stakeholders' engagement section

A world-class investment case

Strong position
- Unique strength in our network, hubs and brands
- Premium customers
- Growing IAG Loyalty and partnerships

+

Strong execution
- Delivering world-class margins
- Delivered by our transformation programme
- Delivered by our talented employees across the globe

=

Strong value creation
- Sustainable earnings growth
- Strong free cash flow generation
- Significant shareholder returns

Connected to deliver

We set a clear strategy, and we're delivering it. Our multi-brand portfolio, route scale and balanced capital allocation underpin performance through changing conditions.

Strategic goal

Sustainable total shareholder returns through the cycle, balancing the interests of all our stakeholders

Strategic imperatives	Strategic priorities	
A strong core	Growing our portfolio of global leadership positions	Strengthening our portfolio of world-class brands
Capital-light earnings growth	Developing our loyalty and holidays businesses	Leveraging our strategic airline partnerships
A sustainable value-creation framework	Performing disciplined capital allocation and balance sheet management	Committed to sustainability

For more information, see IAG Transform section

Underpinned by transformation





Medium-term ambitions

12–15%
operating margin

13–16%
RoIC

2–4%
organic ASK growth[1]

<1.8x
leverage[2] through cycle to support inorganic growth

1 Medium-term per annum growth, dependent on aircraft deliveries
2 Measured as net debt to EBITDA before exceptional items
3 Measured as operating result before exceptional items as a percentage of total revenue before exceptional items

Key performance indicators (KPIs)

Operating margin[3] (A)
15.1%
+1.3 pts vly

RoIC (A)
18.5%
+1.2 pts vly

ASKs
2.4%↑
vly

Leverage[2] (times) (A)
0.8
-0.3 vly

(A) Alternative performance measure
Link to our strategic imperatives





Disciplined capital allocation driving investment and returns

IAG has a disciplined approach to capital allocation, which is designed to maximise shareholder value creation over the long term.
It ensures that we balance the needs of all of our stakeholders: our customers, our employees and our investors.

Maintain a strong balance sheet

A strong financial foundation is essential to any business. As a relatively cyclical business, this is our first priority.

BBB stable
S&P

Baa2 stable
Moody's

Invest in rebuilding our fleet

Having a modern, efficient fleet of aircraft is a core component of our customer proposition and a driver of operational efficiency. The Group is still rebuilding its fleet, particularly with regards to the long-haul to short-haul mix and premium to non-premium mix.

25
new aircraft delivered in 2025

For more information, see the Financial review section





Improve customer service experience, resilience, digital and sustainability

Our strong brands depend on having an attractive and resilient competitor proposition. This includes elements such as seats on-board, lounges, food, efficient operations and employing and training our people. We are also investing in the latest technology, such as artificial intelligence (AI), and SAF.

29.5 pts

NPS

Committed to sustainable dividend levels

We are committed to rewarding our shareholders. Offering a sustainable, progressive dividend delivers a regular, reliable return through the cycle.

€448 million

Total dividends in 2025

Excess cash returned to shareholders if no organic or inorganic opportunities exist

We will return any remaining excess cash to shareholders if no other organic or inorganic opportunities exist that could enhance shareholder value and subject to consideration of the outlook and future requirements, such as significant forthcoming fleet deliveries.

€1.0 billion

Share buyback in 2025 and €350 million in 2024





Management Committee





One team, one strategy

The IAG Management Committee, led by Luis Gallego, is responsible for the overall execution and delivery of the Group's strategy.

Connecting with our stakeholders

Our key stakeholders

Our ability to create sustainable value relies on a thoughtful balance of stakeholder interests and an understanding of their priorities, expectations and concerns, ensuring that all stakeholders benefit from IAG's success.

Our commitment to environmental sustainability is integrated into our interactions with our stakeholders, from our customers, through to our employees and shareholders. We do not identify our communities or the environment as distinct stakeholder groups, as they are integral to the way in which we work. Our aim is to be a force for good in the communities in which we operate and, in so doing, create value for all our stakeholders. More detailed information is provided in the operating companies and sustainability sections of this report.

Section 172 statement

Our statement in relation to section 172(1) of the UK Companies Act, 2006, as well as further information on our engagement with shareholders and our workforce, is set out in the Corporate Governance section of this report.

Customers

Our customers are central to the success of IAG. Customers choose us primarily for our extensive network and schedule and because they trust our brands and value our wide range of partnerships.

Government and Regulators

Due to the nature of our business, we engage, directly or through our operating companies, with a wide range of government and regulatory stakeholders.

Employees

Across the Group, we have 75,786 employees in 76 countries. Colleagues are united by our shared purpose in the world: to connect people, businesses and countries.

Shareholders, lenders and other financial stakeholders

This includes equity and credit investors, credit lenders, research analysts, credit rating agencies and aircraft operating lessors.

Suppliers

IAG depends on the performance of key suppliers that provide goods and services to our customers and the Group; these include aircraft, engines, maintenance, airport operations and catering suppliers.

CSRD

This is our second year voluntarily reporting under the EU Corporate Sustainability Reporting Directive (CSRD) and using the European Sustainability Reporting Standard (ESRS) framework and methodology. Our material issues are categorised under the relevant ESRS e.g. S4 and S1.

→ See our Sustainability Statement for the full set of reporting standards

Stakeholder engagement summary table



Customers

Material issues and topics of interest	How we engaged
S4 – Consumers and end-users • Punctuality and operational resilience • Process optimisation: streamlined baggage handling, boarding and flight connections • Digitalisation of the customer journey and enhancing self-service capabilities • Personalisation of customer experience • Rewarding customers through loyalty programmes and benefits • Service quality and in-flight comfort • Communication and customer care at every stage of the customer journey, especially during disruptions	• A 'Customer Voice' survey is sent to customers who have recently flown with us, collecting feedback on their experience • Customer feedback through a variety of channels (contact centres, social media, feedback from customer-facing employees) and partners (crews, lounge colleagues and ground-handling agents) help us understand key pain points throughout the customers' journeys • Brand surveys are undertaken to understand and meet the needs and expectations of our customers • Claims and complaints are raised through different channels and monitored to accommodate our customers and enable action where necessary • Contact centre services and other digital channels, for example, chat bots on our websites or WhatsApp 24/7, are used so that customers can reach out when needed • Communicating information such as latest changes in service or product enhancements through various channels, including websites, emails and dynamic social media accounts • Guidance and a high standard of customer care throughout the customer journey from both airport and on-board colleagues

How we measure and monitor	Outcomes of engagement in 2025
Metrics used to track engagement include: • Customer satisfaction (CSAT) – rates a customer's experience on key touch points in their customer journey • NPS and CSAT inform business priorities during the business-planning stage, helping to prioritise internal initiatives to drive satisfaction improvements • Claims and complaints – provide deeper insights into customer challenges and is used to assess the effectiveness of efforts to address concerns • Contact centre key performance indicators – help assess the efficiency, effectiveness and quality of customer interactions	• Service excellence and in-flight experience: We were the launch customer for the new A321 XLRs with Aer Lingus and Iberia. This next-generation single-aisle aircraft is more sustainable, offers wider seats, quieter cabins and mood lighting, enhanced in-flight entertainment and larger overhead bins. Our fleet has undergone further cabin retrofits to improve our customers' experience • Announced Starlink connectivity across all airlines' fleet in November, a game-changer for in-flight connectivity • Customer care and disruption management: British Airways and Aer Lingus improved the disrupted customer experience through automated and branded messages sent to customers and the launch of digital and self-service tools. Iberia, Vueling and British Airways have further developed a proactive disruption self-service capabilities via web and WhatsApp. All airlines continue to focus on improving accessibility; in particular, Vueling and Iberia launched the *Háblalo* app to improve the communication of people with special needs and have been certified by AENOR as the first accessible airlines' group for customers with special accessibility needs. • Curated premium experience: In addition to refurbishing multiple lounges across the network, British Airways launched a new global lounge concept in Miami and Dubai as well as a new First Wing at London Heathrow and Iberia started the construction of a new premium lounge in Madrid. All airlines continue to improve with boarding processes, with initiatives including new boarding groups for Iberia Top Tiers and Vueling's dedicated bus area for priority customers for remote aircraft slots • Enhanced digital capabilities and communications: All airlines are leveraging new technologies, in particular AI, to improve customer experience, including Live Flight Status added to the Aer Lingus app. Iberia launched real-time omnichannel and automated delay and status changes' communications and Vueling launched its virtual assistant for post-flight support and lost and found services. British Airways delivered the first milestone of its digital transformation with the new website rollout • Employee engagement, training and empowerment: Continued focus on training and empowering our people to ensure they can deliver the best service. All airlines are also investing in new processes and tools as important enablers

Stakeholder engagement *continued*



Employees

Material issues and topics of interest	How we engaged
S1 – Own Workforce • Terms and conditions, including competitive pay, flexible working practices and rostering • Career development opportunities and training • Operational environment impacting performance and roles: fleet, disruptions, maintenance, supply challenges and IT issues • Collaboration across teams and cross-functional working • Investments in technology and fleet • Safety and wellbeing	Each operating company has formal and informal channels in place to engage with employees, listen to, and act on employee feedback. They also provide opportunities to collect ideas for improvement and innovation and enable colleagues to influence and shape our plans and solutions. These channels are aligned to each operating company's unique culture and work environment and include: • Roadshows, online employee forums, town hall meetings, internal social networks, newsletters, workshops, pulse surveys, social media, engagement groups and idea hubs • Employee-led network and resource groups and communities, which provide valuable channels for feedback on plans and initiatives • Local employee representatives and unions, which offer formal and informal channels for raising issues and concerns In addition to operating companies' engagement channels: • The IAG European Works Council (EWC), which facilitates information sharing between employees and management on transnational European matters • Designated IAG Board members who conduct workforce engagement visits to operating companies to better understand the challenges and opportunities employees are facing

How we measure and monitor	Outcomes of engagement in 2025
• The Group conducts annual organisational health and operating company surveys to capture colleague feedback, informing people priorities and transformation plans • Indicators of inclusion and belonging are monitored alongside colleague network participation to support an inclusive work environment • Operational effectiveness is assessed through measures of collaboration, workflow efficiency and digital-tool adoption • Wellbeing and safety performance is tracked through absence levels, engagement with wellbeing initiatives and compliance with safety standards • External certifications are maintained, and benchmarking against industry peers supports alignment with recognised best practice	The initiatives below were shaped by the local context of each operating company, with actions applied where most relevant to their priorities and operational realities • Enhanced workplace experience through improved facilities and changes in ways of working • Refreshed communication forums and feedback channels • Expanded talent pathways and early-career pipelines, including opening more than 190 cadet pilot training positions across British Airways, Iberia and Aer Lingus, with focused outreach to underrepresented groups • Embedded fair, merit-based recruitment and career progression, including anonymised hiring processes at Vueling, Licence to Recruit at IAG Cargo, and enhanced performance and development frameworks within IAG Loyalty • Strengthened culture of inclusion across the Group through employee resource groups, cultural awareness initiatives and inclusive policies to ensure every colleague can contribute and thrive • Accelerated leadership capability through structured development programmes, mentoring, competency frameworks and succession planning • Invested in future-ready skills through the Group-led AI Academy, with certified AI champions empowering teams to adopt innovative technologies responsibly and effectively



Suppliers

Material issues and topics of interest	How we engaged
S2 – Workers in the value chain • High-speed in-flight Wi-Fi rollout • Long-haul aircraft selection • Cabin interior retrofit projects • Modern Airline Retailing • Strategic partnerships with high-performing ground-handling suppliers for long-term value • Implementation of new virtual credit card strategy across operating companies • New contact centre agreement – Group-wide consolidation for multiple airlines • Retail contracts renewal for Iberia, Iberia Express, Vueling and LEVEL • Regulatory and external risks: US tariffs impact; European Union Aviation Safety Agency (EASA) directive on Airbus A320 fleet operational challenges; supply chain disruptions	• Supplier relationship management principles help classify and prioritise key suppliers and build relationships, as well as monitor and manage supplier and contract performance • We attended a range of industry conferences across all supply categories to collaborate with suppliers. Examples include 81st IATA Annual General Meeting and World Air Transport Summit (WATS), 2025 Paris Air Show and Dubai Airshow, 2025 MRO Europe and 2025 Hamburg Aircraft Interiors Expo (AIX) • Engagement with aircraft and engine manufacturers occurs at all levels. We manage technical and operational issues through regular contact and scheduled meetings. More senior employees manage commercial activities and overall relationship management up to and including the Group CEO • Suppliers undergo rigorous risk-based third-party due diligence, including initial and annual screenings for compliance risks, such as anti-bribery and corruption, export controls, trade sanctions and financial stability for key suppliers. This process incorporates screenings, external reports, interviews and site visits to identify, manage and mitigate potential risks. Ongoing assessments focus on driving sustainable performance improvements throughout the supply chain, achieving environmental and social targets for Scope 1, 2 and 3 emissions, and ensuring adherence to IAG's cybersecurity and security requirements as part of comprehensive third-party risk management • We have also begun collaborating with key suppliers to share best practices and advance net zero efforts, with suppliers providing detailed carbon data to support IAG's Scope 3 measurement and developing joint carbon reduction initiatives • Engagement on lease renewals, returns and the in-service fleet were largely managed by the fleet teams in the operating airlines, while Group Fleet engaged in high value and longer-term extensions • IAG' Fleet team engaged with Airbus and Boeing in a formal process to propose long-haul aircraft to enable replacement and growth of the Group's fleet • IAG's Fleet and Sustainability teams engaged in detailed discussions with the major manufacturers to understand and influence activities to support delivery of our environmental targets

How we measure and monitor	Outcomes of engagement in 2025
• Segmenting our supplier base: suppliers are classified based on strategic importance, spend, criticality to operations and potential impact on sustainability and innovation every year. This segmentation allows us to identify which suppliers require deeper engagement • Determining engagement focus: following segmentation, we prioritise where to focus resources and attention, ensuring that our engagement efforts are aligned with business objectives and highest potential value • Multi-level engagement: for selected strategic suppliers, we engage across all organisational levels, from operational teams managing day-to-day delivery to executive and C-level meetings, ensuring alignment on performance, strategy and joint opportunities • Monitoring meeting effectiveness: we track that the teams hold an optimal number of supplier meetings to drive performance, uncover opportunities and extract value beyond contractual obligations • Tracking supplier performance: engagement interactions provide insights into supplier performance, including quality, delivery, innovation and sustainability metrics • Developing joint initiatives: collaboration allows us to co-create initiatives with suppliers, including process improvements, decarbonisation projects, innovation programmes and co-investment opportunities • Transitioning to a collaborative approach: by focusing on strategic partnerships and structured engagement, we move from a purely transactional relationship to a collaborative approach, fostering long-term value creation for both the Group and our suppliers	• IAG was able to secure more fuel-efficient aircraft with lower carbon emissions, reduced community noise and improved air quality • Engagement on long-term engine maintenance arrangements with key engine suppliers mitigated the impact of supply chain challenges on maintenance, repair and overhaul (MRO) operations of the Group's airlines. Worked closely with suppliers to protect deliveries spare availability, replan fleets to cope with extended ground times or delivery delays • IAG continued to secure access to new long-haul fleet with firm orders and options addressing the shortage of available aircraft in the market • A new 360-degree risk management solution with risk-monitoring technologies went live in August 2025 to identify existing and future supplier risks, enabling a proactive, collaborative approach to anticipate and mitigate risks through targeted action plans • Where necessary, mitigation plans are put in place for suppliers identified as having potentially higher levels of risk. Issues are flagged to the relevant risk owners within the Group to take appropriate action • Thanks to our strategic engagement with suppliers, we are transitioning to a mid- and long-term focus, pursuing joint initiatives that deliver value beyond cost savings

Stakeholder engagement *continued*



Shareholders, lenders and other financial stakeholders

Material issues and topics of interest	How we engaged

• Financial prospects including:
  • Operating profit: discussions on revenue and its drivers, including pricing and capacity deployment, costs and cost drivers
  • Free cash flow: with a focus on capital expenditure and its components (fleet, fleet-related, IT, property and equipment)
  • Balance sheet: net and gross leverage, cash and liquidity, unencumbered aircraft
• Achievability and sustainability of the Group's financial targets, specifically the 12% to 15% operating margin target. Discussions on the levers to achieve this, such as the transformation initiatives to deliver a 15% operating margin at British Airways, for Iberia to increase profit to €1.4 billion and the margin opportunity at IAG Loyalty
• The supply and demand dynamics of the airline industry, including macroeconomic and geopolitical issues, customer affordability, as well as aircraft delivery delays and industry supply chain challenges, particularly relating to engines
• Relative performance of our competitors, particularly in our core markets
• Operational performance, particularly within the constraints of the European operating environment
• Investment in the customer proposition across all of IAG's airlines, with a focus on fleet and on-board products, customer service levels, disruption management and digital engagement through the customer journey
• Capital allocation discussions on the balance sheet strategy, financial leverage, long-term capital spending plans, plans for a sustainable dividend through the cycle and additional returns of excess capital to shareholders
• Sustainability initiatives, particularly relating to SAFs
• Levels of eligible ownership which were at 58.2% as at 31 December 2025
	• Active and frequent communication through open and transparent dialogue to understand performance/concerns, in person or online
	• Annual Shareholders' Meeting and four quarterly results briefings at which shareholders, investors and equity and credit analysts could interact with management, and in the case of general meetings, with directors
	• Management meetings with small groups of current and prospective shareholders to discuss the business and its investment case
	• Following investor days in November 2023 and November 2024 focusing on IAG and British Airways, respectively, Iberia held an investor day in June 2025. The Iberia senior management team hosted equity analysts and investors. Key messages included explaining the historical transformation of Iberia and the long-term opportunity in the Latin American market, as well as setting a medium-term target for operating profit of €1.4 billion at the top end of the Group's 12% to 15% operating margin range
	• Management attendance at investor conferences hosted by major financial institutions
	• Investor Relations organised and attended roadshows globally to meet investors with diverse perspectives, with directors and/or management depending on the focus. Roadshows were held in London, Madrid, Edinburgh, Dublin, Stockholm, Milan and several cities in the US and Switzerland during 2025
	• Site visits such as an investor trip to see British Airways' operations at Heathrow Terminal 5
	• The Board and the Remuneration Committee chairs met with some of our larger investors as well as proxy advisors in one-to-one meetings as part of a consultation on the policy on directors' remuneration as well as to discuss proposed resolutions ahead of the Annual General Meeting
	• Investor Relations has ongoing dialogue with equity, credit and ESG research analysts to understand investors' views of the Group
	• Group Treasury engages with credit analysts, global banks, debt investors and credit rating agencies
	• Dedicated mailbox for institutional and individual shareholders

How we measure and monitor	Outcomes of engagement in 2025
• We use a customer relationship management system that records engagement, tracks meetings, notes topics, questions and discussions with an automatic feedback collection mechanism based on defined questions • We measure the number of shareholder meetings and percentage of equity investors covered by those engagements • Analyst notes and investor feedback • Credit ratings	• Feedback received from investors and analysts is regularly shared with the Board and senior leaders. The feedback has been considered in reporting and strategic decisions such as the level of dividend and decisions on share buybacks • Share price appreciation following strong financial performance • A successful Annual General Meeting at which all of our resolutions were passed with support from a substantial majority of our shareholders • Meetings were held with investor governance and ESG representatives, including members of the IAG Sustainability team, in which our sustainability policies, initiatives and targets were explained and discussed

Government and regulators

Material issues and topics of interest	How we engaged
• Sustainability and climate policy, including SAF affordability and emissions regulation • Aircraft trade agreements, transatlantic negotiations and aviation competitiveness • Airport expansion – especially in the UK – and regulatory issues such as charges or slots allocation • Air traffic management and operational resilience, covering air traffic control (ATC) delays, airspace modernisation and strike safeguards • Consumer rights including passenger rights reform, product unbundling and inclusive air travel standards (accessibility) • Tax policy and economic regulation, such as UK Air Passenger Duty and EU VAT revision • Digitalisation, including data-driven border control, digital mobility platform oversight and AI integration in aviation • Supply chain pressures, impacts of the war in Ukraine and the Middle East and related sanctions	• The Government Affairs departments of IAG and its airlines maintain direct interactions with stakeholders in their home countries, as well as with EU bodies in Brussels. To ensure a unified strategy, the IAG Government Affairs team oversees and aligns these activities • We actively interact with policymakers, market participants and regulatory bodies on relevant issues to communicate IAG's perspectives and offer our technical knowledge to the dialogue. These activities have involved coordinating visits to our airline facilities, allowing stakeholders to gain deeper insights into our day-to-day operations and the potential effects of proposed policies • Beyond direct engagement, our involvement extends to a range of trade associations and general business organisations at the international, regional and local levels • Senior executives, including the Group CEO, individuals from the Management Committee and senior-level leaders from airline operating companies as applicable, are involved in this engagement, with a focus on the EU, Ireland, Spain, the UK and key markets, in particular, the US • IAG supports its policy positions with factual studies. For example, in 2025, IAG contributed to an Airlines for Europe (A4E) study on the cost of doing business in the EU for airlines, which identified key cost drivers associated to EU legislative and policy framework • In the international field, IAG joined air services talks wherever possible including the EU–US Joint Committee on aviation and the International Civil Aviation Organisation (ICAO) Air Services Negotiations Event (ICAN) to support operating companies' access to markets

How we measure and monitor	Outcomes of engagement in 2025
• Engagement planning is guided by both quantitative and qualitative metrics. Quantitative indicators track the number and type of engagements, policy areas covered and the seniority of stakeholders involved. Qualitative evaluation assesses policy outcomes and the advancement of key issues, ensuring the Government Affairs function remains strategically focused Key quantitative metrics for 2025 include: • More than 100 engagements with EU institutional stakeholders • Over 250 meetings with policymakers and institutions in Ireland, Spain and the UK • 72 institutional visits to the headquarters of Aer Lingus, British Airways, Iberia and Vueling • 'Clearing the Skies' event with Aer Lingus and Vueling at the European Parliament in June 2025, highlighting IAG's commitment to EU engagement and policy dialogue • Participation in 42 government-to-government air services negotiations with UK and Spanish authorities • Participation in 16 regulatory consultation processes across the EU, UK, Spain and other jurisdictions. These covered key topics such as sustainability, corporate reporting, airport charges, air services regulation and airport operations • An integrated approach strengthens our ability to anticipate and proactively respond to regulatory changes. We combine in-house expertise, digital tools and intelligence from trade associations to monitor legislative developments and provide timely, actionable insights. Our partnerships with leading consultancy firms further enhance our analysis and strategic planning, complementing our internal efforts and supporting well-informed decision-making	• IAG's engagement with UK and EU institutions helped raise awareness of the significance and high costs of SAF as well as the impact on European competitiveness • Regular IAG surveys with UK parliament members and ongoing dialogue with European institutions reflected this growing recognition • The European Commission's Sustainable Transport Investment Plan (Nov 2025) reflects industry concerns on SAF affordability and will assess extending SAF allowances beyond 2030 and revenue certainty mechanisms. IAG continues to work with policymakers to advance these priorities • Industry efforts restored tariff-free treatment for commercial aircraft and parts in US–EU/UK agreements, preventing extra cost • In 2025, IAG and partners launched 'Heathrow Reimagined', leading to the Civil Aviation Authority (CAA) agreeing to review Heathrow's regulatory system in the context of expansion and taking on several of IAG's arguments on Heathrow's costs and customer service issues. IAG also supported regulatory progress for Spanish airports • IAG, with A4E, International Air Travel Association (IATA) and European Regional Association (ERA), prompted the EU to launch an infringement procedure against Spain over hand luggage policy non-compliance with Regulation (EC) 1008/2008 • Council talks on the Energy Taxation Directive stalled, keeping aviation fuel tax exemptions • IAG helped its airlines secure international market access • Air transport is expected to be excluded from new EU digital ticketing rules as no market failures were found



Nicholas Cadbury
Chief Financial and Sustainability Officer

Delivering strong results

Nicholas Cadbury, Chief Financial and Sustainability Officer, reviews a year that saw our strategy and transformation programme once again deliver strong results and returns to our shareholders.

We have delivered strong financial results again in 2025 as we focused on our strategy and continued to execute our transformation programme.

IAG's business model of disciplined capital allocation is designed to generate strong cash flows. We invest that cash in products and services for our customers, in strengthening the balance sheet, and then rewarding our investors through sustainable dividends and returning excess cash to shareholders. In 2025, I'm pleased that we were able to deliver against all of these objectives.

Delivering world-class margins and returns

During the year we achieved an operating margin before exceptional items of 15.1%, up 1.3 points on the previous year, and at the top end of the range of our ambition of 12–15%. This is based on the Group's strategic advantage of strong positions and strong brands in hubs that serve some of the world's largest markets across the Atlantic, and in Europe.

All of our airlines are capable of margins that are world-leading. Iberia and British Airways both increased their margins in the year and exceeded our 12–15% target range, with margins of 16.2% and 15.2% respectively. Vueling achieved an operating margin of 12.0%, similar to 2024, despite pressures in some of its international markets, whilst Aer Lingus improved 2.5 points to 11.1%, with 2024 impacted by industrial action and 2025 seeing continued increases in competitors' capacity at Dublin.

We have delivered a 3.5% increase in revenue in the year, with capacity up 2.4%; the capacity growth was lower than initially anticipated, due to long-haul engine shortages. We saw robust demand for our services and markets, including for premium services. The strength of the Latin American market, together with the domestic market in Spain, offset some areas of slightly weaker demand in other segments. It's great to see that our continued investments in resilience in our operation and our customer offering have seen increases in both customer satisfaction and punctuality in the year.

Our transformation programme is helping to offset cost inflation and the cost associated with investing in our operation and for our customers. Our non-fuel unit costs increased by 2.8% in the year, with the impact of favourable foreign exchange broadly offset by costs associated with the growth of our non-airline businesses. We also benefited from a reduction in commodity fuel prices of around 11%.

In our other businesses, IAG Cargo saw yields normalise following geopolitical disruption affecting Red Sea shipping in 2024. IAG Cargo increased its contribution to the Group operating profit through revenue and cost transformation. IAG Loyalty had a record year with operating profit of €548 million, with continued growth in our non-airline partners and our holidays business; the result includes the adverse impact of the HMRC VAT dispute that the Group strongly contests. IAG Loyalty extended its long-term partnership agreement with American Express. The Group also saw growth in Iberia's maintenance business and its other revenue streams.

Disciplined approach to capital allocation and shareholder returns

We have a disciplined and balanced approach to capital allocation, one of the key aspects of our business model. Our margin performance supports high operating cash generation. In 2025 we generated €6,588 million of cash from operating activities, leading to €3,146 million of free cash flow after investing €3,442 million of capital.

Our first priority is a strong balance sheet. In 2023 we set the target to be below 1.8x net leverage through the cycle. We ended 2025 with net leverage at 0.8x, down from 1.1x at the end of 2024. We also targeted paying down further debt ahead of its scheduled maturity and chose to only finance around one third of new aircraft deliveries, with our gross leverage down to 1.9x, versus 2.5x at the end of 2024. We are investment grade with Moody's and S&P, both of which upgraded IAG by one rating notch during the year.

Our second capital allocation priority is to invest in the business. In 2025 we continued to upgrade aircraft interiors, with new products such as the Club Suite at British Airways, and are progressively upgrading airport lounges. We are also investing in our IT: in resilience as well as in developing customer-facing applications. Our total capital expenditure excluding aircraft fleet was €936 million. We spent €2,506 million on fleet in 2025, with 25 new aircraft delivered and including pre-delivery payments for new-generation aircraft to be delivered in the coming years.

We are committed to paying a return to our shareholders. Firstly, we want to pay a sustainable dividend to our shareholders through the cycle. We resumed dividends in 2024, with total dividends of €427 million related to the year. With our proposed final dividend of €228 million for 2025, we will have increased dividends to €448 million. We are also committed to returning additional cash to shareholders if no inorganic opportunities exist and after consideration of future requirements, for example significant forthcoming fleet deliveries. We will do this when net leverage is below 1.0x to 1.5x. In November 2024, we announced a €350 million share buyback, which was completed in February 2025. In 2025, we returned a further €1.0 billion of excess capital to shareholders through further share buybacks, which completed in November.

We have just announced in February 2026 a further return of excess cash of €1.5 billion in the next 12 months.

We will continue to focus on maintaining our world-class margins and returns, disciplined capital allocation and on delivering sustainable returns to shareholders.

Nicholas Cadbury
Chief Financial and Sustainability Officer





Financial review

IAG capacity

In 2025, passenger capacity operated, measured in available seat kilometres (ASKs), rose by 2.4% versus 2024. This capacity increase was lower than that originally planned for the year, as reduced availability of engines for the long-haul fleet resulted in a higher number of aircraft being unavailable to fly.

Capacity operated by region

Year to 31 December 2025	**Proportion of total ASKs 2025**	ASKs higher/ (lower) v2024	Passenger load factor (%)	Higher/ (lower) v2024
North Atlantic	**30.4 %**	1.4 %	83.5	(1.6) pts
Latin America and Caribbean	**19.7 %**	3.3 %	88.9	0.6 pts
Europe	**25.7 %**	2.2 %	85.3	(1.3) pts
Domestic (Spain and UK)	**8.0 %**	2.2 %	89.3	(0.6) pts
Africa, Middle East and South Asia	**11.9 %**	2.7 %	83.1	(0.8) pts
Asia Pacific	**4.3 %**	6.4 %	87.8	(1.1) pts
Total network	**100.0 %**	**2.4 %**	**85.6**	**(0.9) pts**

Capacity operated by airline

Year to 31 December 2025	ASKs higher/ (lower) v2024	Passenger load factor (%)	Higher/ (lower) v2024
Aer Lingus	6.6 %	79.4	(1.1) pts
British Airways	1.7 %	83.8	(1.4) pts
Iberia	0.9 %	88.6	0.7 pts
LEVEL	9.7 %	92.4	(2.8) pts
Vueling	3.5 %	90.5	(1.7) pts
Group	**2.4 %**	**85.6**	**(0.9) pts**

North Atlantic

The North Atlantic, in particular between the UK and the US, is one of the world's largest and most valuable airline markets; IAG has a strong position in this market, which is one of its key profit pools. The Group grew its capacity across the North Atlantic by 1.4% in 2025. British Airways continued to consolidate its position, and expanded to serve Pittsburgh on a daily basis, together with increases in frequencies to destinations including Austin, Vancouver and Washington. Some of the British Airways US routes were flown by American Airlines (a partner airline within the Atlantic Joint Business), due to engine availability issues in British Airways' Boeing 787 fleet. Iberia and Aer Lingus deployed their new Airbus A321XLRs to the region. Iberia increased flights to Boston, increased Washington to year-round and launched A330 flights to Orlando. Aer Lingus launched services to US secondary cities, such as Nashville and Indianapolis. LEVEL benefited from a full year of flying to Miami, which was a new route in 2024. Passenger load factor for the region was down 1.6 points versus 2024 to 83.5%.

Latin America and Caribbean (LACAR)

IAG's other core long-haul profit pool is Latin America and Caribbean. Latin America is a market which is growing strongly as economic investment, migration and leisure travel increases between Latin America and Europe, and Iberia has a strong position in this market. The Caribbean is a profitable leisure market, particularly for British Airways. The Group grew its capacity to the LACAR region by 3.3% in 2025. Iberia increased frequencies on core routes, with Buenos Aires up to three flights per day and São Paulo up to two flights per day. Iberia also launched A321XLR flights to Recife, Brazil in December. Flights to Venezuela were suspended from November, following the recommendation of the *Agencia Estatal de Seguridad Aérea* in Spain. However, Venezuela only represents approximately 2% of Iberia's capacity to the LACAR region. LEVEL increased flying to Buenos Aires and Santiago de Chile. British Airways rebalanced its flying in the region, increasing capacity to Antigua, Cancun and St Lucia, whilst reducing capacity to Aruba, Santiago de Chile and Tobago. The passenger load factor for the region of 88.9% was up 0.6 points versus 2024.

Europe

The Group's capacity in Europe was 2.2% higher than in 2024, with robust demand for leisure travel. The Group's airlines adjusted flying across the region to match customer demand. British Airways increased capacity to destinations such as Florence, Milan, Rome and Crete, and resumed services from London City airport to Madrid in December. Aer Lingus saw the continuation of leisure routes it launched in 2024, such as Malta and Seville, as well as the expansion of services to European sun destinations such as Lanzarote and Tenerife. Vueling changes included increased flying to London from Alicante, Malaga and Seville. Iberia increased flying to Amsterdam, Naples and Rome, whilst slightly reducing capacity overall to Europe due to the current operational issues the industry is facing with narrow-bodied new-generation engines. Passenger load factor for the region was down 1.3 points versus 2024 to 85.3%.

Domestic

Capacity and passenger numbers in IAG's Domestic markets, which are predominantly within mainland Spain and to the Canary and Balearic Islands, continued to increase overall, up 2.2% versus 2024, driven by Vueling, which included increased flying from the Spanish peninsula to the Canary Islands. As in the Europe region, Iberia reduced capacity due to engine issues on new-generation narrow-bodied aircraft, with the impact to customers partly mitigated by increased flying from its franchise partner, Air Nostrum. The passenger load factor remained high across the year at 89.3%, down 0.6 points versus the previous year.

Africa, Middle East and South Asia (AMESA)

Capacity to this region was up 2.7% on 2024. British Airways increased flying to Amman, Delhi, Jeddah and Johannesburg, at the same time reducing capacity to Abu Dhabi, Bahrain, Doha and Kuwait. British Airways and Iberia resumed flights to Tel Aviv in October. The other main changes in capacity to the region were driven by Vueling, which increased flying from Barcelona to Istanbul and Morocco, whilst reducing flights from Paris to Morocco. Passenger load factor for the region was down 0.8 points versus 2024 to 83.1%.

Asia Pacific

British Airways is the Group's main operator to the region, with its capacity to Asia Pacific still lower than it was in 2019, due to a shortage of long-haul aircraft. British Airways added Bangkok from late 2024 and resumed flights to Kuala Lumpur in the summer, which offset planned reductions in capacity to Beijing and Hong Kong, which were undertaken to build resilience elsewhere across its network. Iberia relaunched its route to Tokyo in October 2024 and so the growth in capacity in the region also included the benefit of a full year of flying to Japan by Iberia in 2025. The net increases during 2025 led to capacity 6.4% higher than 2024, with the passenger load factor for the region down 1.1 points versus 2024 to 87.8%.

Basis of preparation

In its assessment of going concern over the period of at least 12 months from the date of approval of this report (the 'going concern period'), the Board has considered the impact of a severe but plausible downside scenario and sensitivities, together with aircraft financing requirements. Consequently the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern period, and hence continue to adopt the going concern basis.

Summary

The overall backdrop for the year saw positive impacts from lower fuel prices, with commodity prices down around 11% versus 2024, together with favourable foreign exchange, with the US dollar approximately 3% weaker across the year. The first half of the year saw some uncertainty linked to the threat of and subsequent introduction of certain US tariffs. Geopolitical issues in certain regions were present across the year. Despite these challenges, demand for travel proved to be robust overall and some areas of softness, such as US point-of-sale leisure and intra-European travel, particularly in central Europe, were offset by demand in other areas, including Latin America and the Spanish Domestic region. Demand for premium travel remained strong. Cargo was slightly weaker in the second half of the year, once the impact of Red Sea disruption had normalised, and IAG continued to grow other revenue streams, including in the Iberia Maintenance, Repair and Overhaul (MRO) business, and at IAG Loyalty, which includes British Airways Holidays.

The Group's operating profit for the year increased by €741 million, or 17.3%, versus 2024, driven by higher passenger unit revenues and lower fuel unit costs, partially offset by an increase in non-fuel unit costs, as discussed further below. The increase in operating profit included the impact of favourable foreign exchange of €165 million in 2025 and an exceptional charge for restructuring in 2024 of €160 million.

Profit for the year

Statutory results € million	**2025**	2024	Higher/ (lower) vly
Operating profit	**5,024**	4,283	741
Profit before tax	**4,505**	3,563	942
Profit after tax	**3,342**	2,732	610

Summary of exceptional items

The Group uses alternative performance measures (APMs) to analyse the underlying results of the business excluding exceptional items, which are those that in the Board's and management's view need to be separately disclosed by virtue of their size or incidence in understanding the entity's financial performance.

There were no exceptional items in 2025.

In 2024, the Group recorded exceptional items relating to employee restructuring in Iberia's ground-handling subsidiary, the termination of the Air Europa purchase agreement, and a net credit relating to changes in tax legislation in Spain, the main impact of which was changing the rate at which tax losses can be utilised from 2016 onwards.

A summary of the exceptional items relating to 2024 is given below, with more detail in the Alternative performance measures section.

		(Charge)/credit to the Income statement € million	
Income statement line	Exceptional item description	**2025**	2024
Employee costs	Iberia restructuring costs	**–**	(160)
Other non-operating credits	Termination of Air Europa agreement	**–**	(50)
Tax	Tax on exceptional items above	**–**	40
Tax	Changes to Spanish tax legislation	**–**	100

Operating profit before exceptional items

The Operating profit before exceptional items for 2025 of €5,024 million was €581 million better than 2024, driven by the increased capacity and higher revenues, net of higher operating costs, as explained further below. The Profit after tax and before exceptional items was €3,342 million, €540 million higher than the 2024 profit of €2,802 million.

Alternative performance measures (before exceptional items) € million	**2025**	2024	Higher/ (lower) vly
Operating profit	**5,024**	4,443	581
Profit before tax	**4,505**	3,773	732
Profit after tax	**3,342**	2,802	540

The operating margin before exceptional items of 15.1% was 1.3 points higher than in 2024 and at the top of the Group's 12–15% medium-term target range.

Financial review *continued*

Revenue

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Passenger revenue	**28,969**	2.5 %	695
Cargo revenue	**1,238**	0.3 %	4
Other revenue	**3,006**	16.0 %	414
Total revenue	**33,213**	3.5 %	1,113

Total revenue increased €1,113 million versus 2024, after adverse foreign exchange rate movements of €359 million, due to adverse transaction foreign exchange impacts on revenue of €220 million and the translation of British Airways' and IAG Loyalty's results from pound sterling into euro, which resulted in an adverse variance of €139 million versus 2024.

Passenger revenue

Year to 31 December 2025	ASKs higher/(lower) v2024	Passenger revenue per ASK higher/(lower) v2024[1]
North Atlantic	1.4 %	(0.5)%
Latin America and Caribbean	3.3 %	2.1 %
Europe	2.2 %	(2.8)%
Domestic (Spain and UK)	2.2 %	– %
Africa, Middle East and South Asia	2.7 %	(0.8)%
Asia Pacific	6.4 %	2.6 %
Total network	**2.4 %**	**0.1 %**

1 Passenger revenue per ASK for the total network is based on total passenger revenue divided by ASKs. For the analysis by region, passenger revenue excludes certain items that are not directly assigned at a route level, including joint business payments or receipts, foreign exchange hedging gains or losses, EC261 and UK261 compensation, and adjustments to assumptions for unused tickets.

The increase in Passenger revenue of €695 million, or 2.5%, reflected the increase in passenger capacity of 2.4%, with resilient demand for travel in IAG's core markets, despite some areas of softness versus the previous year, notably in the US point-of-sale economy segment, together with intra-European travel, particularly in the third quarter, with both showing improvement in the fourth quarter.

The passenger load factor for the year of 85.6% was 0.9 points lower than in 2024. Passenger yields, measured as passenger revenue per revenue passenger kilometre (RPK) were 1.1% higher than in 2024. The resulting passenger unit revenue (passenger revenue per ASK) for the year was broadly unchanged versus 2024, including adverse foreign exchange of 0.9 points.

Cargo revenue

Cargo revenue of €1,238 million was 0.3% higher than in 2024. Cargo volumes, measured in cargo tonne kilometres (CTKs), were 0.4% higher than the previous year. Cargo yields, measured as cargo revenue per cargo tonne kilometre, were 0.1% lower than in 2024. In the first half of 2025, market yields remained buoyant, fuelled by worldwide supply chain disruptions and strong customer demand, but they fell year on year in the second half as the Red-Sea-related rate spike normalised. Notwithstanding the evolving market trends, the Group kept its focus on high-yield and premium routes, delivering growth in key regions Asia Pacific and Africa.

Other revenue

Overall for the year, Other revenue was up 16.0% or €414 million versus 2024 to €3,006 million.

Iberia's MRO business saw increased engine maintenance activity for third-party airlines, with revenues from maintenance and overhaul services up €225 million to €1,045 million. The growth was weighted to the first half of the year, as the third-party activity in the first half of 2024 had been lower than average. Revenue from ground-handling, mainly reflecting Iberia's ground-handling subsidiary, SOUTH, was €191 million, €32 million higher than 2024.

One of the Group's strategic imperatives is to drive earnings growth through asset-light businesses, with the growth of IAG Loyalty a particular priority. The impact of the growth in IAG Loyalty contributes both to the airlines' Passenger revenue and to Other revenue, through both the issuance and redemption of its loyalty currency, Avios. IAG Loyalty delivered another strong year of growth in the number of members collecting Avios, including through its long-term partnership with American Express, which was extended in the year. IAG Loyalty includes British Airways Holidays; Group holiday and hotel services revenue was up by €20 million to €1,010 million and other loyalty revenue (within brand and marketing services) was up by €15 million to €451 million.

Other significant aspects of other revenue were mainly driven by the sale of certain carbon attributes, available due to the Group's investment in SAF above mandates, and the sale of other energy-saving certificates in Spain, generated from the purchase of certain new aircraft. These revenues are expected to moderate in future years as environmental mandates increase.

Operating costs

Total operating expenditure rose from €27,817 million in 2024 to €28,189 million in 2025, an increase of 1.3%, linked to the higher volume of flights and an increase in non-fuel unit costs, which increased by 2.8%, partially offset by lower fuel unit costs.

The increase in non-fuel unit costs was impacted by favourable foreign exchange impacts of €272 million, representing 1.3 points of the variance; the foreign exchange benefit was offset by a similar adverse impact from costs arising from the Group's increased other revenue. The remaining growth in non-fuel unit costs was due to: increased resourcing to recruit, train and then operate the larger flying programme in the peak summer season; the investments in the airlines' operations and customer experience; and the impact of wage increases and supplier cost increases. These costs were partially mitigated by the impact of the Group's transformation and innovation initiatives.

Employee costs

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Employee costs	**6,586**	3.6 %	230
Employee costs per ASK, € cents[1]	**1.87**	3.8 %	

1 Employee costs per ASK variance calculated excluding exceptional item related to Iberia restructuring in 2024.

The rise in Employee costs of €230 million, or 3.6%, versus 2024 reflected the increase in the Group's capacity and the related increase in employee numbers, together with investments in the airlines' operations. Average headcount for the year was 75,871, up 2,373 or 3.2% versus 2024. The strong performance in 2025 also led to higher payments to colleagues in the form of bonuses and other performance-related payments. The Group had agreements in place with substantially all employee groups at the end of 2025. Employee costs in 2024 included an exceptional restructuring charge related to Iberia's SOUTH subsidiary of €160 million.

On a unit basis per ASK, and excluding the impact of the exceptional restructuring charge in the 2024 base, Employee costs were up 3.8% versus 2024.

Fuel costs and emissions charges

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Fuel costs and emissions charges	**7,083**	(6.9)%	(525)
Fuel costs and emissions charges per ASK, € cents	**2.02**	(9.1)%	

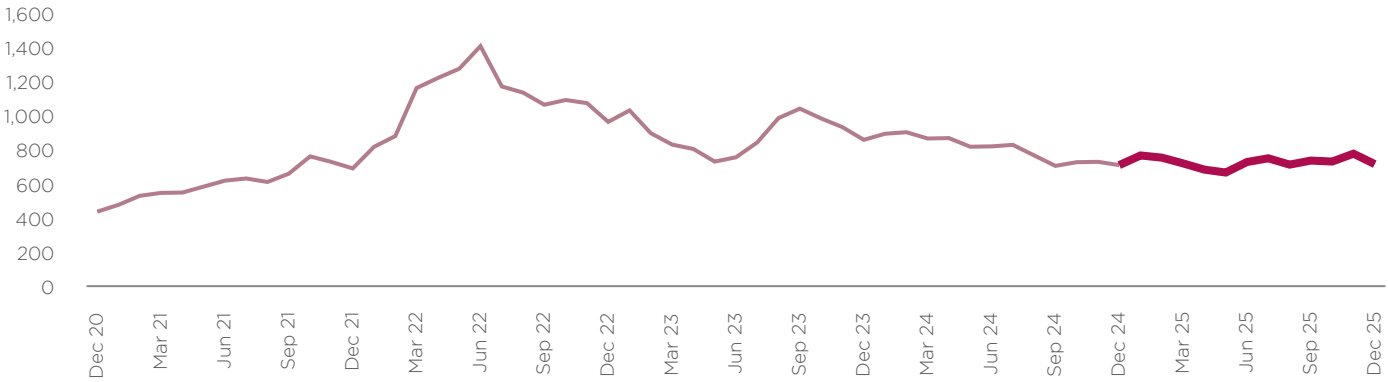
Fuel costs and emissions charges were down €525 million, or 6.9% versus 2024, driven by lower prices, partially offset by increased flying volumes. Foreign exchange movements accounted for €252 million of the year-on-year reduction, due to a weaker US dollar.

The Group's effective fuel price net of fuel hedging and related foreign currency hedging was down approximately 9% versus 2024. Fuel consumption and costs continue to benefit from the Group's investment in new-generation aircraft.

The premia paid for the use of Sustainable Aviation Fuel (SAF) are included within Fuel costs and emissions charges; in 2025 this cost was €222 million, approximately double that in 2024, as the Group increased its use of SAF. The cost of complying with various emissions trading requirements and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was €378 million, up €77 million versus 2024.

Fuel costs and emissions charges were down 9.1% on a unit basis.

Jet fuel price trend ($ per metric tonne)



Fuel hedging

The Group seeks to reduce the impact of volatile commodity prices by hedging prices in advance. The Group's fuel hedging policy is designed to provide flexibility to respond to both significant unexpected reductions in travel demand or capacity and/or material or sudden changes in jet fuel prices. The policy allows for differentiation within the Group, to match the nature of each operating company, and the use of call options for a proportion of the hedging undertaken. The policy operates on a three-year rolling basis, with hedging of up to 75% of anticipated requirements in near-term, reducing steadily over the first two years down to 20% for the final year. The policy also provides flexibility for low-cost airlines within the Group to adopt hedging of up to 80% in the near-term.

Fuel consumption

The Group continued to benefit from reduced fuel consumption associated with the investment in new fleet, with 24 newer-generation and more fuel-efficient aircraft delivered and brought into service in the year. Despite the reduced passenger load factors versus 2024, the fleet changes and increased use of SAF led to reduced carbon intensity, measured as grammes of CO_2 per passenger kilometre, which was down 0.7% versus 2024. SAF accounted for 3.3% of the Group's fuel consumption in 2025.

Supplier costs

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Handling, catering and other operating costs	**4,352**	5.2 %	217
Landing fees and en-route charges	**2,487**	3.4 %	82
Engineering and other aircraft costs	**2,850**	4.4 %	121
Property, IT and other costs	**1,085**	(3.1)%	(35)
Selling costs	**1,127**	4.2 %	45
Currency differences	**(28)**	nm	(60)
Total Supplier costs	**11,873**	3.2 %	370
Supplier cost per ASK, € cents	**3.38**	0.8 %	

Total Supplier costs rose by €370 million, or 3.2%, to €11,873 million, with the impact of the Group's cost transformation initiatives partially mitigating the impacts of inflation and the additional operating cost arising from the Group's investment in customer experience and IT. Handling, catering and other operating costs include costs related to growth in British Airways Holidays, and Engineering and other aircraft costs include costs related to the growth in Iberia's MRO revenues. The increase in selling costs was driven by vouchers for future travel issued to Iberia customers as a consequence of disruption to operations in the year.

Total foreign currency impacts on Supplier costs were €231 million favourable versus 2024, with favourable transaction foreign exchange impact of €189 million (which includes the favourable currency differences variance of €60 million shown above), together with favourable translation foreign exchange impacts of €42 million related to translating British Airways' and IAG Loyalty's supplier costs from pound sterling into euro.

On a unit basis per ASK, Supplier costs were higher 0.8% than in 2024.

Financial review *continued*

Ownership costs

Ownership costs include Depreciation, amortisation and impairment of tangible and intangible assets, including right-of-use assets, and the Net loss/(gain) on sale of property, plant and equipment.

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Depreciation, amortisation and impairment	**2,628**	11.2 %	264
Net loss/(gain) on sale of property, plant and equipment	**19**	nm	(33)
Total Ownership costs	**2,647**	12.6 %	297
Ownership costs per ASK, € cents	**0.75**	10.0 %	

The increase in Ownership costs versus 2024 is mainly driven by the increase in the Group's fleet of aircraft, linked to the increased capacity and the investments in new, more fuel-efficient aircraft. In addition, costs increased due to the depreciation related to aircraft maintenance and investments to improve the customer experience, such as new business cabin seats, digital offerings and lounges. The Net loss/(gain) on sale of property, plant and equipment was €19 million, reflecting the disposal of aircraft withdrawn from service and related spare parts. Ownership costs include net foreign exchange impacts of €4 million.

On a unit basis per ASK, Ownership costs were up 10.0% versus 2024.

Aircraft fleet

In 2025, the in-service fleet increased by 26 aircraft, with 38 entering service and 12 retiring. The aircraft entering service comprised 24 out of the 25 new deliveries from Airbus and Boeing, eight used aircraft that were delivered in 2024 but did not start flying for the Group until 2025, and a further six used aircraft leased directly from aircraft lessors.

Fleet numbers

Number of aircraft in service	2025	2024	Higher/ (lower) vly
Short-haul	**412**	396	4.0 %
Long-haul	**215**	205	4.9 %
Total	**627**	601	4.3 %

In addition to the in-service fleet, there were a further nine aircraft not in service, made up of five aircraft held by the Group pending disposal or lease return, as well as one Airbus A321XLR for Iberia and three Airbus A320ceo for Vueling that were delivered in 2025 but had not yet entered service by 31 December 2025.

Exchange rate impact

Exchange rate impacts are calculated by retranslating current year results at prior year exchange rates. The reported revenues and expenditures are impacted by the translation of currencies other than euro to the Group's reporting currency of euro: primarily pound sterling related to British Airways and IAG Loyalty. From a transaction perspective, the Group's performance is impacted by the fluctuation of exchange rates, primarily exposure to the pound sterling, euro and US dollar. The Group typically generates a surplus in most currencies in which it does business, except the US dollar, for which capital expenditure, debt repayments and fuel purchases typically create a deficit which is managed and partially hedged. The Group hedges its economic exposure from transacting in foreign currencies but does not hedge the translation impact of reporting in euro.

Overall, in 2025 the Group operating profit before exceptional items was improved by €165 million due to favourable exchange rate impacts, with revenue reduced by €359 million and operating cost reduced by €524 million.

Exchange rate impact before exceptional items

	2025		
€ million Favourable/(adverse)	**Translation impact**	**Transaction impact**	**Total exchange impact**
Total exchange impact on revenue	(139)	(220)	**(359)**
Total exchange impact on operating expenditures	98	426	**524**
Total exchange impact on operating profit	(41)	206	**165**

	2024		
€ million Favourable/(adverse)	Translation impact	Transaction impact	Total exchange impact
Total exchange impact on revenue	505	(242)	263
Total exchange impact on operating expenditures	(432)	106	(326)
Total exchange impact on operating profit	73	(136)	(63)

The exchange rates of the Group were as follows:

	2025	2024	Higher/ (lower) vly
Translation - Balance sheet			
£ to €	**1.14**	1.21	(5.8)%
Translation - Income statement (weighted average)			
£ to €	**1.17**	1.18	(0.8)%
Transaction (weighted average)			
£ to €	**1.17**	1.18	(0.8)%
€ to $	**1.14**	1.09	4.6 %
£ to $	**1.33**	1.28	3.9 %

Total net non-operating costs

Total net non-operating costs for the year were €519 million, versus €720 million in 2024.

Finance costs of €861 million were €56 million lower than in 2024, due to early debt repayments made in the second half of 2024 and the bond repayments in early 2025. Finance income at €279 million was down from €404 million in 2024, reflecting progressive interest rate cuts since the middle of 2024. The Net change in the fair value of financial instruments of €201 million mainly reflects the increase in the fair value of IAG's €825 million convertible bonds maturing in 2028, which increased in line with the Group's strong share price performance during the year. Net currency retranslation resulted in a credit of €317 million in 2025 versus a charge of €127 million in 2024, principally reflecting the weakening of the US dollar in 2025 versus a strengthening in 2024. Other non-operating charges of €137 million in 2025 (2024: credit of €94 million) mainly represent net gains or losses on derivative contracts for which hedge accounting is not applied.

Tax

The tax charge on the Profit for the year was €1,163 million (2024: tax charge of €831 million), and the effective tax rate was 25.8% (2024: 23.3%).

The substantial majority of the Group's activities are taxed where the main operations are based: in Spain, the UK and Ireland, which have statutory corporation tax rates of 25%, 25% and 12.5% respectively for 2025. The expected tax rate for the Group is determined by applying the relevant corporation tax rate, as adjusted by domestic top-up taxes, to the profits or losses of each jurisdiction. The geographical distribution of profits and losses in the Group results in the expected tax rate being 24% for the year.

The difference between the actual effective tax rate of 26% and the expected tax rate of 24% is principally due to Spanish tax arising on intragroup dividends, partially offset by the recognition of prior year tax assets.

The Profit after tax for the year was €3,342 million (2024: €2,732 million).

IAG Loyalty VAT

As previously disclosed, beginning in 2022 and for periods commencing March 2018, His Majesty's Revenue and Customs in the UK (HMRC) undertook a review of the appropriate VAT accounting to be applied by IAG Loyalty, and the validity of a historical ruling ('the Ruling') issued by HMRC to the Group. On 29 October 2024, HMRC issued a decision asserting that VAT is payable at the standard rate of 20% on the issuance of Avios as opposed to the historical approach of accounting for VAT depending on the nature of the redemption products for which Avios are redeemed, for which the vast majority are flights that are zero-rated.

During 2025, the Group appealed this matter to the First-tier Tribunal (Tax) in the UK with a hearing scheduled for the fourth quarter of 2026, with a decision of the First-tier Tribunal (Tax) expected during 2027. To advance the case to the First-tier Tribunal (Tax), without admission of liability, the Group paid amounts to HMRC for periods prior to its decision, and net of amounts recovered as input VAT for certain of its subsidiaries, of €507 million, which is expected to be refunded if the matter is resolved in the Group's favour. Accordingly, these amounts have been recorded as a non-current asset on the Balance sheet.

In addition, during 2025, the Group applied to the High Court in the UK for a judicial review as to whether IAG Loyalty had a legitimate expectation that it could rely on the Ruling. On 6 January 2026 the High Court in the UK approved IAG Loyalty's request to stay the judicial review proceedings until after the conclusion of the First-tier Tribunal (Tax) proceedings and any subsequent appeals.

For payments made to HMRC for periods subsequent to its decision on 29 October 2024, a proportion of the payments made reduce the amounts that would have previously been recognised within Deferred revenue in the Balance sheet upon issuance of the Avios and subsequently within Passenger revenue and Other revenue in the Income statement when the Avios are redeemed. These payments amount to €89 million at 31 December 2025 and have been disclosed as a contingent asset.

The Directors are satisfied that it is not probable that an adverse outcome will eventuate, and accordingly, the Group continues to consider at 31 December 2025, and through to the date of this report, that the €507 million non-current asset, recognised as a result of the payment to HMRC, is recoverable.

Further detail on tax matters, including IAG Loyalty can be found in note 10 to the consolidated financial statements.

Financial review *continued*

Operating profit performance of airline operating companies

Statutory	Aer Lingus € million 2025	Higher/ (lower) vly	British Airways £ million 2025	Higher/ (lower) vly	Iberia[1] € million 2025	Higher/ (lower) vly	Vueling € million 2025	Higher/ (lower) vly
Passenger revenue	2,454	150	13,722	256	6,126	264	3,235	(9)
Cargo revenue	50	(5)	788	(1)	320	15	–	–
Other revenue	25	8	169	16	1,639	264	29	12
Total revenue	**2,529**	153	**14,679**	271	**8,085**	543	**3,264**	3
Fuel costs and emissions charges	628	(10)	3,403	(273)	1,476	(135)	856	(39)
Employee costs	551	37	3,142	271	1,486	(132)	460	33
Supplier costs	871	16	4,677	(2)	3,255	270	1,257	(3)
Ownership costs[2]	197	33	1,227	93	555	94	298	19
Operating profit	**282**	77	**2,230**	182	**1,313**	446	**393**	(7)
Operating margin	11.1%	2.5 pts	15.2%	1.0 pts	16.2%	4.7 pts	12.0%	(0.3)pts
Alternative performance measures[3]								
Passenger revenue	2,454	150	13,722	256	6,126	264	3,235	(9)
Cargo revenue	50	(5)	788	(1)	320	15	–	–
Other revenue	25	8	169	16	1,639	264	29	12
Total revenue before exceptional items	**2,529**	153	**14,679**	271	**8,085**	543	**3,264**	3
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Operating profit before exceptional items	**282**	77	**2,230**	182	**1,313**	286	**393**	(7)
Operating margin before exceptional items	11.1%	2.5 pts	15.2%	1.0 pts	16.2%	2.6 pts	12.0%	(0.3)pts

1 The Iberia numbers in the table above are presented on the same basis as in note 5 to the consolidated financial statements and exclude LEVEL Spain.

2 Ownership costs reflects Depreciation, amortisation and impairment, and the Net loss/(gain) on the sale of property, plant and equipment.

3 Further detail is provided in the Alternative performance measures section.

Review by operating company

The biggest drivers of the Group's increase in operating profit for 2025 were Iberia and British Airways, which saw operating profit before exceptional items improve by €286 million and £182 million respectively, driven by strong performance in their core markets and the benefits of lower fuel prices and favourable foreign exchange. The increase in supplier costs in Iberia reflects the growth of its maintenance business, together with higher selling costs related to vouchers for future travel issued to customers in the light of disruption to operations in the year. Aer Lingus increased its operating profit by €77 million, despite additional competition from the US into Dublin; the prior year was impacted by industrial action in the summer of 2024. Vueling was able to maintain its operating profit and operating margin at broadly the same levels as the previous year, with strength in the Spanish domestic market offsetting some weakness in the summer in European travel, particularly in central Europe.

Operating profit before exceptional items

IAG Loyalty, which includes British Airways Holidays, continued to achieve double-digit growth in its operating profit, increasing by £49 million to £469 million (€548 million) in 2025, driven by the growth of its non-airline partner revenue streams, together with benefiting from the strong performance of the Group's airlines.

	2025	2024
Aer Lingus (€ million)	**282**	205
British Airways (£ million)	**2,230**	2,048
Iberia (€ million)	**1,313**	1,027
Vueling (€ million)	**393**	400
IAG Loyalty (£ million)	**469**	420

Free cash flow and leverage

The Group uses Free cash flow as an Alternative performance measure. Free cash flow is defined as Net cash flows from operating activities less Acquisition of property, plant and equipment and intangible assets. See Alternative performance measures section for further details.

€ million	2025	2024	Variance
Net cash flows from operating activities	**6,588**	6,372	216
Acquisition of property, plant and equipment and intangible assets	**(3,442)**	(2,816)	(626)
Free cash flow	**3,146**	3,556	(410)

In 2025, Free cash flow was €3,146 million, down €410 million versus 2024, principally driven by the impact of the expected increase in capital expenditure.

The Group's strong free cash flow generation supported the Group's dividends and share buybacks, detailed further below, together with a reduction in net debt, which also benefited from the weaker US dollar (as the majority of aircraft debt is denominated in US dollars). As at 31 December 2025, net leverage, measured as net debt to EBITDA before exceptional items, had reduced to 0.8 times, further strengthening the IAG balance sheet and providing flexibility for the future.

During 2025, the Group also consciously reduced its gross debt and cash balances, by choosing to repay bonds in advance of their scheduled maturity, and also by deciding to only finance around one third of its new aircraft deliveries. Gross leverage, measured as gross debt to EBITDA before exceptional items, fell to 1.9 times, down from 2.5 times at 31 December 2024.

Cash flow extract

€ million	2025	2024	Variance
Net cash flows from operating activities	**6,588**	6,372	216
Net cash flows from investing activities	**(2,769)**	(2,502)	(267)
Net cash flows from financing activities	**(4,413)**	(1,175)	(3,238)
Cash and cash equivalents at year end	**7,421**	8,189	(768)
Interest-bearing deposits maturing after more than three months	**898**	1,639	(741)
Cash, cash equivalents and other interest-bearing deposits	**8,319**	9,828	(1,509)

Cash flows from operating activities

€ million	2025	2024	Variance
Operating profit	**5,024**	4,283	741
Depreciation, amortisation and impairment	**2,628**	2,364	264
(Decrease)/increase in provisions (excluding carbon-related obligations)	**(56)**	282	(338)
Purchase of carbon-related assets net of the change in carbon-related obligations	**(118)**	62	(180)
Payment to HMRC to appeal IAG Loyalty VAT	**(442)**	–	(442)
Interest paid	**(666)**	(764)	98
Interest received	**280**	367	(87)
Tax paid	**(488)**	(245)	(243)
Movement in working capital	**550**	(82)	632
Other operating cash flow movements	**(124)**	105	(229)
Net cash flows from operating activities	**6,588**	6,372	216

Operating profit, Ownership costs, the HMRC VAT payment and interest are explained elsewhere in this report. The movement in provisions is impacted by the €160 million provision for restructuring in Iberia's ground-handling subsidiary in 2024. There were higher purchases of carbon-related assets than provisions, as the Group prepared for the removal of free ETS allowances in 2026.

Cash tax in 2025 was higher, largely driven by higher Group profitability and the prior year benefiting from a one-off refund in relation to changes in Spanish tax legislation. Cash tax continues to see the benefit of losses carried forward and UK capital allowances.

The positive movement in working capital includes the impact of IAG Loyalty's contract renewal with American Express.

Other operating movements were adverse, reflecting non-cash movements in relation to unrealised currency differences from the translation of operating balance sheet items, timing differences, and other movements in relation to financial instruments, together with the impact of equity-settled share-based payments.

Financial review *continued*

Cash flows from investing activities

€ million	2025	2024	Variance
Acquisition of property, plant and equipment and intangible assets	**(3,442)**	(2,816)	(626)
Sale of property, plant and equipment, intangible assets and investments	**27**	584	(557)
Decrease/(increase) in other current interest-bearing deposits	**712**	(215)	927
Air Europa Holdings termination settlement payment	**–**	(50)	50
Other investing movements	**(66)**	(5)	(61)
Net cash flows from investing activities	**(2,769)**	(2,502)	(267)

Capital expenditure

In 2025, the Group continued to invest in the replacement and growth of its aircraft fleets, customer products and services, and IT infrastructure and applications. Capital expenditure, measured as the Acquisition of property, plant and equipment and intangible assets from the Cash flow statement, was €3,442 million, compared with €2,816 million in 2024, with the increase of €626 million due mainly to a higher level of pre-delivery payments for future deliveries, as well as additional investments in retrofitting aircraft with new cabin interiors and the investment in upgraded connectivity through Starlink. There was also additional investment in other property, plant and equipment, including the acquired hangar and maintenance facility at Gatwick, investment in lounges and in IT. The latter includes software assets recorded within Intangible assets, as the Group continues to invest in its customer product, IT estate and transformation projects.

€ million	2025	2024
Property, plant and equipment – fleet	**2,506**	2,035
Property, plant and equipment – other	**404**	296
Intangible assets	**532**	485
Total	**3,442**	2,816

In 2025, the Group took delivery of 25 new aircraft from Airbus and Boeing: 13 for British Airways, 7 for Iberia, and 5 for Aer Lingus. The Group also took delivery of nine used Airbus A320ceo aircraft direct from aircraft lessors for Vueling, partly to backfill additional aircraft maintenance requirements linked to the Pratt & Whitney 'GTF' engines issue.

Aircraft deliveries	2025	2024
Airbus A320neo family	**14**	10
Airbus A321XLR	**9**	3
Airbus A350	**1**	2
Boeing 787-10	**1**	4
Sub-total deliveries from manufacturer	**25**	19
Airbus A330	**–**	1
Airbus A320ceo	**9**	14
Sub-total deliveries from lessors	**9**	15
Total	**34**	34

Capital commitments

Capital expenditure authorised and contracted for at 31 December 2025 amounted to €20,248 million (2024: €12,634 million). The increase versus 2024 was mainly driven by the impact of the additional aircraft orders outlined below, net of the impact of the aircraft delivered in 2025 and favourable foreign exchange, due to the weakening of the US dollar over the course of the year (as most of these commitments are denominated in US dollars).

The Group has certain rights to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights had been exercised as at 31 December 2025.

Aircraft orders

During 2025, the Group exercised options for six Airbus A350-900 aircraft for Iberia, together with six Airbus A350-1000 aircraft and six Boeing 777-9 aircraft for British Airways. The Group placed new orders for a further 53 wide-bodied aircraft: 21 Airbus A330-900neo aircraft, which can be deployed within Aer Lingus, Iberia or LEVEL; and 32 Boeing 787-10 aircraft for British Airways, 15 of which represented exercises of options.

These orders will be used for a combination of fleet replacement and growth and form part of the Group's ongoing investment in new, modern aircraft to drive operational efficiency, reduce emissions, and enhance on-board products for customers. The aircraft subject to these orders will be delivered between 2028 and 2033.

Aircraft future deliveries at 31 December	**2025**	2024
Airbus A320ceo	**–**	7
Airbus A320neo family	**68**	82
Airbus A321XLR	**2**	11
Airbus A330-900	**21**	–
Airbus A350	**14**	3
Boeing 737	**50**	50
Boeing 777-9	**24**	18
Boeing 787-10	**38**	7
Total	**217**	178

In addition to the committed future deliveries shown above, at 31 December 2025 the Group held options to acquire a further 195 aircraft from Airbus and Boeing.

Funding and debt

IAG has a disciplined approach to capital allocation, which is designed to maximise shareholder value creation over the long term. It ensures that we balance the needs of all of our stakeholders: our customers, our employees and our investors.

A strong financial foundation is essential to any business. As a relatively cyclical business, this is our first priority in capital allocation – to maintain a strong balance sheet. The Group's current ratings (at 26 February 2026) are all investment grade, with the following ratings: S&P: BBB (stable outlook) and Moody's: Baa2 (stable outlook). British Airways has separate credit ratings, which are also investment grade, with S&P BBB (stable outlook), Moody's Baa2 (stable outlook) and Fitch BBB (stable outlook).

Debt and leverage

The Group monitors leverage using Net debt to EBITDA before exceptional items, in addition to closely following measures used by the credit rating agencies, including those based on total borrowings (gross debt).

In 2019, the Group set a target of net debt to EBITDA before exceptional items below 1.8 times, which broadly corresponded to investment grade with the credit rating agencies. At its Capital Markets Day in November 2023, the Group confirmed this target remained appropriate.

As at 31 December 2025, net debt to EBITDA before exceptional items had reduced to 0.8 times, compared with 1.1 times at 31 December 2024, reflecting the strong profitability and the related cash generation.

€ million	**2025**	2024	Higher/ (lower)
Total borrowings (gross debt)	**14,267**	17,345	(3,078)
Cash, cash equivalents and interest-bearing deposits	**8,319**	9,828	(1,509)
Net debt at 31 December	**5,948**	7,517	(1,569)
Net debt to EBITDA before exceptional items (times)	**0.8**	1.1	(0.3)
Gross debt to EBITDA before exceptional items (times)	**1.9**	2.5	(0.6)

Financial review *continued*

Movements in net debt

The table below shows the principal drivers of the reduction in net debt in 2025 and 2024.

€ million	2025	2024
Net debt at 1 January	**7,517**	9,245
Summary of cash movements in net debt		
Free cash flow	**(3,146)**	(3,556)
Sale of property, plant and equipment, intangibles and investments	**(27)**	(584)
Acquisition of treasury shares	**1,243**	202
Dividend paid	**471**	149
Other cash flows from investing activities	**66**	55
Settlement of derivative financial instruments	**193**	151
Summary of non-cash movements in net debt		
New leases and modifications	**543**	988
Fair value movement on IAG convertible bonds	**213**	280
Foreign exchange differences	**(1,142)**	558
Other items	**17**	29
Net debt at 31 December	**5,948**	7,517

Debt

During 2025, the Group continued to reduce its gross debt by choosing to repay certain bonds in advance of their scheduled maturity, together with choosing to finance only around one third of its deliveries of new aircraft in the year. Gross debt reduced by €3,078 million to €14,267 million at 31 December 2025. Gross debt also benefited from the weakening of the US dollar, with a foreign exchange benefit of €1,345 million. The Group's share price performed strongly in 2025, increasing by 37% over the course of the year; in line with this increase, the fair value of IAG's €825 million convertible bonds due in 2028 increased by €213 million.

Cash flows from financing activities

€ million	2025	2024	Variance
Proceeds from borrowings	**1,160**	1,474	(314)
Repayment of borrowings	**(2,322)**	(410)	(1,912)
Repayment of lease liabilities	**(1,344)**	(1,737)	393
Settlement of derivative financial instruments	**(193)**	(151)	(42)
Acquisition of treasury shares	**(1,243)**	(202)	(1,041)
Dividend paid	**(471)**	(149)	(322)
Net cash flows from financing activities	**(4,413)**	(1,175)	(3,238)

Aircraft debt

Long-term aircraft financing was drawn for nine of the 25 new aircraft delivered during 2025. In addition, financing was also drawn for three aircraft that were delivered in 2024. The 12 aircraft financings were all via finance leases (recorded as asset financed liabilities under IFRS), with the proceeds shown in Proceeds from borrowings above.

The Group continues to have attractive alternatives for aircraft financing, which include retaining new aircraft unencumbered, in order to balance the mix of net debt between gross debt and cash.

The repayment of borrowings includes the repayment of bonds outlined further below and principal repayments in respect of aircraft on finance lease arrangements entered into from 1 January 2019 onwards, the date from which IAG adopted IFRS 16 Leases. The repayment of lease liabilities of €1,344 million includes €370 million of principal repayments in respect of finance leases in place on 31 December 2018 and accounted for under IFRS 16 as lease liabilities; the balance of €974 million includes the principal element of aircraft operating lease payments in the year, together with certain other lease liabilities.

The Group enters into derivate contracts to offset the foreign exchange impacts relating to its US-dollar-denominated aircraft debt, with the net proceeds or payments arising from such derivatives shown within Settlement of derivative financial instruments.

Non-aircraft debt

In January 2025, the Group chose to partially repay certain bonds in advance of their scheduled maturity and redeemed a notional amount of €277 million of its 2027 unsecured bonds and €300 million of its 2029 unsecured bonds. In March 2025, the Group repaid its €500 million unsecured bonds on maturity. The Group also repaid a further €490 million of nominal amounts of its 2027 and 2029 unsecured bonds in September; at the same time the Group issued new unsecured bonds totalling €500 million and maturing in 2030.

At 31 December 2025, the Group's general debt, aside from aircraft-financing-related debt, included: €133 million of remaining principal from its 2027 unsecured bonds; IAG's €825 million 2028 convertible bonds (fair value at 31 December 2025: €1,229 million); and the new €500 million IAG bonds, due in 2030.

Equity

No equity was raised during the year, nor in 2024. In 2025, the Group cancelled 244 million shares acquired through share buyback programmes, with further shares to be cancelled in 2026, in line with such programmes. See note 31 to the consolidated financial statements for further information.

Dividends and share buybacks

During 2025, the Group paid a final dividend in respect of 2024 of €0.06 per share, together with an interim dividend in respect of 2025 of €0.048 per share, paid in December. In 2024, the Group paid an interim dividend of €0.03 per share. The Board has proposed a final dividend in respect of 2025 of €0.05 per share and this will be paid subsequent to approval at the General Shareholders' Meeting in June 2026. The proposed final dividend will result in dividend payments in respect of 2025 of €448 million (based on the number of eligible shares at 31 December 2025), versus €427 million in respect of 2024.

In November 2024, the Group launched a €350 million share buyback, which was completed by the end of February 2025. In February 2025, the Group announced its intention to return up to a further €1,000 million of excess capital to shareholders in up to 12 months. Share buyback programmes in support of this return of capital were implemented in the year, with the full €1,000 million executed by the end of November. The acquisition of treasury shares of €1,243 million also includes €42 million for the acquisition of treasury shares in relation to various employee incentive and sharesave schemes.

In February 2026, the Group announced its intention to return a further €1.5 billion of excess cash in the next 12 months, starting with a share buyback of €500 million to be completed by the end of May 2026.

Cash

Cash, cash equivalents and interest-bearing deposits

€ million	2025	2024	Higher/ (lower)
Aer Lingus[1]	**694**	567	127
British Airways	**2,117**	2,530	(413)
Iberia	**1,758**	2,069	(311)
Vueling	**838**	1,054	(216)
IAG Loyalty	**1,348**	1,134	214
IAG and other Group companies	**1,564**	2,474	(910)
Cash and cash equivalents and interest-bearing deposits	**8,319**	9,828	(1,509)

1 At 31 December 2025 Aer Lingus held €29 million of restricted cash (2024: €29 million) in interest-bearing deposits maturing after more than three months to be used for employee-related obligations.

All the operating companies generated strong cash flow and changes in their cash balances are after intragroup loan repayments and dividends. The reduction in cash in IAG and other Group companies mainly reflects the repayment of bonds held by the parent company.

Liquidity

Total liquidity, measured as cash, cash equivalents and interest-bearing deposits of €8,319 million and committed and undrawn general and overdraft facilities of €2,629 million, was €10,948 million at 31 December 2025. This represented a reduction of €2,414 million versus total liquidity of €13,362 million at the end of 2024, due to the Group's lower cash and cash equivalents and current interest-bearing deposits, linked to the repayment of bonds and aircraft financing during the year and the resulting reduction in gross leverage outlined above, together with a reduction in facilities outlined below.

€ million	2025	2024	Variance
Cash, cash equivalents and current interest-bearing deposits	**8,319**	9,828	(1,509)
Committed and undrawn general and overdraft facilities	**2,629**	3,400	(771)
Committed and undrawn aircraft facilities	**–**	134	(134)
Total	**10,948**	13,362	(2,414)

Liquidity facilities

Committed and undrawn general and overdraft facilities is principally composed of a five-year $3.0 billion (€2.6 billion), sustainability-linked, secured Revolving Credit Facility (RCF), entered into in 2024 and accessible by British Airways, Iberia and Aer Lingus, each of which has separate limits. The facility was undrawn at 31 December 2025. At 31 December 2024 Aer Lingus had a €350 million credit facility with the Ireland Strategic Investment Fund (ISIF); this facility expired in March 2025 and was not replaced.

The Group also has certain other committed and undrawn general and overdraft facilities, amounting to €73 million, bringing total committed and undrawn general and overdraft facilities at 31 December 2025 to €2,629 million (2024: €3,400 million), with the reduction versus 31 December 2024 mainly due to the expiry of the ISIF facility and the weakening of the US dollar in respect of the RCF.

At 31 December 2024 the Group held €134 million of committed aircraft financing for aircraft that were subsequently financed in 2025. There was no committed aircraft financing at 31 December 2025, as by that date the Group had already financed those aircraft that it planned to finance in 2025. The Group has access to an increasing pool of unencumbered aircraft, including the 16 new aircraft that were not financed in 2025.

In total, the Group had €2,629 million of committed and undrawn general, overdraft and aircraft facilities as at 31 December 2025 (2024: €3,534 million).

Active advocacy to connect with policymakers

IAG engages with policymakers to encourage a thriving, sustainable travel sector that builds long-term economic prosperity.

Engagement context

Aviation is a key driver of economic growth and global connectivity. It is of intense interest to policymakers and is affected by geopolitical and macroeconomic developments.

IAG aims to highlight the social and economic value of its activities and clarify the impact of policy changes on the business, consumers and the economy as we navigate different regulatory frameworks worldwide.

Geopolitical impacts

The conflict in the Middle East meant IAG's airlines ceased operations to Israel until after the peace agreement in September.

EU and UK airlines remain banned from Russian airspace unlike carriers from some other countries, including China, meaning longer routes, higher fuel burn and increased operational costs. In October 2025, the US Department of Transportation took steps to address this competitive imbalance by prohibiting Chinese passenger airlines from using Russian airspace on US-bound flights, citing fairness and safety concerns. IAG continues to support regulatory efforts to promote equitable access and operational resilience.

Transatlantic trade policy and aviation stability

Global inflation eased and travel demand recovered in 2025 but volatile trade policy with the US's imposition of tariffs was a key concern. IAG actively engaged with authorities in the UK, EU, Spain and Ireland during negotiations with the US, and both the EU and UK eventually reached separate agreements to reduce tariffs to zero on aircraft and aircraft parts covered by the 1979 World Trade Organization Agreement on Trade in Civil Aircraft.

Supply chain pressure

Supply chain pressures continued in 2025. British Airways reduced frequencies to some Middle East destinations due to a lack of available aircraft after experiencing Rolls Royce engine problems, and Boeing and Airbus reported delivery shortfalls.

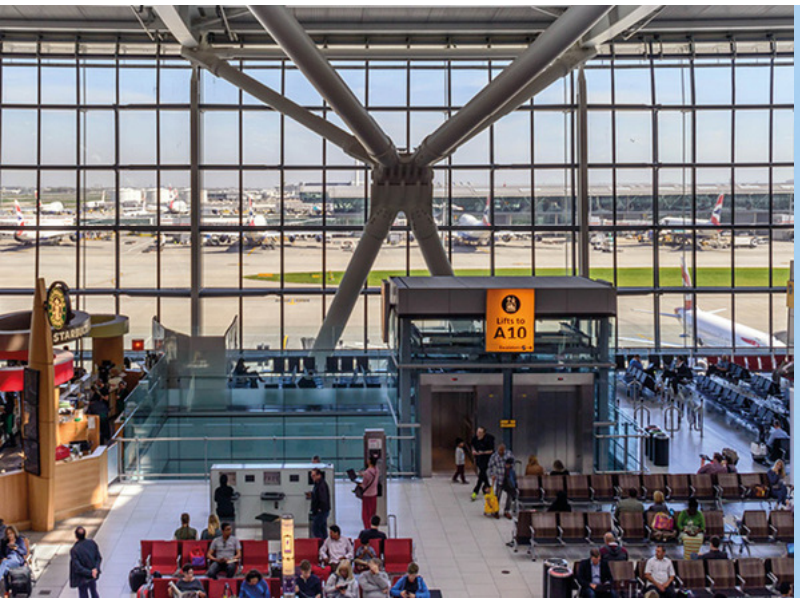
MRO providers continue to experience delays in parts shipments, particularly for ageing fleets and newer technologies. Although ad hoc maintenance is still subject to delay and fleet availability remains constrained, the scale of operational setbacks moderated compared to 2024.

Digital shift in border control

In 2025, the UK and EU introduced digital border management with the launch of the EU's Entry/Exit System (EES) and the UK's Electronic Travel Authority.

The EU began rolling out its EES at Schengen borders in October 2025, with completion initially expected by April 2026. EES replaces manual passport stamping for non-Schengen short-stay travellers, using digital records and biometric data to track authorised stay duration. The EU is also preparing to launch its European Travel Information and Authorisation System (ETIAS), a pre-travel screening programme for visa-exempt visitors, in 2026.

IAG airlines prepared proactively for EES, providing technical input and updating customer communications. As more passengers are processed under these new protocols, security and efficiency are expected to improve, though longer checks may create operational challenges initially. IAG continues to work with the EU to support a smooth transition.





Airport expansion and regulation

IAG welcomed the UK Government's policy to support airport expansion subject to it being affordable for airlines and their customers. In April, Luton Airport was granted approval to expand from 18 million to 32 million passengers per annum and, in September, Gatwick Airport was also given permission to double capacity to 80 million passengers. In both cases, the government rejected the original recommendations of the planning authorities to refuse the plans on environmental grounds.

The Government also confirmed in January 2025 that it supports a third runway at London Heathrow airport, subject to environmental and climate tests. It aims to see approval by the end of the current Parliament (assumed to be 2029). In November, Heathrow Airport Limited's £49 billion scheme was selected but the possibility left open that plans could be amended and that another promoter could be appointed to deliver some or all of the expansion. IAG continues to argue that costs must be far lower to be affordable and so that the hub remains globally competitive.

Before the expansion policy was adopted, IAG had established the Heathrow Reimagined campaign with Arora Group, the Heathrow Airline Operators Committee and Virgin Atlantic. This coalition advocates fundamental reform of Heathrow's economic regulatory system, regardless of expansion, to reduce charges and improve service standards.

In Ireland, the Government has committed to resolving the passenger cap issue at Dublin Airport through legislation expected in 2026. A High Court stay, preventing application of the cap, remains in place while the case is reviewed by the Court of Justice of the European Union.

In July, planning authority *An Coimisiún Pleanála* introduced night-time operating restrictions and annual movement limits, now under judicial review following legal challenges by Aer Lingus and another Irish carrier. The Irish Aviation Authority has also launched the determination process for setting passenger charges at Dublin Airport for 2027–2031. IAG actively engaged to ensure competitiveness in charges and support for necessary infrastructure.

In Spain, IAG's airlines collaborated with the Spanish Airline Association (ALA) to assess Aena's proposal for additional DORA II (Airport Regulation Document 2022–26) investments, and to oppose a planned 6.6% increase in 2026 airport charges. Following their review, the Spanish Council of Ministers approved reduced investment from €500 million to €350 million in July. Looking ahead, DORA III includes €13 billion in investments – the largest in the past 20 years focused on meeting higher demand, enhancing passenger experience.

In August 2025, the European Commission launched a fitness check of airport-related regulations, including the Slot Regulation, Airport Charges Directive (ACD), and Ground Handling Directive (GHD), to assess their relevance in today's market. IAG, together with its trade associations, provided feedback – supporting reform of the ACD due to airports' significant market power, and the GHD because of limited handler competition. However, IAG backs keeping the Slot Regulation unchanged, as it ensures consistency across the world and balances different stakeholder interests.

Air traffic management performance

In summer 2025, European airspace saw improved punctuality, with Eurocontrol reporting a 31% reduction in en-route delays and average flight delays dropping to 1.88 minutes, thanks to better network management. However, uneven staffing at national Air Navigation Service Providers (ANSPs) and the ongoing closure of Russian airspace continued to pose challenges, increasing fuel use and limiting capacity.

ATC strikes caused significant disruption, especially in France, where a July strike resulted in 1,400 daily cancellations and over €120 million in direct costs for the industry. While France's 48-hour strike notice law lessened some impact, the widespread effects underscored the need for better coordinated safeguards.

IAG welcomed the UK's Airspace Design Service to accelerate modernisation and supported EU-level protections for operations during strikes.

Industry advocacy prompted the European Commission's 2025 review of the Air Services Regulation (EC 1008/2008), including overflight safeguards at EU level. The revision also addresses airline resilience during disruptions, capital market access and greater ticket transparency, with particular attention to cabin luggage entitlements.

In parallel, Vueling led ongoing technical collaboration with air navigation providers such as ENAIRE (Spain), DSNA (France) and Eurocontrol, focusing on improving route efficiency and identifying operational hotspots to reduce CO_2 emissions. IAG remains committed to ATC reform to boost resilience, cut emissions and support sustainable growth.





Regulatory environment *continued*

Consumer trends

In 2025, the EU advanced revisions to air passenger rights legislation, prompted by ongoing disruptions from geopolitical events, regulatory hurdles and persistent ATC capacity shortages. Negotiations among EU institutions began in October, aiming for agreement in 2026.

Member States seek to balance passenger protection with airline feasibility, while Parliament pushes for broader obligations like automatic compensation for 3-hour delays and mandatory free cabin baggage.

IAG contributed to these discussions directly and via industry groups. An A4E survey of over 6,000 travellers in five EU countries, including Spain, highlights the need for reforms focused on timely re-routing, flexibility and cost effectiveness.

IAG, with A4E, IATA and ERA continued to support product unbundling after Spain issued penalty decisions against Vueling and other airlines over hand-luggage policies. In October, the European Commission launched an infringement procedure calling on Spain to bring its national legislation into line with Regulation (EC) 1008.2008, as the ban on charging for certain cabin baggage was found to restrict carriers' freedom to set prices.

Globally, accessible air travel is an increasing regulatory focus. IAG monitors developments in key markets and promotes collaboration among airlines, airports, regulators and the disability community – such as by chairing IATA's global Accessibility Working Group – to improve outcomes for customers.

Digitalisation and AI trends

2025 marked significant progress in digital market regulation for aviation. Following the August 2024 EU AI Act, EASA proposed new rules for safe AI integration. EU and UK regulators increased oversight of digital mobility to promote fair competition and consumer protection.

In March, the European Commission launched a Digital Markets Act investigation into Alphabet's role in travel services; IAG, via A4E, advocated for fair supplier visibility and direct consumer access.

The UK Competition and Markets Authority also reviewed Google's market status, with IAG supporting proportionate enforcement and consumer choice. A4E responded to the EU's Digital Fairness Act consultation, calling for balanced regulation. An EU digital booking framework is expected to exclude air transport, as no market failures were found.

Sustainability policy

In 2025, IAG continued to advocate for balanced regulations that support reducing carbon emissions while recognising aviation's economic and social importance. IAG prioritises making SAF more available and affordable, given the lack of supply of second and third generation fuel, stressing that mandates alone are insufficient and stronger policy support is needed to meet the sector's emissions targets.

A key milestone was the EU's ReFuelEU Aviation regulation, which introduced a 2% SAF mandate at EU airports and new refuelling rules. IAG claimed EU Emission Trading System (EU ETS) allowances in 2025 for its SAF use in 2024, under the Fuels Eligible for EU ETS (FEETS) initiative. With industry partners, the Group continues to advocate for extending and increasing this support beyond 2030. Refer to the Sustainability statement for more information.

The first EASA Fuel Report was published in October 2025, and reported SAF supplied to EU airports in 2024 equated to 0.6% of total aviation fuel. Slow development in the production of synthetic fuels (eSAF) and a heavy reliance on imports was also observed. The sector is therefore calling for policy support for investment and production, including reinvesting EU ETS revenues into SAF production, and welcomes mechanisms like 'book and claim' to support global SAF use by airlines.

In November, the European Commission released its Sustainable Transport Investment Plan (STIP) pledging at least €2.9 billion by 2027; but up to €66 billion is needed to meet the 2035 targets, and up to €376 billion for the 2050 goal. STIP signals political support for SAF, especially eSAF, and will also consider extending the FEETS initiative beyond 2030. It also plans to explore other initiatives such as revenue certainty mechanisms (RCMs), following similar work to develop a RCM to support the UK SAF mandate. IAG continues to work with policymakers to turn these priorities into actions.

The UK SAF mandate began with a 2% requirement in 2025. IAG continues to monitor the proposed RCM and its potential to encourage investment in SAF production, though opposes a new levy to fund the RCM.

IAG advocates for global approaches towards carbon pricing through the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), developed by ICAO. Under our existing carbon pricing obligations in the UK and the EU, the Group advocates for more efficient monitoring reporting and verification systems that are less costly to administer, and stresses that regional schemes should complement, not replace, global action. IAG also engages in sustainability reporting and regulatory discussions, with the aim to shape standards that provide relevant, useful information for stakeholders.





Taxation

In 2025, EU Member States failed to reach agreement on revising the Energy Taxation Directive, which means that the existing exemption for aviation fuel remains in place, reflecting Member States' aims to balance competitiveness with long-term sustainability goals.

The European Commission is considering changes to the VAT Directive for intra-EU air travel. This has prompted opposition from Airlines for Europe (A4E), the International Air Transport Association (IATA) and business groups in Ireland and Spain, who emphasise that current exemptions are essential for EU airline competitiveness and to prevent traffic shifting to non-EU hubs.

In the November Budget, the UK announced inflationary increases on Air Passenger Duty (APD) from 2027; IAG, which paid over €1,099 million in 2025, views this tax as a drag on the UK's international competitiveness.

IAG joined other airlines and airports in raising concerns about further costs from UK airport business rates, which are expected to be £1.1 billion in 2026 across all UK airports. At Heathrow Airport, passing these costs on to airlines will result in a 20% to 25% increase in passenger charges.

In 2025, IAG supported IATA's campaign against the Global Solidarity Levy Task Force's proposed premium travel tax, which was presented at COP30 with the backing of nine countries, including Spain.

International relations

In 2025, IAG and its operating companies joined international events like the ICAO Civil Aviation Network conference to support air transport market access and engage with regulators on operational and strategic issues. IAG also participated in 42 air services negotiations involving the UK, Spain and other key countries, as well as discussions between the European Commission and third countries, including the EU–US Joint Committee.

Engagement approach

IAG and its airlines engage directly with policymakers in all jurisdictions, contributing through consultations and active roles in trade associations at both senior and technical levels.

Luis Gallego has chaired the Board of Directors of IATA since June 2025 and will serve until June 2026. IAG is a founding member of A4E and takes an active role at CEO level and working groups. In the UK, IAG representatives have executive-level membership of Airlines UK and also engage through business organisations such as the Confederation of British Industry and the British Chambers of Commerce Business Council.





A year of transforming and innovating British Airways



"In 2025, we continued to make significant progress in our transformation journey as we completed more than 1,000 initiatives to enhance our daily operations and elevate the customer experience."

Sean Doyle
Chair and Chief Executive Officer of British Airways

15.2%
Operating margin before exceptional items
+1.0 pts vly

+1.7%
ASK change
vly

82.8gCO_2/pkm
Carbon intensity
-0.2% vly

BRITISH AIRWAYS

Business overview

In 2025, we delivered a strong operating profit and continued to strengthen our balance sheet, making good progress in executing our transformation plan as part of our investment to create a better British Airways for our customers, investors and colleagues.

While much of the success of our transformation is visible to our customers, there is also significant progress happening behind the scenes. We've updated and simplified several of our most critical systems and built in more resilience, resulting in a step change in business continuity, including check-in, flight planning and management, as well as time critical load-control systems.

We've modernised several legacy systems and upgraded our platforms with faster, newer and more resilient systems, which has improved our punctuality to levels we have not seen since 2012. Our 2025 punctuality performance for departure within 15 minutes metric across the network was 80% compared to 73% in 2024.

We've also had to tackle significant challenges that have impacted our global operations, such as the temporary air traffic control failure during the summer, the London Heathrow airport power outage in March and ongoing Trent engine issues. However, our investments allowed us to recover much more quickly from events like these. Taking the Heathrow power outage as an example, we were able to operate more than 95% of our schedule on the days that followed, giving customers confidence that everything was being done to get them to where they needed to be. During 2025, we expanded our fleet and took delivery of 13 aircraft with higher fuel efficiency including 12 short-haul aircraft that feature our new cabin interiors.



Powered by our people
Our people are our biggest asset and are at the heart of our transformation.

Our people

Our people are at the heart of everything we do, and we're grateful for their continued hard work and outstanding contributions to our airline. In 2025, we welcomed more than 3,200 new colleagues into the business and improved our onboarding process to create a more seamless experience for new joiners.

We've remained committed to building a positive working environment and a culture in which our colleagues feel proud, valued and empowered to do the right thing for our customers. Shaped by colleague feedback, we continue to make some carefully considered adjustments to our uniforms, giving colleagues more choice and ensuring the collection continues to support them to look and feel their best at work.

As part of our wellbeing support to colleagues, we partnered with KareHero to provide colleagues with access to free, confidential expert advice to guide them and their families through the practical, financial, legal and emotional sides of caring for a loved one.

Our customers

We continue to invest in our customer experience and remain focused on improving our customer satisfaction. With a rollout to start in 2026, customers will have free access to Starlink Wi-Fi on our long- and short-haul aircraft. This will be game changing for our customers as we elevate the on-board experience, especially on short-haul, where this will really differentiate us from our competitors.

We unveiled our new global lounge concept in Miami and Dubai, with excellent customer feedback. Both lounges feature striking full-service bars as focal points, menus that champion local ingredients with a British twist, as well as the exclusive Concorde Dining Rooms. The openings of these lounges introduced our new design concept, which will serve as the vision for future lounge developments, with our Heathrow lounges next in line for a full redevelopment.

Our ongoing cabin-products transformation programme, both on long-haul (Club Suite) and the new short-haul interior, continues to drive uplifts in on-board performance, alongside improvements in food and drink, and our continued commitment to quality premium drinks. We also launched a new collectable range of Club World amenity kits at London Gatwick, featuring British artwork and London-produced wellness products.

We introduced the British Airways Club – a new way for members to earn more Tier Points than ever before, including spend on co-brand credit cards and when booking with British Airways Holidays. We believe this new model better rewards our customers' loyalty and reflects their changing travel needs.

We announced plans to launch new routes to St. Louis, our 27th US destination, Guernsey and Tivat this coming summer and increased frequency to Miami and Jamaica. We upgraded Bangkok to a year-round service and also introduced new routes this winter to Graz and Rabat.

We launched a complimentary Meet and Assist service for customers travelling from India to the UK who require additional support. Colleagues help with check-in, airport navigation, boarding and onward connections at Heathrow, making for a smoother travel experience.

Our planet

In 2025, we undertook an external recertification assessment process with the IATA, successfully retaining the IATA Environmental Assessment (IEnvA) certification for its Environmental Management System. The scope of the previous certification includes Corporate Offices and Facilities, Global Flight Operations, and Maintenance, Repair and Overhaul (engineering functions). In 2025, it expanded its certification to include Ground Handling and Wildlife module standards.

As well as expanding our accessibility advisory panel to further remove barriers in the customer journey, we partnered with Hearlo, a mobile app that has been designed for people with speech or hearing disabilities or who encounter communication barriers. The customised app is available in more than ten languages, including Spanish, Hindi and Arabic, and allows customers to transcribe audio, convert text to speech and translate in real time.

Thanks to the generosity of our colleagues and customers, the BA Better World Community Fund has now raised more than £9 million to support more than 350 UK-based charities, social enterprises and charities – a truly remarkable achievement.

Looking forward

For British Airways, 2026 is about continuing to transform and innovate – unlocking the full benefits of the changes being made and raising the bar even higher. One of our commitments for 2026 is 'Find it, Fix it'. We remain dedicated to our customers and colleagues by operating an airline they can be proud of, while maintaining a strong focus on cost management, safety and operational efficiency.

We're very proud of our achievements in 2025 and are excited for 2026, with the launch of our new First cabin seat, Starlink Wi-Fi and a new website and app as part of our work to create a better British Airways for everyone.



Continued delivery of new aircraft
More fuel-efficient aircraft to travel to more than 200 destinations in 76 countries.



A friendly welcome on board
Attentive crew to help our customers relax at 35,000 feet.

A strong year on the path to achieving our Flight Plan 2030



"For the third consecutive year, our 2025 results reflect solid progress towards our ambition while we continue working to realise Iberia's Flight Plan 2030."

Marco Sansavini
Chair and Chief Executive Officer of Iberia

IBERIA

Business overview

In 2025, Iberia remained among the most profitable European airlines, supported by favourable fuel prices and strong network demand.

We received six new Airbus A321XLR aircraft and one Airbus A350-900 to boost our long-haul operations and continued ensuring our short- and medium-haul fleet renewal with the incorporation of four Airbus A320neo.

Despite persistent supply chain bottlenecks affecting aircraft and engine availability, which have been a challenge for our industry since the pandemic, we were still able to deploy a record capacity between Europe and Latin America including the Caribbean, offering more than 5.5 million seats (4.1% increase year-on-year).

We are continually driving efficiencies across operations, optimising our supplier base and launching new commercial initiatives such as ancillary bundling, new distribution capability and enhanced loyalty at speed. As we scale AI-powered fuel-efficiency measures, complete our supplier optimisation pipeline and expand data and AI automation alongside our retail and personalisation platform, we remain fully committed to our 2030 strategic plan, Flight Plan 2030, which focuses mainly on strengthening financial and operational excellence, positioning Madrid as Europe's leading hub and securing the future of our MRO and handling businesses.

16.2%
Operating margin before exceptional items
+2.6 pts vly

+0.9%
ASK change
vly

65.3 gCO_2/pkm
Carbon intensity (including LEVEL)
-2.7% vly



Iberia unveils its Flight Plan 2030
Iberia has presented its Flight Plan 2030, the strategic plan sets the goal of sustaining best-in-class operating margins within the upper range of the Group's medium-term ambitions

Our people

Our employees are our greatest strength, and their dedication drives our success. We are steadfast in our commitment to enhancing their working conditions and environment.

Aiming to share the company's performance with employees, we have reached agreements with all our labour groups, including, among other things, salary reviews and additional payments, based on financial, operational and customer KPIs. We also introduced a share purchase scheme joined by more than 1,000 employees.

In 2025, Iberia welcomed more than 450 new colleagues to its team. We are immensely proud of our air, ground and office teams, whose dedication and professionalism ensured operational stability throughout a summer heavily impacted by ATC restrictions.

Our customers

Despite summer challenges, we improved our operational resilience during the period compared with last year.

We recently identified unauthorised external access to a data repository managed by a third-party provider. The incident had no impact on flight operations or aviation safety, and we acted swiftly by informing affected customers and strengthening our security measures, including the implementation of two-factor authentication for booking management.

We continue to deliver OTP, with Iberia once again ranking among the world's ten most punctual airlines in 2025, according to Cirium's On-Time Performance Review, while Iberia Express tops the ranking of Europe's most punctual airlines.

We have been awarded, for the second consecutive year, the Best On-board Service in Europe from PAX International Awards. We also won the Best Cabin Interior Concept for the Airbus A321XLR and the Best Short-haul Economy Menu from On-board Hospitality Awards.

Taking advantage of Madrid's transformation into 'the new Miami' – a key reference point for Latin American, with growing numbers of residents, international visitors and cross-border investments from the region – we have continued to strengthen Madrid's global connectivity. In 2025, we launched new routes to Orlando and Recife on the long-haul network, as well as Tivat and Bucharest on the short-haul network for 2026.

Looking ahead, we will further expand our long-haul presence, with new destinations such as Fortaleza, Monterrey, Toronto and Philadelphia scheduled to open in 2026.

We continue to enhance our customer experience, notably with the opening of a new premium lounge in the Madrid Barajas Airport to improve the spaces devoted to our customers.

We continued to evolve our loyalty programme, rebranded as Iberia Club since April. Our members started to earn Elite points based on their spend, rather than distance flown. Non-air partners and ancillary products also contribute to unlock higher status for the first time ever. We introduced a new top tier with even more benefits: Platino Prime.

Our planet

Iberia has continued to make significant progress toward its sustainability goals. We launched *Círculo SAF*, a pioneering initiative to promote the production and use of SAF in Spain, fostering collaboration across the aviation value chain. The programme was introduced in partnership with major Spanish companies such as Amadeus, BBVA, Repsol and Telefónica.

The company advanced its fleet modernisation programme with the introduction of six Airbus A321XLR, delivering up to 15% higher fuel efficiency and reduced CO_2 emissions compared to previous aircraft models.

Looking forward

In 2026, we will continue executing our Flight Plan 2030, aspiring to sustain our best-in-class margins within the upper IAG range (regardless of the cycle). Furthermore, reaching 70 long-haul aircraft by the mid-2030s (versus 49 in 2025) among other objectives, plus being committed to creating sustainable value: for our shareholders, by ensuring long-term profitability and consistent returns; for our employees, by nurturing a culture of transformation and shared purpose; for our customers, by offering a reliable and distinctive travel experience; and for society, by advancing towards more sustainable aviation and contributing to the prosperity of the communities we proudly serve.

We will keep driving the full development of our Madrid hub and the arrival of an additional new Airbus A321XLR aircraft will further expand our reach and strengthen our network.



Iberia advances fleet management with digital cabin transformation
Iberia transforms its operations, digitising its aircraft cabins to take a leap in efficiency and safety in the technical management of its fleet.



Iberia expands transatlantic network
Iberia has launched new long-haul destinations, with the introduction of flights to Orlando in the United States and to Recife and Fortaleza in Brazil, further strengthening its transatlantic network and expanding connectivity between Europe and the Americas.

Moving forward with purpose



"Vueling's transformation plan is delivering financial and operational results and building strong foundations for the future."

Carolina Martinoli
Chair and Chief Executive Officer of Vueling

12.0%
Operating margin before exceptional items
-0.3 pts vly

+3.5%
ASK change
vly

79.5gCO_2/pkm
Carbon intensity
+0.4% vly

Business overview

In 2025, Vueling continued to build on its strong foundations, enhancing operational performance, strengthening its strategic position, and advancing key initiatives across the business. The year reflected a solid operational and financial results, with an operating profit of €393 million, an operating margin of 12.0%, and an on-time performance of 81.4%, reinforcing our position as one of Europe's most reliable airlines.

Throughout the year, we returned to growth in capacity, reinforcing our network and improving efficiency while supporting long-term value creation within IAG. We achieved several key milestones, including the launch of new routes, the largest programme in our history, the consolidation of our position in strategic priority markets and strong customer satisfaction levels. This progress was achieved despite a demanding operating environment marked by air traffic control congestion, adverse weather and the ongoing impact of Pratt & Whitney engine availability. The resilience and coordination of our teams were essential in maintaining stable operations and ensuring a consistent service for our customers.

A major highlight of 2025 was IAG's decision to allocate 50 Boeing 737 MAX aircraft to Vueling. The first three aircraft are scheduled to be delivered in the last quarter of 2026, marking the start of a fleet transition that will enable us to restructure our cost base, boost operational efficiency, reduce emissions and support the next phase of our transformation.

We also saw an important development in the proceedings initiated in 2023 regarding hand-luggage policies. In July, the High Court of Justice of Madrid granted a precautionary suspension of the fine imposed on Vueling and four other airlines, allowing us to maintain our baggage policy until a final ruling



The heart of Vueling
Vueling offered, at FITUR 2025, an interactive experience that took visitors to the airline's operational core: its Integrated Operations Control Centre. The space showcased how Vueling's teams work together to ensure the safety, efficiency and punctuality of around 750 daily flights at peak.

is issued. The European Commission opened an infringement case against Spain for these sanctions, asserting that airlines have the freedom to set bag fees under EU law. This measure allows us to maintain our point-to-point, pay-per-use model, ensuring continued access to a basic fare chosen by millions.

Our people

At Vueling our people remain at the heart of our transformation. In 2025, we strengthened a culture grounded in efficiency, teamwork and a shared commitment to excellence – values that guide the entire employee experience. We reinforced our employer brand and selection processes, aligning recruitment and onboarding around shared competencies and a unified understanding of what it means to be part of Vueling.

For the second consecutive year, we were recognised as a Top Employer by Top Employers Institute, reinforcing our position as the only low-cost carrier worldwide to hold this certification.

We continued investing in growth and development through our leadership development and growth programmes, equipping our people with the tools to advance their careers and build key capabilities. The Yellow Academy further expanded its role in attracting and training young cabin-crew talent, offering high-quality training in safety, service and customer experience.

Our commitment to attracting and developing the best talent, alongside our focus on fairness, diversity and inclusion, has continued to strengthen. We currently have a workforce representing 62 nationalities and four generations. Programmes to widen the pilot talent pipeline, such as outreach initiatives to encourage more people, including women, to consider pilot careers, and our STEAM programme, designed to inspire younger generations to pursue technical and scientific careers, support our long-term focus on opportunity, skills and operational resilience in aviation.

Together, these efforts strengthen an environment where everyone can thrive and contribute to a shared purpose. Our people are, and will continue to be, the driving force shaping the future of Vueling.

Our customers

We continued improving the customer experience, achieving a significant increase in our NPS and reaching a year record-high level in 2025. This progress reflects our commitment to offering a smoother, more digital and more accessible travel experience, in a year marked by a particularly challenging operating environment, with air traffic control constraints and adverse weather conditions across several key markets.

We launched new tools to make travel easier and more personalised, including the 3D seat map, providing a greater experience on seat selection; the Fly Pro Bundle, offering enhanced flexibility and comfort; and the *Háblalo* app, which improves accessibility for customers with hearing or speech impairments. These developments highlight our focus on innovation and our priority to ensure that every customer feels supported throughout their journey.

Our planet

Sustainability remains a cornerstone of Vueling's long-term strategy. In 2025, we continued efforts to reduce our carbon emissions, supplying 28,000 tonnes of SAF under the ReFuelEU Aviation mandate, almost half of it voluntarily. We also expanded our collaboration with the Universitat Politècnica de Catalunya (UPC) to accelerate research into SAF performance in laboratory turbojet engines, helping advance the broader transition toward low-carbon fuels.

Operational efficiency continued to be central to improving our carbon efficiency. Through Optipath, our flight trajectory optimisation tool, we calculated over 230,000 optimal trajectories, working closely with industry partners to improve airspace efficiency. As part of our focus on innovation, we also advanced our partnership with MicroTau to test an innovative film for narrow-body aircraft. Vueling is the first European airline to evaluate this solution, which is inspired by the texture of 'shark skin' and designed to reduce aerodynamic drag with the potential to lower fuel consumption by up to 4%.

In addition, we continued improving waste-management and circular-economy practices both on-board and on the ground.

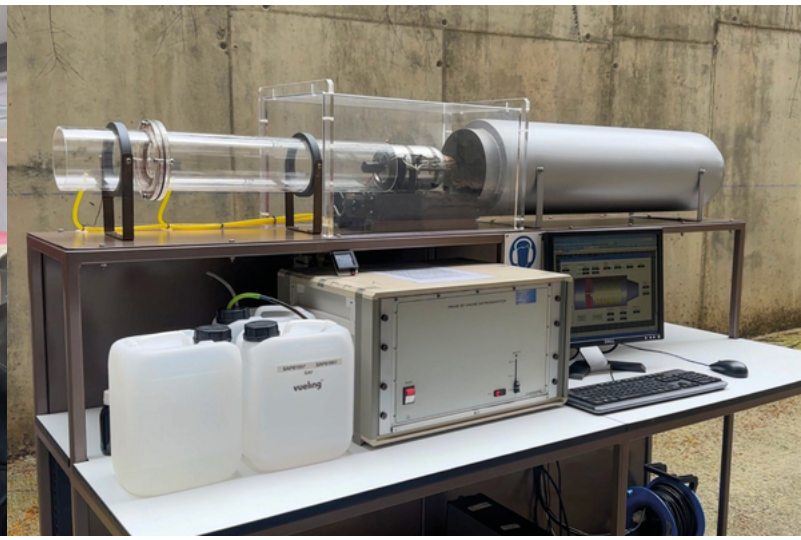
Looking forward

Looking ahead, we remain committed to building a stronger, more efficient and sustainable Vueling – a company that continues to play a key role in the point-to-point segment in Europe. Over the coming years, our priorities will focus on driving our ambition to continue reinforcing connectivity in our key territories and strengthening our leadership in Barcelona and the Spanish domestic market, unlocking the opportunities that come with it.

Thanks to the talent, dedication, passion and resilience of our people, we will continue to turn challenges into opportunities and move forward with confidence, ready to shape the next chapter of Vueling's journey within IAG.



The importance of the Safety Check
Vueling launched a campaign highlighting the importance of breast cancer prevention and supporting the wider fight against the disease.



Research collaboration with UPC to test SAF in laboratory jet engines
Vueling and UPC began pioneering tests of SAF in laboratory jet engines. The initiative aims to analyse engine performance and efficiency across different SAF types.

Transforming our customer experience



"Our transformation in IT, data and digital is delivering significant benefits across revenue, operations and customer experience."

Lynne Embleton
Chair and Chief Executive Officer of Aer Lingus

11.1%
Operating margin before exceptional items
+2.5 pts vly

+6.6%
ASK change
vly

80.6gCO_2/pkm
Carbon intensity
-1.3% vly

Aer Lingus

Business overview

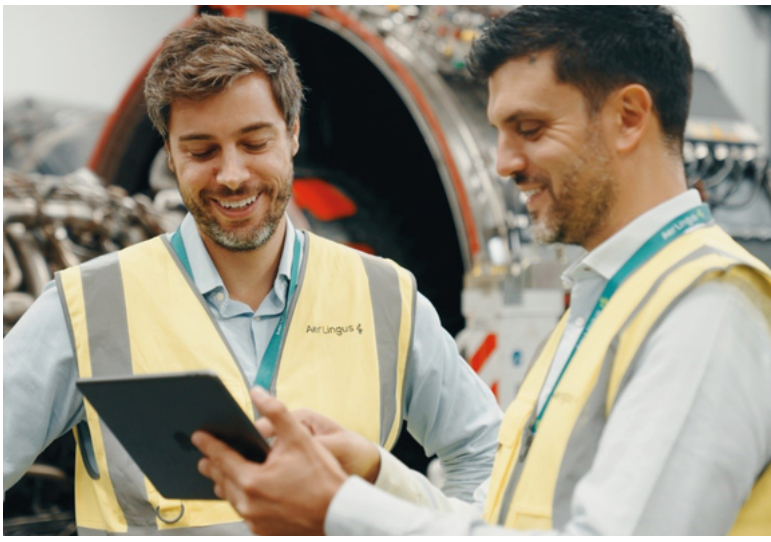
2025 was a strong year for Aer Lingus, reinforcing our North Atlantic leadership and accelerating our transformation. Digital innovation, operational excellence and network expansion enabled us to deliver an 11.1% operating margin despite a significant increase in competitor capacity. Our NPS reached a record high and our punctuality was the strongest since 2017. These achievements contributed to Aer Lingus ranking 4th in the 2025 Ireland Reputation Index, reflecting the strength of our brand and the trust of our customers.

The unique strategic role of our Dublin hub continues to underpin our growth and connectivity across the North Atlantic. In 2025, we became the joint third largest European airline flying across the North Atlantic by US destinations served. For 2026 we have announced our largest-ever transatlantic summer schedule.

Throughout 2025, we advocated for urgent legislative change to address the passenger cap at Dublin Airport and appealed a planning decision to cap the number of night-time movements. Progress has been made on these issues, but it remains imperative that the Irish Government urgently enacts legislation to remove the passenger cap.

Our people

Our people were instrumental in Aer Lingus' success in 2025, coming together to overcome challenges and drive innovation. Teams responded swiftly to the September cyberattack on a third-party software system which affected our operational systems in key airports. Deploying Aer Lingus' proprietary Agent UI technology allowed us to minimise disruption for customers. In November, our engineering and operations teams seamlessly managed the urgent EASA airworthiness directive



Aer Lingus deploys AI to optimise engine maintenance
This project shows how Aer Lingus and IAG use AI to work smarter, embrace new technologies and build a more flexible, data-driven airline through teamwork across the Group.

relating to the global Airbus A320 family of aircraft. The quick implementation of essential software updates ensured operational continuity without impacting customers.

We modernised how we work, rolling out intelligent platforms including Salesforce, Databricks and Connected Crew. Our Data Driven Organisation programme equipped employees with skills in data, analytics and AI. Ground operations, maintenance and engineering teams have embraced new ways of working that are delivering real results.

Our commitment to a new generation of aviation professionals was recognised at the Irish Aviation Industry Awards, celebrating our first-ever Careers in Aviation event which highlighted the breadth of opportunities for women. We also honoured the achievements of 500 colleagues with 30 or more years of service with special events and recognition for their contributions.

Our customers

We announced that Wi-Fi, powered by Starlink, will be made available to our customers on both long-haul and short-haul services free of charge. Aer Lingus' first aircraft will be enabled with Starlink in early 2026, with rollout on our long-haul fleet expected to complete in 2027.

Other advancements in digital technology are supporting our customer proposition. The redesigned Aer Lingus app significantly boosted app ratings and drove revenue and bookings. New express bag-drop technology and other process improvements have also reduced queuing at check-in.

We also streamlined our boarding process and enhanced disruption communications. These initiatives have all led to notable increases in customer satisfaction scores.

On board, customers flying in our Economy cabin now enjoy complimentary beverages on transatlantic flights, including a choice of organic wine, beer or soft drinks with their meal.

Our brand was showcased to new audiences in North America, with Aer Lingus becoming an Official Airline Partner of the NFL's Pittsburgh Steelers. The four-year partnership opens up new visibility and engagement opportunities in key North American markets.

Loyalty also saw major growth, with AerClub reaching almost 4 million members. New partnerships with Uber and Tesco have driven Avios engagement and our Revolut partnership continues to deliver strong growth.

In November 2025, cabin crew at our Manchester base undertook industrial action. Teams across Aer Lingus worked hard to minimise the impact on our customers, rebooking the vast majority of affected customers on alternative flights.

Our planet

Sustainability is an important part of our transformation. We expanded our fleet of fuel-efficient Airbus A321XLR, with one third of Aer Lingus' fleet now comprised of next generation aircraft.

SAF remains a critical part of our journey towards net zero emissions by 2050. In 2025 Aer Lingus received 7,000 tonnes of SAF through Dublin Port and has supply agreements in place across Europe and in the UK to support compliance with mandates.

In addition, our on-board recycling initiative, first introduced in 2023, grew by 70% in 2025.

From a community perspective, we strengthened our partnership with UNICEF of more than 20 years through the launch of an on-board digital donation capability. On-board donations increased by over 80% following our refresh of the UNICEF partnership.

Looking forward

Aer Lingus will further strengthen its position by leveraging the strategic role of the Dublin hub and progressing the implementation of investments in customer experience and fleet enhancements. Building on our strong punctuality and NPS performance we aim to set new benchmarks for operational excellence and advance the customer experience on board our aircraft.

In January 2026, following a review of the long-term viability of the Manchester Base, a decision was taken to fully cease Manchester transatlantic operations and redeploy the assets aligned with strategic priorities.

Our transformation will continue, with a busy pipeline of data and AI initiatives to enhance operations, reduce costs and elevate customer experience.



Aer Lingus became the official airline partner of the Pittsburgh Steelers
Aer Lingus operated a special charter flight for the team, management and support staff.



Reimagining our customers' experience
Aer Lingus improved travel experience with a redesigned app, better airport navigation, enhanced in-flight and loyalty services, as well as new partnerships – boosting customer satisfaction, loyalty growth and trust.

2025 marked another historic year for LEVEL



"This year, we completed another defining chapter for our airline, starting our operations under our own code, LL, expanding our team and strengthening our leadership in long-haul operations from Barcelona."

Rafael Jiménez Hoyos
Chair and Chief Executive Officer of LEVEL

LEVEL

Business overview

Following the attainment of our Air Operator Certificate (AOC) in 2024, we successfully completed all operational permits and the transition of our aircraft and crews and began operating under our own IATA code LL on 1 December 2025. This milestone marks a significant step into consolidating our position as an independent and robust airline within the Group.

We maintained leadership in long-haul operations at Barcelona Airport, holding a 16% market share and reinforcing the position we first achieved in 2023. In South America, we kept a 46% market share, remaining the sole operator on the two destinations we serve. Throughout 2025, we offered nearly one million seats, representing a 10% increase compared to the previous year. We carried 12% more customers than in 2024, driven by solid demand across our network between Barcelona and our seven destinations in America.

Operational performance remained strong, with 89% average punctuality within 15 minutes and consistently high regularity levels. Our airline was also officially registered in the IATA Operational Safety Audit programme by IATA, certifying our commitment to operational rigour and safety.

Our people

Our team grew from 70 employees in 2024 to 600 in 2025. We welcomed more than 500 new employees, reflecting the scale of transformation and reaffirming that our people remain at the heart of our success.

In 2025, we launched our own crew recruitment process, an important step towards building a strong and dedicated team fully aligned with our culture and values.



A year of remarkable growth
Our team increased to 600 employees, reflecting our transformation and the launch of our own crew recruitment process.

We are proud to be a diverse and balanced organisation, with 45% women and 55% men across our workforce. We shape the future of LEVEL through leadership, expertise and inspiration.

For the first time, we introduced an internship programme, a cornerstone initiative to attract and nurture young talent, underscoring our long-term commitment to professional growth and learning opportunities.

We also strengthened our commitment to inclusion by supporting the LGBTQ+ community – sponsoring Pride Barcelona and, for the first time, having a prominent presence at WorldPride Washington.

Our customers

This year, we continued to enhance the travel experience for our customers.

We completely renewed the on-board menu and, for flights departing from Barcelona, we shortened rotation times to ensure greater freshness and variety.

We also completed the retrofit of an entire aircraft, introducing new seating and an advanced in-flight entertainment system, delivering a more comfortable and enjoyable on-board experience.

We also celebrated a major milestone, welcoming our three millionth customer ahead of our eighth anniversary. We hosted a special street marketing event in Barcelona to give strong visibility to this achievement.

In 2025, we launched a new amenity kit, staying true to our Fly your Way philosophy. It can be customised by adding a variety of comfort items in a reusable bag inspired by three different designs from Barcelona. We also introduced a new children's kit and the First Flight Diploma, allowing our younger travellers to commemorate their experience with a photo alongside our pilots.

Our planet

Sustainability remains a key pillar of our strategy. In 2025, we kept advancing on our sustainability journey, working to reduce emissions by increasing the efficiency of our operations.

We continued optimising fuel calculations 30 minutes before each flight's departure based on the final aircraft load and updated weather forecasts. This practice improves efficiency and reduces our carbon footprint.

With the introduction of our new amenity kit, we promoted passenger wellbeing but also sustainability. The new design reduced plastic use by 81% and lowered the total on-board weight by 13%. This will contribute to an annual fuel saving of around 2.5 tonnes. All materials used are either recycled or recyclable, and the paper components are Forest Stewardship Council (FSC) certified, ensuring they come from responsibly managed forests.

Looking forward

LEVEL will continue to execute its growth plan, consolidating our position as an efficient, innovative and customer-focused airline. We remain firmly committed to developing our long-haul operations at Barcelona Airport and to strengthening its position as an intercontinental hub.

As part of this strategy, we will launch a new route to Lima in Peru to further enhance our network and global connectivity. We will continue to fulfil our mission: connecting Barcelona with the world while maintaining our long-haul leadership position in Barcelona.



Enhanced travel experience
We renewed the on-board menu, carried out a complete aircraft retrofit and launched a new amenity kit.



Consolidation as an independent airline
After obtaining our own AOC, we completed the transition to our own IATA code, LL; a key milestone in LEVEL's history.

Increasing the value of Loyalty



"We have doubled the profit of our business in the last five years and, with Loyalty and Holidays united, we will continue to grow, delivering more value for customers and partners."

Adam Daniels
Chair and Chief Executive Officer of IAG Loyalty

18.0%
Operating margin before exceptional items
+0.7 pts vly

200 billion
Avios issued
+13.0% vly

+8.7%
Holidays revenue per booking
vly

IAG Loyalty

Business overview

We are proud to report another record-breaking year, driven by strong customer engagement and continued expansion across our loyalty ecosystem. With over 70 million enrolled members, our growing network reflects the increasing relevance of Avios.

This year, our Holidays business focused on driving quality growth through an improved loyalty proposition. We see a significant opportunity to increase the number of British Airways Club members booking with British Airways Holidays, and we are taking steps to realise this opportunity, starting with the launch of an improved tier point proposition in 2025.

Our Loyalty business introduced new strategic partnerships, giving customers more ways to earn Avios. We've also increased redemption opportunities, ensuring Avios can be used in more flexible and rewarding ways. During IAG's third quarter results presentation, we announced a multi-year contract with American Express, which is key to our business and brings certainty to our customers. Additionally this year, we launched 'Avios Shop', a new way for members to earn and spend their Avios with a selection of products chosen to elevate their everyday and travel experiences.

As previously reported, HMRC issued a decision in 2024 asserting that VAT is payable on the issuance of Avios as opposed to accounting for VAT depending on the nature of the products for which Avios are redeemed. We strongly disagree with the position taken by HMRC and appealed this matter during 2025. Further information is set out in note 10 of the consolidated financial statements.



American Express
IAG Loyalty and American Express agreed a multi-year extension to their long-standing partnership, covering co-branded credit cards and ensuring ongoing acceptance across all IAG airlines, including LEVEL for the first time.

Our people

This year, we laid the foundations for a more connected and collaborative future by bringing together our Loyalty and Holidays businesses. This integration marks a pivotal step in aligning our teams and creating a unified culture that supports growth and innovation.

We introduced 'Develop You' across the entire business to grow capabilities and skills and to empower colleagues to take ownership of their careers. This is helping us to build an agile, high-performing and engaged workforce.

As IAG Loyalty continues to grow, we've moved into a new workspace designed to accommodate our expanding team and foster greater collaboration. This new environment reflects our ambition and provides an exciting space to support our colleagues.

Our customers

In 2025, we introduced new ways for customers to engage with Avios, leading to customers collecting 13% more Avios and redeeming 9% more Avios compared to 2024.

We are pleased to have agreed a new multi-year deal with American Express, and we look forward to continued growth. Additionally, we have signed a new multi-year deal with JPMorgan Chase, our co-brand partner in the United States. Our partnership with Revolut continues to expand, launching in Brazil, Australia and Poland in 2025.

Iberia Club members in Latin America can now earn Avios with our new partner, Rappi. Avios Shop was launched with Apple as our first partner, providing customers with another opportunity to collect and redeem Avios on the full range of Apple products.

In collaboration with the British Airways Club and Iberia Club, we introduced spend-based recognition – a new way for members to earn status through spend. While the new proposition generated a degree of critical feedback, customer behaviour and travel patterns have remained in line with expectations.

British Airways Club members can now earn status faster through Holidays by earning tier points on the total cost of a holiday package, rather than just flights. Since the new proposition launch in April 2025, 9.8% of all tier points earned by British Airways Club members were earned through holidays bookings.

British Airways Holidays announced a new partnership with Universal's Epic Universe, bringing different experiences to our customers.

We recognise that we need to improve our communications to members. We are looking to drive tailored messaging across our channels, ensuring members receive the most relevant communications across both Loyalty and Holidays.

Our planet

In April 2025, we introduced an opportunity for the British Airways Club members to contribute to SAF while earning Avios and tier points. Members can also redeem their Avios to purchase contributions to SAF.

We concluded our impactful two-year partnership with Winston's Wish, a charity dedicated to supporting bereaved children and young people. Through the collective efforts of our colleagues and customers, we proudly raised £100,000 during the partnership, helping to fund vital services and resources for families navigating grief. We are excited to bring in Re-engage, a charity focusing on reducing loneliness in later life, as our new charity partner who will be supported jointly by our Loyalty and Holidays businesses.

In 2025, IAG Loyalty, in collaboration with the British Airways Club, ran three match-funding campaigns, doubling the impact of donations made to Comic Relief, the Royal British Legion in support of the Poppy Appeal and the Alzheimer's Society.

Looking forward

As we look to the future, our Holidays business is poised for a strategic evolution. We will improve our customer journey with a next generation booking platform and will provide a richer customer experience through new offerings.

Our Loyalty business is committed to further enhancing the Avios ecosystem and growing our footprint as we look to expand our global network. We will continue to innovate in how customers earn and redeem Avios, integrating more partners and experiences while empowering our customers with greater flexibility and value.



New partnerships
IAG Loyalty introduced new strategic partnerships, including Pizza Express, giving customers more ways to earn and redeem Avios.



British Airways Holidays and Universal Orlando Resort
British Airways Holidays became the official UK launch partner for Universal Epic Universe at Universal Orlando Resort.

Defining our future



"Over the past year, we have been focused on transforming at pace. Through innovation and strategic partnerships, we have unlocked growth beyond our core operations, shaping a stronger, more resilient business."

David Shepherd
Chief Executive Officer of IAG Cargo

Business overview

2025 was a historic year for IAG Cargo, as we announced plans to launch a global cargo joint business with Qatar Airways Cargo and MASkargo. This strategic collaboration aims to create the largest integrated air cargo network, giving businesses greater reach, more connections and improved efficiency across global markets.

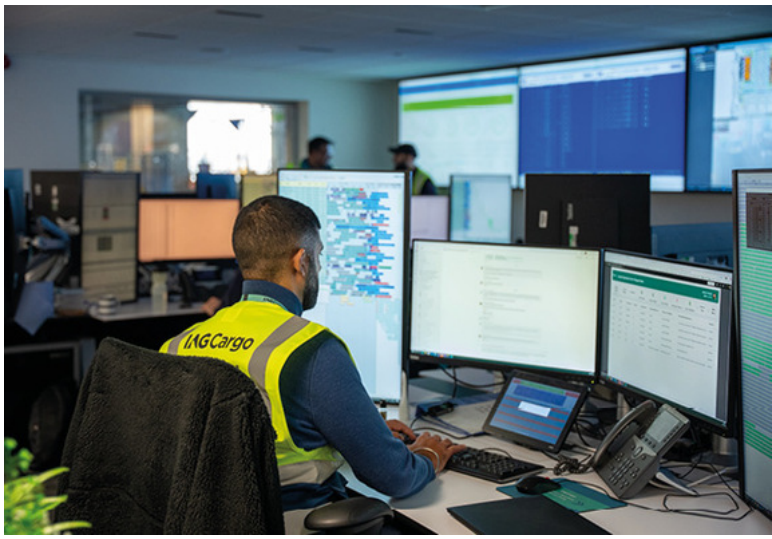
As we reflect on 2025, despite a complex operating environment with trade policy and tariff levels in flux, which influenced routing and customer behaviour in key markets, the business performed strongly. Yields were elevated in the first half of the 2025, supported by global supply chain disruptions and strong demand; yields softened in the second half of the year as market rates began to stabilise.

While the world in which IAG Cargo operates continues to change at pace, we remained focused on our core business priorities. We strengthened operational resilience by upgrading our IT estate and investing in technology to boost agility and efficiency. At London Heathrow, we introduced handling for another airline, welcoming MASkargo to our hub – a milestone that showcases how our infrastructure and operational expertise can unlock growth beyond our core operations.

Our people

Our 2,250 people across IAG keep global trade moving every day. Serving customers in approximately 60 countries, they are central to our purpose and success.

In 2025, we launched a new strategy shaped by customer insight, the changing needs of the industry and perspectives of our people. We have since focused on embedding this strategy across the organisation, ensuring our people have the clarity, tools and confidence to deliver our ambitions.



A new era of efficiency
The rollout of new systems improves real-time visibility and predictive decision-making across the network.

To strengthen our leadership pipeline and build a resilient, future-ready business, we redesigned our performance framework, with emphasis on targeted development opportunities that accelerate growth. Our colleagues have welcomed our new recognition platform, BeConnected, which is designed to celebrate performance and embed a culture of excellence and engagement.

SkillSpace, our new digital learning hub, offers colleagues personalised pathways for growth, and our development framework, Leading the Way, has expanded with a new Experts module focused on leadership, expert coaching and culture transformation – empowering our people and building the skills that will shape our success.

Our culture remains key to our success, and through a refreshed approach to employee engagement, we introduced new forums for two-way conversations, promoting collaboration and connection. I was delighted that our commitment to excellence in people practices was again recognised by the Top Employer Institute through our Top Employer certification.

Our customers

As global supply chains evolve, real-time data will underpin transparency, planning and predictive capability – a vision IAG Cargo is already delivering on. Now, one year into a five-year modernisation programme to create a fully digital customer journey, we have launched new commercial systems to improve pricing accuracy, capacity visibility and responsiveness, alongside real-time cargo tracking, predictive insights and enhanced self-serve functionality across our website. These capabilities enable faster decision-making and improved service reliability.

Customer choice remains central to our strategy. In 2025, we introduced a new booking option, Standard and Flex, giving customers more choice when booking online. To strengthen this further, we enhanced our online booking platform to offer true 24/7 control to book, amend or cancel shipments, supported by real-time pricing that adapts to market conditions. In an industry where time matters, customers need the ability to secure space the moment their supply chain demands it.

Alongside this, we have focused on improving forecasting and capacity planning to maximise bellyhold capacity. The introduction of updated booking policies is driving more consistent practices, improving utilisation and enabling a more efficient, reliable operation.

Our planet

Embedding sustainability across our operations is central to our strategy and to creating long-term value. We have advanced a series of initiatives that enhance environmental performance and operational efficiency, implementing targeted actions to reduce emissions and waste across the business. Through continued innovation and collaboration, we are building a business that contributes to a lower-carbon future while strengthening customer trust and resilience.

By reusing our pallet-build materials, we have reduced wood waste by a further 11.4% year-on-year, avoiding embedded carbon and improving circularity. For our cargo builds, we have introduced the reuse of existing plastic wrapping, alongside trialling a new multi-use cargo cover, and we have moved to 100% recycled wrap at our Madrid hub.

As part of our development programme, we introduced a sustainability module, completed by over 500 colleagues to date, which helps build awareness and ensures our people play an active role in delivering our environmental goals.

We are also proud of the role we play in shaping industry standards through our active participation in IATA. We continue to collaborate across the industry to accelerate progress towards a more sustainable future for air cargo.

Looking forward

As we look ahead, our focus remains on building a business that delivers sustainable growth and long-term competitiveness. The foundations we have put in place over the past 12 months give us confidence to navigate an evolving global landscape and capture new opportunities.

As we enter another transformative year, we are well positioned to strengthen our network, advance our sustainability ambitions and create value for our customers to help them grow.



IAG Cargo brand now flying with British Airways
For the first time in 2025, IAG Cargo branding appears on a British Airways aircraft, marking a major milestone in enhancing brand visibility across the global network.



Empowering recognition
The rollout of a new recognition platform has enabled colleagues to celebrate performance and strengthen a culture of excellence and engagement.

Leading transformation at IAG



Jorge Saco
Chief Transformation and Procurement Officer

IAG's Chief Transformation and Procurement Officer Jorge Saco provides insight into how IAG Transform is driving transformation across the Group.

What is IAG Transform and why is it so important for IAG?

In June 2025, we established a new identity for my team within IAG – IAG Transform, our dedicated transformation arm within the Group. IAG Transform is not just an organisation – it's a mindset. Our expertise spans procurement, technology, artificial intelligence, innovation and change management. We're here to help our operating companies think bigger, move faster and become the best, not just better. Transformation underpins IAG's strategy, supporting enhanced performance, increased revenue, greater efficiency and effective cost management. It's what will help the Group succeed today and prepare for the future.

What's the vision behind the new identity of IAG Transform?

The new identity reflects the critical role our team plays in driving transformation across IAG and the wider aviation industry. It's about making transformation visible and clear that it is underpinning IAG's strategy.

How does IAG Transform work with the operating companies?

We work together with each operating company to support their business plans. Whether it's through digital innovation, procurement transformation or sustainability initiatives, our role is to help them deliver meaningful change.

For example, last November, our innovation team worked with the operating companies to make a strategic investment in Starlink. Thanks to this partnership, in 2026 we will begin implementing Wi-Fi connectivity on more than 500 aircraft across the Group. That means our airline customers will be able to stay connected in the air just as easily as they do at home, with fast downloads, streaming and even online gaming while flying with IAG airlines. It's a brilliant example of how IAG Transform doesn't just talk about innovation – we make it happen, helping the Group move forward.

How do you ensure IAG is working with the latest global innovators?

Previously known as Hangar 51, the IAGi Accelerator is our flagship open innovation programme, designed to fast-track collaboration between early-stage innovators and the Group's airlines. Unlike many typical accelerator programmes, IAGi Accelerator goes beyond mentoring to test scalable solutions that can solve real challenges, working with experts from our operating companies to better understand aviation and explore potential partnerships or commercial prospects.

We welcomed a record 30 startups to the IAGi Accelerator for 2025 – our biggest group yet in the programme's nine-year history, with almost all participating startups leveraging AI technologies – ranging from computer vision for baggage tracking to AI models for optimising network planning. I'm really excited to see how our latest startups progress.

How is IAG investing in innovation?

Through IAGi Ventures, the corporate venturing arm of IAG, the Group is investing up to €200 million over five years in high-potential companies – one of the largest investments of its kind by a European airline group. The goal is to work with the best startups and scale-ups tackling today's challenges in aviation – from sustainable travel to smarter operations and better customer experience. This includes participating in a £20.75 million funding round for OXCCU, a UK-based innovator developing SAF from waste carbon and hydrogen.



The IAGi Innovation Summit was the culmination of the IAGi Accelerator 2025 (formerly Hangar 51), hosted by IAG in October 2025.



IAGi Accelerator programme, showcasing more than 30 global startups across AI, automation, sustainability and travel-tech innovators.

Q What role does AI play in IAG's transformation journey?

AI drives our innovation efforts, and last year we opened dedicated labs in London and Barcelona to advance AI-driven transformation across the Group.

A major advancement is our AI-powered Engine Optimisation System, which addresses the complex challenge of scheduling engine maintenance by balancing regulations, part availability and labour, and maintaining operational continuity.

We have also established an internal AI Creative Studio that leverages generative AI tools to produce images and videos, optimising cost and time without compromising quality. In the summer of 2025, Vueling successfully launched our first external marketing campaign that included creatives produced by our AI Creative Studio.

Q What's next for IAG Transform?

We are scaling up our efforts – expanding our footprint, deepening partnerships and continuing to embed transformation across every part of the Group. The future of aviation is digital, sustainable and customer-centric, and IAG Transform is here to lead the way.

Improving our baggage strategy

Across the aviation industry in 2024, an average of 6.3 bags per 1,000 customers were mishandled. Recognising this challenge, IAG saw an opportunity to build on our operational expertise and work towards a more reliable baggage experience.

In collaboration with British Airways, we introduced three initiatives aimed at improving automation, enhancing cost efficiency and creating a smoother journey for customers – all while supporting better NPS scores:

1. Baggage biometrics

By combining biometric technology with AI, IAGi helped implement a new baggage biometrics solution at London Heathrow. This approach reduces untagged bags, speeds up aircraft offloads and improves handling accuracy. It also strengthens claim identification, supporting both customer confidence and operational integrity.

2. Proactive customer care

For customers whose bags arrive within two hours on the next available flight, we now offer a choice at Heathrow: collect the bag at the airport or have it delivered by courier. The customer is offered this choice in person by the agent when they report that their bag has not arrived at the carousel. This option provides greater transparency and convenience, helping reunite customers with their belongings more quickly and contributing to improved satisfaction scores.

3. Self-service mishandled-baggage kiosks

We introduced self-service kiosks at selected airports to make reporting mishandled bags faster and easier. These kiosks reduce queues, streamline the process and allow staff to focus on more complex cases – creating a more efficient operation and a better experience for customers.

These initiatives reflect IAG's commitment to continuously improve customer experience and operational performance while managing costs. Through IAG Transform, we test and scale solutions that can make a meaningful difference across the Group.



Sustainability

IAG is committed to environmental sustainability

IAG advocates for a transition where climate regulations uphold the global competitiveness of all airlines. This means regulators must administer appropriate obligations to reduce carbon emissions by all airlines, alongside providing incentives that support the delivery of each emission-reduction initiative.

IAG's Sustainability statement complies with Spanish Law 11/2018, of 28 December 2018, amending the Commercial Code, and the consolidated text of the Companies Law approved by Royal Legislative Decree 1/2010, of 2 July 2010, Law 22/2015, of 20 July 2015, on Auditing, in matters of non-financial and diversity information, and Law 5/2021, of 12 April 2021, amending Article 49.6.II, fourth paragraph, of the Commercial Code.

For the disclosure of transitional requirements outlined in the joint communication by the National Securities Market Commission (CNMV) and Institute of Accounting and Auditing (ICAC) released on 27 November 2024, and subsequent communication released on 19 November 2025, the Global Reporting Initiative (GRI Standards), an international initiative for sustainability reporting, has been applied.

The Sustainability statement is prepared in accordance with the EU Corporate Sustainability Reporting Directive (CSRD) on a voluntary basis. IAG also complies with the 2018 UK Streamlined Energy and Carbon Reporting regulation, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the EU Taxonomy Regulation (2020/852).

Information provided in this summary and the Sustainability statement is also relevant for Royal Decree 214/2025, of 18 March 2025, which creates a register of carbon footprint, compensation and carbon dioxide absorption projects, and establishes the obligation to calculate the carbon footprint and to prepare and publish plans to reduce greenhouse gas (GHG) emissions.

The Sustainability statement is independently verified by a third party to limited assurance level in line with ISAE3000 (Revised)[1] standards.

Full details of IAG sustainability information are provided in the consolidated Non-Financial and Sustainability Information statement, referred to as the 'Sustainability statement' section of this Annual Report.

E Environment highlights

77.5gCO_2
per passenger kilometre, delivering our 2025 carbon intensity reduction target of 80.0gCO_2/pkm, and an improvement of 0.7% vly

1st
Awarded 'global sustainability airline of the year' by CAPA in 2025

796,000
tonnes of CO_2 saved in 2025 from the use of SAF on a lifecycle basis compared to conventional aviation fuel, up 70% vly

100%
of IAG senior executives have climate-related remuneration

S People and prosperity highlights

75,786
people employed across 76 countries, a 2% increase vly

10,548
new hires in 2025, compared with 12,166 hires in 2024

35%
of senior leadership roles held by women, compared with 36% in 2024[2]

10%
of UK senior leadership roles held by individuals who identify as 'minority ethnic', compared with 11% in 2024[3]

G Governance highlights

3
meetings of the IAG Environment and Corporate Responsibility Committee held

1st
ranked airline group, and in the top 100 global companies, by Sustainalytics for low-carbon transition rating in its updated assessment in September 2025

1st
ranked airline group under the Transition Pathway Initiator's Management Quality Indicator Assessment, as of December 2025

69% (Tier 2)
Modern slavery benchmark score by the Churches, Charities and Local Authorities (CCLA) assessment in 2025, an improvement of 6% vly

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

2 Senior leaders: IAG grades 0, 1 and 2, or equivalent roles across the Group.

3 UK Parker Review defines 'minority ethnic' as Asian, Black, Mixed/Multiple, Other.

Sustainability leadership KPIs

Our strategy is to deliver the nine KPIs agreed by the Board in 2021 and which are revalidated each year thereafter.

① Clear targets relating to IAG's most material issues

IAG publishes carbon targets for 2030 and 2050 and annually updates its transition plan to achieve net zero emissions by 2050.

② Low-carbon transition pathway embedded in business strategy

Short and medium term sustainability assumptions are embedded in the three-year business-planning process for operating companies.

③ Accelerating progress in low-carbon technologies including aircraft technology, SAF, carbon offsets and carbon removals

Sustainability continues to be a focus area within the IAGi Accelerator programme.

④ Management incentives aligned to delivering a low-carbon transition plan

Over 7,500 senior executives and managers have 10% of their annual incentive linked to annual carbon intensity targets.

⑤ Industry leadership in stakeholder engagement and advocacy

IAG continues to engage with governments, regulators and industry bodies throughout 2025, advocating for a balanced regulatory framework that supports decarbonisation while recognising aviation's vital social and economic role.

⑥ Industry leadership in the innovation and deployment of SAF including power-to-liquids

IAG continues to support innovation and the development of new SAF production capacity.

We deliver this through making investments and SAF purchase agreements subject to the wider capital management policies of the Group.

⑦ High-quality carbon disclosures

IAG participates in the Carbon Disclosure Project (CDP), Sustainalytics and Transition Pathway Initiative (TPI) management quality indicators assessment.

The Group was ranked 1st out of 39 airlines under TPI's climate transition management rating, and 1st out of 48 airlines for Sustainalytics' low-carbon transition rating in 2025.

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

IAG continues to invest in careers and development. 35% of senior leadership roles were held by women in 2025.

⑨ Investing in innovation in low-carbon technology

British Airways alongside other members of Sustainable Aviation have worked to develop an advanced market signal purchase for carbon removals to support the scale-up of future credit supply.

E Environment

Delivering emission reductions towards our climate targets

IAG was the first airline group in the world to set a goal of net zero emissions by 2050. IAG has been publishing updates to its roadmap every year since 2019[1].

Key measures to reduce our emissions are set out under IAG's Flightpath Net Zero strategy. These include fleet modernisation, SAF usage, market-based measures (through participation in the UK Emissions Trading Scheme (UK ETS), EU Emissions Trading System (EU ETS) and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), and purchase of carbon removals to mitigate residual emissions.

IAG is working to deliver its climate targets to:

- Reduce net Scope 1 emissions from direct operations (including reductions delivered via carbon markets) by 20% in 2030, compared to the 2019 baseline;
- Achieve a 20% reduction in Scope 3 emissions from the value chain by 2030, compared to a 2019 baseline; and
- Deliver net zero emissions across all scopes by 2050.

The delivery of emission-reduction initiatives is performed in collaboration with key stakeholders. The Group reviews its targets in relation to available government policy support and market conditions to ensure it remains competitive with peers. IAG proactively advocates for government policies that support the industry's transition and technology development required towards meeting our climate goals.

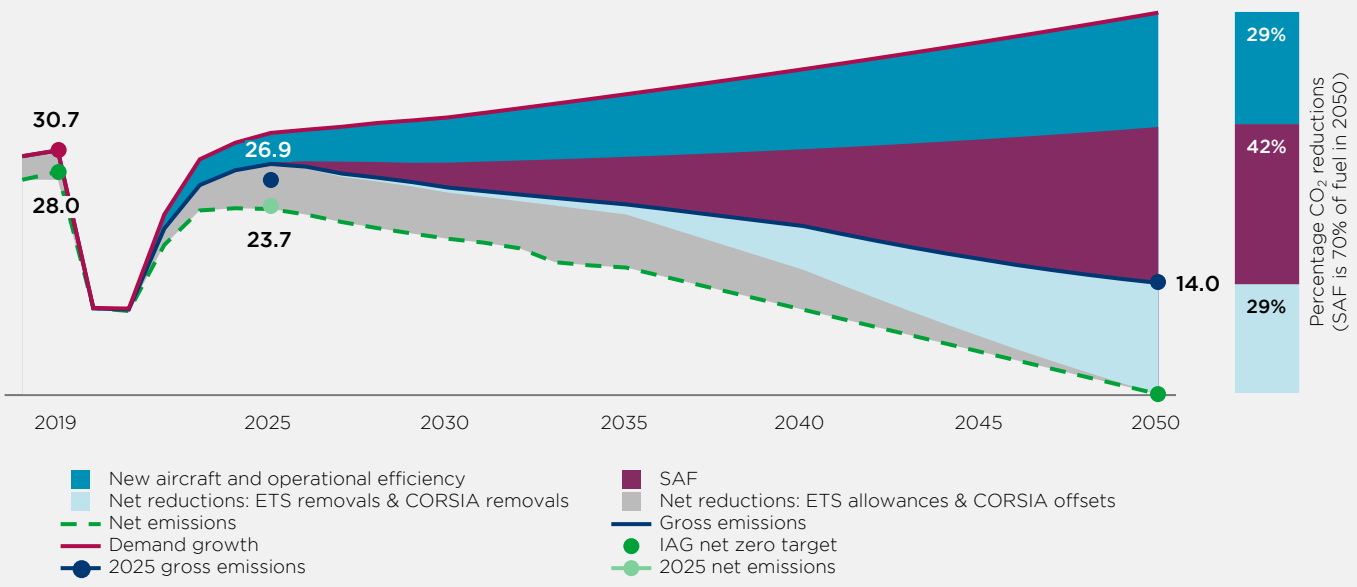
In 2025, IAG delivered a carbon intensity of 77.5gCO_2 per pkm, which achieved our target of 80.0gCO_2/pkm. This represents a 0.7% improvement on 2024 levels (78.1gCO_2/pkm) and a 14% improvement on 2019 levels (89.8gCO_2/pkm).

Key contributors to our 2025 achievement include:

- Increasing the use of SAF to more than 291,000 tonnes (up 79% on 2024). This was delivered as part of meeting our share of the EU and UK SAF mandates, which became operational in 2025, and through additional voluntary use;
- Continuing to perform operational efficiency initiatives (which have delivered estimated annual emission reductions of 90,000tCO_2); and
- Introduction of 25 new aircraft to the fleet, which reduce emissions compared to the aircraft they replaced.

IAG also continues to drive internal action by using climate-related annual incentives for more than 7,500 senior executives and managers across the Group. Our operating companies tailor these targets so that they are relevant for their direct operations. British Airways also continued its efforts to reduce CO_2 in 2025 through employee-engagement programmes as part of its 'One Million Tonnes Mission', aiming to cumulatively save one million tonnes of CO_2 by 2030 (from initiatives starting in 2024).

IAG Scope 1 emissions roadmap to net zero
million tonnes CO_2 ($MTCO_2$)



Transition plan to net zero emissions

IAG annually reviews its roadmap to deliver net zero emissions by 2050.

In 2025, we made updates to reflect the recovery of passenger demand to pre-pandemic levels. Annual demand growth is aligned with the long-term growth forecasts disclosed in notes 4 and 17 to the consolidated financial statements. Emission reductions calculated from the use of SAF represent volumes used equivalent to IAG's share of mandates on fuel suppliers to supply SAF in the EU and the UK, and voluntary consumption to achieve our 2030 and 2050 goals. The volume of carbon removals used before 2035 is based on expected future use towards carbon market compliance obligations in the UK ETS and EU ETS, and the CORSIA. The contribution of emission reductions from airspace modernisation and zero-emission aircraft has been reduced to 2050, to reflect the latest regulatory updates and statements made by aircraft manufacturers.

1 2019 is our baseline year, representing the last year of full operations prior to the COVID-19 pandemic.

Key sensitivities

In creating this roadmap, the Group has applied assumptions regarding market conditions and policy support for carbon reductions. These assumptions are outside of control of the Group and may impact the deliverability of emission reduction initiatives presented. The Group therefore re-evaluates its assumptions at least annually and updates these where appropriate. The emissions modelled under our demand growth scenario reflect the typical timescales for the operation of aircraft and the associated 'locked-in' emissions attributed to flying activity with these assets (which for owned aircraft is approximately 23-25 years). This is connected to our assumptions on fleet renewal.

Working with pathway initiatives

IAG is committed to the 1.5°C goal of the 2015 Paris Agreement. Our target to reach net zero by 2050 has been independently verified by the TPI as aligned with this ambition. In addition, our near-term goal to cut net Scope 1 emissions by 20% by 2030 has been assessed as consistent with the TPI well-below 2°C pathway.

IAG continues to review the evidence on aviation pathways that support this ambition and is engaging with relevant stakeholders, including the Science Based Targets initiative (SBTi) and International Organization for Standardization (ISO), to build an understanding of aviation industry pathways to net zero, how these contribute to national and global goals, and how companies and policymakers can drive investment into the low-carbon transition.

In 2025, we responded to consultations held by the SBTi and the British Standards Institute on updated requirements for corporate net-zero-aligned transition plans. We continue to contribute towards the development of sector-specific guidance where available.

Delivering on our SAF commitments

SAF is the principal term, although others exist, used by the aviation industry to describe a non-conventional (not derived from fossil) aviation fuel.[1]

The chemical and physical characteristics of SAF are almost identical to those of conventional jet fuel and they can be safely mixed with the latter to varying degrees, using the same supply infrastructure and without requiring the adaptation of aircraft or engines. Fuels with these properties are called 'drop-in fuels' (i.e. fuels that can be automatically incorporated into existing airport fuelling systems).

The feedstocks for these fuels, currently waste materials such as municipal waste or waste wood, absorb CO_2 in their growth cycle before this carbon is recycled into fuel and then emitted during the flight. SAF produces similar levels of carbon dioxide to conventional aviation fuels when burned, but the CO_2 generated is already part of the carbon cycle and is not extracted from the ground specifically for creating aviation fuel. This means that using SAF results in lifecycle reduction in carbon emissions compared to the traditional aviation fuel it replaces.

Increasing our SAF use in 2025

In 2021, the Group set a target of using 10% SAF by 2030, dependent on appropriate government policy support. IAG continues to enter into offtake agreements to secure new and innovative SAF production capacity, helping to catalyse the wider development of the SAF market.

In 2025, IAG's airlines used more than 291,000 tonnes of SAF, equivalent to 3.3% of total fuel. This saved more than 796,000tCO_2 on a lifecycle basis compared to using conventional aviation fuel. This volume reflects the uplift of both SAF that is mandated to be supplied by fuel producers under the EU and UK SAF mandates (which both commenced in 2025) and voluntary SAF use. Refer to the Sustainability statement for more details.

Fuels eligible for EU ETS allowances

Co-funded by the European Union

SAF use in 2025 was also supported in part by the Fuels Eligible for ETS (FEETS) initiative, which was launched in 2024. FEETS recognises SAF utilisation by awarding emission allowances to aircraft operators under the EU ETS for SAF use claimed on eligible routes. These allowances help cover part of the cost difference between SAF and conventional aviation fuel by reducing the Group's exposure to its carbon pricing obligations under the EU ETS. The first issuance of these allowances took place in 2025, reflecting claims of SAF uplifted by the Group in 2024.

Group airlines received 497,539 EU ETS emission allowances in 2025, for 29,000 tonnes of SAF used and claimed during the 2024 EU ETS compliance year. This equated to a financial support of around €32 million and represented 38% of the 1.3 million allowances issued to airlines in 2025[2]. Refer to the Regulatory Environment section of this Annual Report for more information.

Scaling carbon removals

Carbon-removal solutions extract CO_2 already in the atmosphere and store it in biological or geological ways. IAG is committed to only using carbon removals to mitigate any residual emissions from its operations by 2050. IAG also expects to use carbon removals to meet a share of its future CORSIA obligations, conditional on market conditions and appropriate policy support. IAG supports wider guidance on how to transition to removals, such as that provided by the Oxford Offsetting Principles.

Our work in 2025 focused on advocating for appropriate policies needed to deliver fair and effective adoption of carbon removals towards both our transition plan requirements and our carbon pricing obligations. This includes policy support under both the UK ETS and EU ETS and through the global CORSIA. We have also supported work by the UK Jet Zero Taskforce (JZT), and as a member of Sustainable Aviation, towards the development of an advanced market signal for carbon removals, which would demonstrate the sector's interest through an initial purchase commitment made by several members.

Policy advocacy and stakeholder engagement

Aviation is a global industry, and IAG remains committed to supporting cost-effective approaches to work towards net zero emissions by 2050.

IAG works closely with key stakeholders including governments and regulators, shareholders, lenders and other financial stakeholders, trade associations, customers, suppliers, employees and their representatives, communities, NGOs and academic institutions. IAG positively influences outcomes by contributing expertise to drive action towards net zero targets and supports the development of roadmaps to identify pathways towards net zero emissions. This includes work

1 SAF is the preferred IATA and ICAO term for this type of fuel although when other terms such as sustainable alternative fuel, sustainable alternative jet fuel, renewable jet fuel or biojet fuel are used, in general, the same intent is meant. 'Biofuels' typically refer to fuels produced from biological resources (plant or animal material). However, current technology also allows fuel to be produced from other alternative sources, including non-biological resources; thus, this generic description is used.

2 C/2025/5004. Commission Decision of 12 September 2025 on instructing the central administrator to enter changes to the national aviation allocation tables of Member States into the Union Registry to account for the use of eligible aviation fuels in the year 2024.

in Sustainable Aviation, A4E, **one**world, the JZT and Air Transport Action Group.

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

In addition to our SAF and carbon-removals policy advocacy in 2025, IAG supported updates to A4E updated 'Destination 2050' roadmap, which was published in February 2025, and supported ongoing work to consider the impact of carbon policy on European aviation's competitiveness.

Advocating for fair SAF policies

IAG recognises that appropriate SAF policies are urgently needed to provide a strong investment signal to scale up supply to meet sector demands. Our work in 2025 continued to support the UK Government in its development of a Revenue Certainty Mechanism to support SAF production in the UK. We also contributed views through industry associations towards the EU Sustainable Transport Investment Plan, launched in November, which sets out actions to support SAF investment in the EU towards delivering the ReFuelEU SAF mandates in the near and medium terms.

We continue to advocate for greater policy support to facilitate the increase in SAF supply (particularly in the development of second and third generation SAFs) and to ensure this is delivered at a fair cost to airlines.

Reducing the impact of non-CO_2, noise and air pollution

Non-CO_2 climate impacts

Non-CO_2 emissions from aviation include the release of nitrogen oxides, water vapour and particulate matter into the atmosphere. Subject to atmospheric conditions and time of day, these emissions can have warming effects on the climate. IAG is supporting ongoing research and development of mitigations for these effects, including participating in the UK JZT's Non-CO_2 working group focusing on contrail mitigation potential and supporting the EU's Aviation Non-CO_2 Experts Network.

The Group's airlines participate in several non-CO_2 research projects. For example, British Airways participates in project QRITOS, a collaborative initiative between Rolls-Royce, Heathrow Airport, Air BP and Imperial College London, part-funded by the Aerospace Technology Institute and Innovate UK. The project aims to explore how the selective use of SAF can reduce the climate impact of contrails while maintaining overall carbon benefits.

In 2025, new monitoring, reporting and verification provisions by the European Commission entered into force, requiring airlines to report additional flight operational data to investigate the impact of non-CO_2 emissions as part of their EU ETS reporting obligations. All Group airlines made adjustments to their monitoring procedures to comply with these requirements.

Noise and air pollution

IAG is 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. IAG has delivered a 15% reduction in noise per landing and take-off (LTO) cycle versus our 2019 baseline, owing to the use of newer, quieter aircraft compared with the aircraft they replaced. IAG's airlines continue to adopt operational practices to minimise noise impacts.

Waste reduction and recycling

IAG remains committed to reducing both food waste and the use of single-use plastic (SUP), in addition to increasing recycling across our operations. This includes managing any hazardous waste in line with relevant national and international regulations.

In 2025, we reviewed the progress of our '5 by 2025' waste reduction and recycling plan, which was launched in 2021 and covered five waste streams and five business units. Group operations in 2025 generated 49.0kt of waste (down 8.7% versus 2024), reflecting a reduction on the waste generated in our flights. We recovered or recycled 6.4kt (13% of total waste generated).

We have updated these targets to 2030, and revised the baseline to 2025 to reflect current waste management practices following the COVID-19 pandemic. By 2030, we aim to:

- Reduce virgin SUP by 50% on a kg/ASK basis;
- Reduce total waste generated per unit of activity in each business by 10%; and
- Ensure 80% of the waste generated by our activities is correctly disposed of to facilitate its recycling upstream.

These objectives aim to improve waste management across IAG's operations, considering the availability of more sustainable products in the market. They will also support compliance with UK and EU regulations as they develop.

Biodiversity, nature and illegal wildlife trafficking

IAG is proud to support United for Wildlife to tackle illegal wildlife trafficking on aircraft, and all airlines are signatories to the Buckingham Palace Declaration, which aims to reduce the illegal trade of wildlife. In 2025, IAG published an illegal wildlife trafficking policy on our website, reflecting our objective to reduce illegal wildlife trafficking occurring within our operations across the Group and in our supply chains.

Environmental management

IAG is committed to complying with recognised industry standards for environmental management on material issues identified in this report. All Group airlines were fully certified under the IATA Environmental Assessment (IEnvA) standard in 2025, which is equivalent to ISO 14001. This applies to all flight operations and corporate buildings, complying with the core scope defined by IATA. As per IEnvA certification requirements, all operating airlines hold an environmental policy signed by their corresponding CEOs.

Third-party ESG assessments and awards

The Group provides evidence to support third-party environmental, social and governance (ESG) disclosures and rating assessment frameworks. Our 2025 response to the CDP is available on our website (using information provided in our 2024 Annual Report and Accounts).

IAG continues to be assessed as having the highest management quality indicator score for airlines under the TPI as of December 2025, which assesses 600 companies across 47 countries on their readiness for the low-carbon transition, including 39 airlines. British Airways and Iberia also respond annually to the EcoVadis assessment.

IAG was also awarded in 2025:

- 1st place out of 48 airlines for Sustainalytics' Low Carbon Transition Rating, and 4th place out of 68 airlines for its ESG risk rating (improving from medium-risk to low-risk category), as of data updated in September 2025
- 2025 CAPA award for Global Environmental Sustainability Airline Group of the Year
- 2025 World Tourism Awards Special Recognition for SAF Implementation

S People

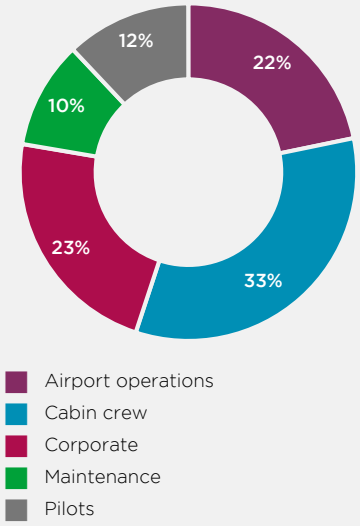
IAG is a global business built on strong brands and the dedication of 75,786 talented colleagues. Across our operations, we offer a wide range of careers from pilots and cabin crew to engineering, ground-handling, customer-facing roles and a broad range of roles that plan, manage and transform our business.

Our success is driven by people. Across the Group our operating companies invest in skills, careers and wellbeing, while maintaining an unwavering focus on safety and customer service. This commitment builds a highly skilled workforce, based upon an inclusive culture that provides career opportunities for all while recognising and valuing difference.

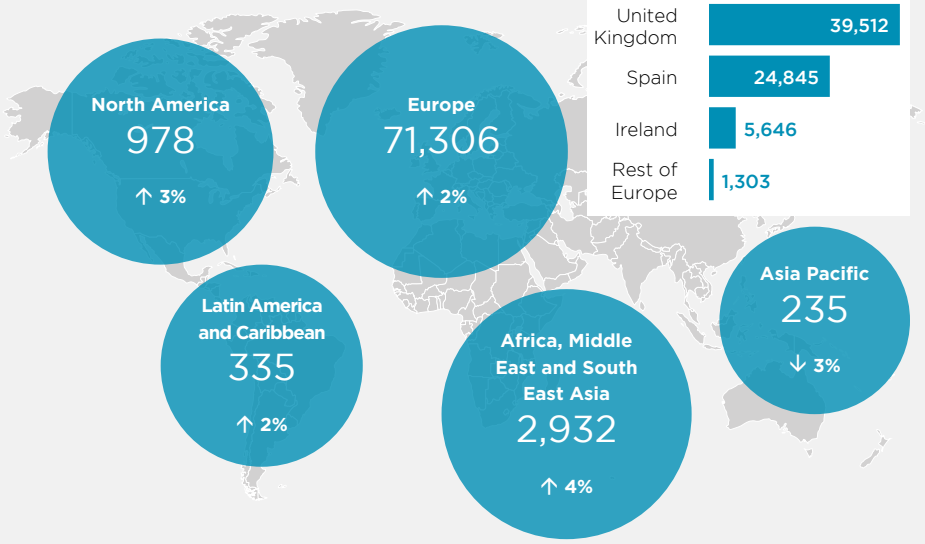
Key metrics and progress

Relevant standards: GRI 2-8, 401-1, 405-1

Workforce composition
at 31 December 2025



Headcount by geographical location
at 31 December 2025



Transforming culture

IAG connects people, businesses and countries – opening up the world for people to experience different cultures, broaden their horizons and bring communities together. Fulfilling this purpose depends on a culture that drives strong operational performance and clear brand differentiation.

Our operating companies are transforming culture and enhancing colleague experience through better facilities, improved ways of working and stronger career development.

Examples of how we strengthened culture include:

- Launched share plans for Iberia, Vueling and LEVEL to drive a sense of ownership, with plans to enable other operating companies to launch similar schemes in the year ahead.
- British Airways' new Heathrow operating model fosters a team-based culture, and the consolidation of heavy maintenance operations in Cardiff is improving workflow and resource flexibility.
- Iberia: Launched 'You Are Our Value' recognition scheme and celebrated major milestones including promotions of new captains and pursers.
- Aer Lingus: Embedded cultural transformation through engagement action plans and recognition programmes including CEO milestone cards and long-service events.
- Vueling: Increased engagement with its strategy through town halls and roadshows. Annual pay audits and confidential support channels reinforced a culture of trust.
- LEVEL: Maintained regular meetings with cabin crew and pilots as the business scaled, strengthening team cohesion and a sense of belonging.
- IAG Loyalty: Aligned people processes, HR systems and colleague guidelines across Loyalty and British Airways Holidays. Ran the first combined all-company event and began work on shared cultural building blocks.
- IAG Cargo: Leadership led communication to reinforce the new 'Deliver Together' strategy and culture. Introduced a range of forums that promote open dialogue, transparency and connection. Retained top employer status, recognising strong people practices and commitment to inclusivity.
- IAG Transform: Launched a new identity that reinforces the vision to transform aviation and implemented local engagement action planning, ensuring transparent and regular updates for colleagues.

Inclusion in focus

We are proud of our diversity. Colleagues span 76 countries, speak dozens of languages and represent different cultures, identities and backgrounds. We believe this richness strengthens our innovation, resilience and long-term success.

Our aim is to provide a fair, inclusive and respectful workplace where every colleague has access to the same opportunities and where decisions are based on merit. We hold ourselves to high standards of ethics and accountability and expect behaviours that build trust, fostering an environment where discrimination has no place and everyone can perform at their best.

Examples of building an inclusive culture include:

- British Airways: Colleague networks, open to all, have over 3,000 members and support cultural awareness, accessibility and inclusion, and marked key events including LGBT History Month, International Women's Day,

Pride, Black History Month, Disability History Month and National Inclusion Week, while championing the 'Inclusion Starts With I' strategy. Introduced neurodiversity 'workplace passports' and awareness campaigns. Updated policies strengthened allyship and support for trans colleagues.

- Iberia: Celebrated cultural diversity through Country Day and participated in Madrid Pride under the 'Fly as you are' campaign. Advanced disability inclusion via collaboration with Envera, ensuring representation at events and in the cabin crew lounges (*Sala de Firmas*).
- Vueling: Embedded fairness and meritocracy across the employee journey, using anonymised applications and structured assessments.
- Aer Lingus: Employee Resource Groups, open to all, delivered regular activity and marked awareness days. Its first all-female-led careers day won the Excellence in People & Workplace Culture Award by the Aviation Industry Awards 2025. Aer Lingus introduced neurodivergent-friendly job descriptions, a menopause policy and supporting resources and partnered with Alzheimer's and MS organisations to improve customer support.
- IAG Loyalty: Expanded its squad-led recognition of diverse events across Loyalty and British Airways Holidays, fostering open colleague conversations. It strengthened benefits by adding faster-access neurodiversity assessments to the BUPA offering and introduced a new half-day inclusion and diversity course within the Brilliant People Manager programme.

Careers and development

Investing in skills and careers is essential to improving operational performance and driving our strategy and transformation. We are strengthening entry-level talent pipelines, career progression, succession planning and leadership development.

Outreach initiatives inspire future talent and create accessible pathways into aviation. Through partnerships, targeted programmes and inclusive recruitment efforts, we are engaging communities who may not have traditionally considered a career in aviation.

Highlights include:

- In 2025, over 190 cadet pilot training positions were opened across Aer Lingus, British Airways and Iberia – all offering financial support to remove barriers to entry.
- British Airways: Delivered Your Flying Future workshops to more than 600 students and provided upskilling for colleagues and former work-experience participants. British Airways strengthened early-career pipelines through partnerships with Fantasy Wings, Air League Trust and 27 other organisations, reaching underrepresented groups. Over 45,000 students engaged through Speedbird initiatives and work-experience placements hosted 700 students
- Iberia: Advanced academic and industry collaboration via *Cátedra* Iberia with ETSIAE and launched the Iberia Classroom learning hub. The *Despega* mentoring programme' supported final-year students, and Iberia's '*Quiero Ser*' programme inspired young women to pursue aviation careers.
- Vueling: Promoted early aviation careers for young women through its collaboration with the Princess Foundation. Values-based recruitment resulted in 13% of new first officers being women, raising female pilot representation above the national industry average. The Yellow Academy supported entry-level talent, with 180 participants completing training in 2025.
- Aer Lingus: Engaged 16,000 students through AvCon and reported female representation of 20% among apprentice engineers and 62.5% among graduates in operations and finance. Prioritised leadership development for all people managers.
- LEVEL: Onboarded 400 employees with comprehensive technical and general training, ensuring integration aligned with safety and quality standards.
- IAG Loyalty: Embedded colleague, manager and leadership expectations through a new performance cycle, and launched the Brilliant People Manager development programme to drive a high-performance culture. Rolled out 'Develop You' for IAG Loyalty and British Airways Holidays, integrating learning across the colleague lifecycle.
- IAG Cargo: Introduced 'Licence to Recruit' for fair hiring, expanded its graduate programme and launched SkillSpace for future-ready learning. Advanced 'Leading the Way' leadership development for all managers.
- IAG Transform: Built STEM and AI pipelines through partnership with universities, colleges and sixth forms and continues to support colleagues through AI literacy and a Group-led AI Academy, offering foundational learning and role-based AI pathways.



BA's Diwali celebrations, highlighting the work of its inclusive networks with more than 3,000 members.



Quiero Ser (I Want to Be) – a special visit for more than 35 girls aged between 14 and 18 to Iberia's aircraft maintenance facilities in La Muñoza and the CAE pilot training simulators.

Investing in senior leadership

We are strengthening senior leadership capability to drive transformation and embed an inclusive culture. Succession coverage and leadership pipelines have improved in 2025, with over 70% of senior leadership vacancies filled internally and women representing 41% of our leadership pipeline.

In 2022, we set an ambition to increase the gender diversity of our senior leadership and, in 2024, we set a UK ambition for senior leadership ethnicity. Since then, we have seen a 31% increase in the number of senior women, a 9ppt increase in the diversity of our succession pipeline and an 18ppt increase in sense of belonging. Of our senior leaders, 35% are women, and 10% of our UK leaders identify as minority ethnic.

Looking forward, we will demonstrate our commitment through actions. We will focus on fairness and inclusion, ensure colleagues have access to the same opportunities, make decisions based on merit and value everyone's unique differences. Through outreach and engagement activities we raise awareness of opportunities in our businesses, especially for underrepresented groups. We listen to and respond to colleague feedback to make our businesses fairer and more inclusive. We ensure our policies, processes and support are inclusive and fair and monitor data to ensure colleagues and candidates are treated fairly. As a global business, we continue to review our approach to ensure we comply with regulatory requirements and reporting obligations.

Health, safety and wellbeing

We are committed to the health, safety, security and wellbeing of our workforce, customers and suppliers – both in the air and on the ground. This means complying with all relevant safety and security regulations while proactively investing in initiatives that support physical, mental and financial wellbeing.

Operating companies have continued to apply these principles locally through initiatives tailored to workforce needs.

Examples include:

- British Airways strengthened colleague wellbeing through expanded mental-health support via Unmind, training 300 new mental health first aiders and launching a manager toolkit, and partnered with The Body Coach for global fitness access. British Airways continues to lead industry action on women's health as an endometriosis-friendly employer and the first airline to receive menopause friendly accreditation.
- Iberia continued Iberia *Contigo* – providing free, confidential 24/7 psychological support.
- Vueling advanced its Make It Healthy programme in 2025, introducing new initiatives to support physical and mental health, including online talks, sports activities and wellbeing campaigns.
- IAG Loyalty enhanced UK Bupa medical insurance to include neurodiversity support – covering assessments and post-diagnosis coaching. Spanish-based colleagues continue to benefit from comprehensive Sanitas medical and mental health coverage.
- Aer Lingus strengthened wellbeing in 2025 through Spectrum Life, adding nutritional programmes, 24/7 psychological support and women's health programmes and expert-led events.

Social dialogue

Operating companies maintain strong and constructive relationships with trade unions to secure balanced agreements that support fair, competitive remuneration and good working conditions. Local employee representatives and unions provide both formal structures for collective agreements and informal routes for raising issues and concerns.

Beyond formal dialogue, colleagues are engaged through a broad range of channels, including roadshows, town halls, online platforms, pulse surveys, workshops, newsletters, social media and employee-led networks.

Group-wide mechanisms further reinforce this engagement. The annual organisational health survey, together with operating-company-specific surveys, provide insights to inform people and transformation strategies. The IAG European Works Council facilitates cross-border information exchange, while IAG Board members conduct workforce engagement visits to better understand the opportunities and challenges facing colleagues across the Group.



Yellow Academy offers 28 days of intensive training for future cabin crew – an innovative programme attracting talent with no prior aviation experience.



Aer Lingus hosted its first all-women careers day, championing gender diversity and inclusion in aviation.

G Principles of sustainability governance

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

Each individual operating company has its own sustainability programme, which is regularly reviewed with the IAG Sustainability team to ensure alignment with the Group's sustainability strategy, KPIs and engagement plans.

IAG's activities in 2025

Ethics and compliance

IAG is committed to conducting its business ethically, responsibly and in full compliance with all applicable laws and regulations. The Group strives to foster a culture of accountability at every level of the organisation. All directors and employees are expected to act with integrity and in accordance with the laws of the countries in which they operate.

As IAG continues to enhance its ethics and compliance programme, it works to maintain the highest levels of trust among all stakeholders. During 2025, IAG developed a new anti-money laundering policy to enhance the process of preventing, detecting and managing money laundering risks across the Group. IAG also updated its anti-fraud policy to refresh the principles and responsibilities required to prevent and respond to fraudulent activity across the Group. To reinforce this framework and ensure consistent application, mandatory online training was deployed to all relevant employees. These initiatives were undertaken as part of IAG's commitment to having zero tolerance of fraud and in preparation for compliance with the Economic Crime and Corporate Transparency Act 2023 (ECCTA), which came into effect in the UK from September 2025.

Following the approval of the IAG Code of Conduct by the Board of Directors in August 2024, further updates were made during 2025 to the anti-bribery and corruption policy and to the competition law policy, strengthening IAG's compliance framework and reinforcing our commitment to ethical business practices across the Group.

In November 2025, updates to our modern slavery and human trafficking policy were published, emphasising IAG's commitment to addressing forced labour and exploitation within its operations and supply chain. The policy aligns with international standards and sets out our approach to identifying, mitigating and addressing modern slavery and human trafficking across the Group.

Whistleblowing policy

IAG is committed to encouraging a culture of speaking up and, therefore, does not tolerate any retaliation against individuals reporting concerns or contributing to internal investigations. The code of conduct and the 'Speak Up' policy explicitly outline protections for whistleblowers to ensure that individuals who report concerns in good faith are protected from retaliation.

The IAG 'Speak Up' policy and the procedure that regulates how to handle whistleblowing investigations provide details on how to report concerns and establish the framework to ensure a robust and consistent approach to address issues and take remedial action whenever necessary. The Audit and Compliance Committee and the Board approved the revised IAG 'Speak Up' policy in 2024.

In 2025, IAG received a total of 502 whistleblowing reports through its 'Speak Up' platform or other channels, an increase of 26% versus 2024. This is due to strengthened reporting channels, enhanced awareness and training and a culture fostered where employees and third parties feel confident to raise concerns. The rise in reporting is a positive indicator that IAG's mechanisms are accessible and trusted. During the last two years, IAG launched a new code of conduct, rolled out new code of conduct training with a continuous focus on the 'Speak Up' process and reporting culture. Each report was carefully assessed, and all relevant cases were investigated under the supervision of the compliance officers of each operating company, in line with 'Speak Up' procedures.

The Audit and Compliance Committee plays a critical role in overseeing and supporting the Group Head of Ethics and Compliance to lead the IAG 'Speak Up' programme, together with the compliance officer of each operating company. This ensures that reports are handled with diligence, confidentiality and fairness.

To ensure employees have easy access to relevant compliance policies, the policies are published on the intranet page of each operating company. The Group continues to prioritise compliance training as a cornerstone of its ethics and compliance programme. Employees across the organisation complete mandatory training to ensure they are equipped with the necessary knowledge to uphold the company's values and comply with regulatory requirements.

Further details on compliance training hours completed are available in the Sustainability statement.

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's code of conduct and supporting policies, which are available to all directors and employees. An anti-bribery policy statement is also set out in the third-party code of conduct, which is publicly available on the IAG website.

IAG has in place a Group-wide anti-bribery and corruption policy aligned with international anti-corruption standards, including the UN Convention Against Corruption. Each operating company has a compliance officer responsible for managing the anti-bribery programme in its business.

Compliance teams from across the Group meet regularly through working groups and steering groups, under the coordination of the Group Head of Ethics and Compliance. They conduct annual reviews of bribery risks at operating company and Group level.

The main compliance risks identified for 2025 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 2025, as in 2024. There were no relevant concerns or legal cases regarding corruption brought against the Group and its operating companies in 2025, as in 2024, and management is not aware of any impending cases or underlying issues.

Managing risk in a connected world





Enterprise risk policy and framework

The Group has an enterprise risk management (ERM) framework underpinned by an ERM policy, which operates in accordance with Spanish corporate law and governance and UK corporate governance requirements, and was approved by the Board in 2023. This sets out a comprehensive risk management process and methodology to ensure a robust identification and assessment of the risks facing the Group, including emerging risks. The risk management framework is embedded across all of the Group's businesses. Enterprise risks are defined as any risk that could impact the three-year strategic business plan ('the plan'). They are assessed and, if the impact is above a threshold, plotted on an enterprise risk heatmap, based on probability and impact.

Consideration is given to changes in the speed of potential impact and how principal risks influence other principal risks to help assess where key mitigations can have a greater effect on reducing overall risk to the business. Risks are also assessed in combining events where a number of risks could occur together, particularly given the airline sector's exposure to external macroeconomic or geopolitical factors and an increasingly complex and integrated supply chain. This process is led across the Group by the IAG Management Committee and operating company management committees supported by the ERM function.

Although the Group considers enterprise risks that could impact the plan (defined as the short term), it also considers potential risks that could impact over the medium term of up to five years and in the longer term, beyond five years.

Risk outcomes are quantified as the potential cash impact to the plan. Non-cash outcomes that could impact our customers, employees, reputation, sustainability targets or regulatory obligations are considered for every risk.

Key controls and mitigations are documented, including appropriate response plans.

Where risk treatments require time to implement, short-term mitigations are assessed and the timeline to risk mitigation and consequent risk acceptance is discussed and agreed.

Every principal risk has clear Management Committee oversight at the Group level and in each business.

Risk management and principal risk factors *continued*

Principal risk factor review

The IAG Board monitors the risk landscape and challenges management on its plans to address and adapt to changes that influence or impact the Group's performance, including volatility in financial markets and friction in trade flows, disruption in operations and the Group's supply chain, AI and other emerging technologies that could transform the business or the aviation industry.

In assessing its principal risks, the Group has considered its risk environment including:

- Monitoring the trade and economic effects, outcomes to markets and demand resulting from inflation or other central bank or governmental policy decisions that may reduce customer confidence in key customer segments or markets;
- Ongoing heightened geopolitical events and conflicts that create further market uncertainty could curtail access to markets and result in significant movements in fuel and foreign exchange rates;
- Resilience to the externally hostile and increasing cyber threat environment with the use of sophisticated techniques, including AI and social engineering to gain unauthorised access to systems and data within the Group's businesses or its supply chains;
- Operational, IT and technical resilience across its airlines, response plans and disruption management tools to adapt to unplanned events, including airspace closures or disruptions, cyber events or increased friction impacting the flow of goods and creating further supply chain delays in aircraft maintenance, especially for engines and components;
- Expansion plans for the London airports, including Heathrow and Gatwick; and
- Managing the cost base and accelerating transformational change.

No new principal risks were identified through the risk management discussions and assessments in the year. The Group continues to report 11 principal risks.

Emerging risks

Where emerging risks and longer-term threats that the Group or the industry could face are identified, they are managed within the overall risk framework as 'on watch' until they are reassessed to be no longer a potential threat to the business or where an evaluation of the risk impact over the plan period can be made and appropriate mitigations can be put in place, or the risk becomes a principal risk. Other high-impact, low-likelihood risks are also considered.

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

Risk appetite

IAG has a risk appetite framework that includes statements informing the business either qualitatively or quantitatively of the Board's appetite for certain risks. Each risk appetite statement applies either on a Group-wide basis or for specific programmes, initiatives or activity within the Group.

In the second half of 2025, the Board assessed its appetite across a number of critical strategic priorities to set tolerances for the Group for the upcoming plan period, taking account of changes in the risk landscape since the prior year's exercise. This approach allows tolerances to be set dynamically and ensures alignment to the Group strategic priorities as approved by the Board, which sets the level of ambition and investment for the plan period. The exercise allowed the Board to discuss and consider the trade-offs within the plan and ensure that it was satisfied that management had set the appropriate prioritisation of initiatives to seek opportunities and manage risk within its defined appetite tolerances.

The framework and tolerances were in place throughout the year, with the Audit and Compliance Committee assessing appetite across all of the framework statements at year end against the Group's performance and its anticipated delivery of the Board-approved strategic business plan priorities and initiatives.

The Board is satisfied that the Group continued to perform and deliver initiatives throughout 2025 as planned to mitigate risk as set out in its framework statements. Where further action has been required, the Board has considered potential mitigations and, where appropriate or feasible, the Group has implemented or confirmed plans that would address those risks or retain them within the Board's determined Group risk appetite. Annual, dynamic reassessment and confirmation of the risk appetite of the Board allows the Group to take appropriate risks to deliver the plan.

Viability assessment

The Board's assessment of the viability of the Group is directly informed by the outputs of the ERM framework. Full details of our approach, scenarios modelled and the viability assessment are shown at the end of this Annual Report.

The IAG Board has overall responsibility for ensuring that the Group has an appropriate, robust and effective risk management framework.



Risk management roles and responsibilities

Risk owners and management

Across the Group, risk owners are responsible for identifying potential risks and appropriately managing decisions within their area of responsibility that could impact business operations and delivery of the plan.

As the Group undertakes transformation activities within its operating companies, the pace and agility of the changes required create risks and opportunities. For cross-operating company, domain or transformational risks, business owners are assigned, and the business will agree appropriate mitigations and timelines for implementation following discussions with all relevant stakeholders. Third-party dependence and risk exposure are also assessed.

Emerging risks are assessed and risk owners consider and identify any potential impact to plans. Longer-term on-watch risks are subject to review as part of the framework.

Management is responsible for the effective operation of the internal controls and execution of the agreed risk mitigation plans.

Operating companies' management committees

Risk heatmaps for each operating company and central support functions are reviewed biannually by their operating company's management committee or function leadership team.

Where the Group's operating companies rely on other parts of the Group for services delivery, risks are reflected appropriately across risk heatmaps to ensure accountability is clear. Third-party dependence and risk exposure are evaluated and assessed.

They escalate risks that have a Group impact or require Group consideration in line with the Group ERM framework.

They confirm to their operating company boards and audit committees, where they exist, that they have undertaken the identification, quantification and management of risks within their operating company at least annually.

Local risk heatmaps are in place for subsidiary businesses.

Other risk heatmaps are maintained across the businesses for key areas of risk than align to the ERM framework methodology.

IAG Management Committee

The IAG Management Committee reviews risks during the year, including the Group risk heatmap biannually in advance of reviews by the Audit and Compliance Committee, in accordance with the 2024 UK Corporate Governance Code and the Spanish Good Governance Code for Listed Companies.

At the year end, the IAG Management Committee reviews the performance of the Group during the full year against the risk appetite framework and reports any near-tolerance or out of-tolerance assessments to the Audit and Compliance Committee.

The IAG Management Committee recommends severe but plausible scenarios for stressing the strategic business plan as part of the annual Group viability assessment.

IAG Board and Audit and Compliance Committee

The IAG Board has overall responsibility for ensuring that the Group has an appropriate, robust and effective risk management framework, including the determination of the nature and extent of risk it is willing to take to achieve its strategic objectives.

The IAG Audit and Compliance Committee discusses risk and considers the risk environment regularly throughout the year, as does the IAG Board as part of wider Board discussions, in addition to the IAG Audit and Compliance Committee's biannual risk heatmap review, including a review of the assessment of the Group's performance against its risk appetite for the financial year, scenarios for assessment of viability and the outputs from the viability modelling. The Audit and Compliance Committee has early sight of management consideration of viability scenarios to enable it to challenge subjectivities and confirm rationale. It then reviews the outputs at year end and makes recommendations on the viability assessment and statement to the Board.

The IAG Board reviews the Group's risk heatmap annually and it has completed a robust assessment of the Group's emerging and principal risks in the year.

The IAG Board dynamically sets risk appetite for the plan period.

Enterprise Risk Management function

The ERM function provides support across the Group to ensure risk management processes are appropriately embedded and applied consistently, working with management to identify risk, challenge assessments and strengthen the risk culture across the Group.

The function provides risk management guidance and shares best practice across the Group and its operating companies, keeping them informed of any risk-related regulatory developments. The function is responsible for ensuring that the ERM framework remains agile and responsive to meet the needs of the business and its stakeholders.

The ERM function works with other compliance and Group functions, such as Group Finance, Government Affairs, Investor Relations, Legal, Ethics and Compliance, and Sustainability, leveraging their frameworks and assessments where appropriate. Risk assessments form an important input into the Internal Audit planning and delivery process.

Risk management and principal risk factors *continued*

Overview

The highly regulated and commercially competitive environment, together with the operational complexity in the aviation sector and reliance on critical third parties for provision of goods and services, exposes the Group to risks, where its influence and ability to directly manage the risks may be limited, particularly with increased digitalisation and integration across the supply chain.

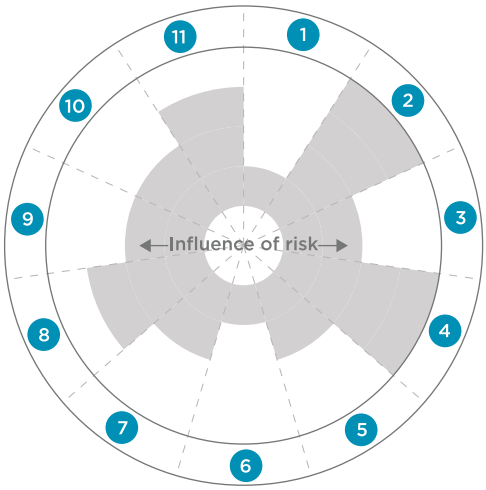
Examples include aircraft, engine and component availability; delays in airframe and engine manufacture production; issues with fleet and engine performance and reliability; the wider ongoing fundamental weaknesses in the resilience of the supply chain; ATC restrictions; underperformance at airports, particularly constrained airports; the impact of resource gaps, industrial unrest or strikes; measures taken by governments including protectionism towards domestic economies, tariff regimes or policy proposals that increase taxes or charges applied to airlines or that could impact the Group's airlines' ability to set capacity and/or pricing.

External threats that remain heightened include: lack of growth or subpar performance risk; threat of shifts in trade or business driven by tariffs, airframe and engine manufacture production and after-care support capability; cyber attack risk; increases in inflation or interest rates on demand and customer confidence; higher costs in the supply chain; expansion plans at hub airports; and the impact of escalating and ongoing geopolitical tensions and conflict in various regions. All of these could impact our customers and flight operations as well as create further airspace restrictions.

In assessing its principal risks, the Group has considered operational and technical resilience across its airlines, maintenance capacity and specialist resource requirements; the status of the financial markets; customer mix changes and route network adaptation; political risk and government policy changes, including policy shift or greater protectionism, pace of transformation; AI adoption and the impact to workforce and future skill sets; managing the cost base; the Group's industrial relations landscape and challenges in securing collective agreements; and people engagement and securing talent and expertise to deliver digitalisation, end-to-end domain transformation, manage planned growth across the operating companies and embed cultural change.

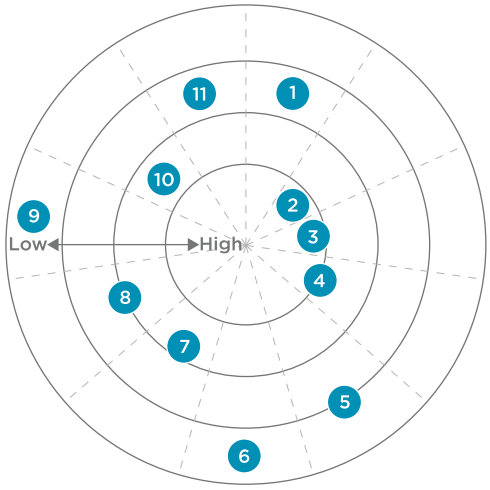
Principal risks influence

The relative level of influence each principal risk has on the other principal risks



Principal risk radar

The assessed likelihood of risk materialisation for each principal risk



Key for principal risk factors

Principal risk number

1

Strategic imperatives

- A strong core
- Capital-light earnings growth
- A sustainable value-creation framework

Category

- (S) Strategic
- (O) Business and operational
- (F) Financial including tax
- (C) Compliance and regulatory

Stakeholder impact

- Customers
- Employees
- Suppliers
- Shareholders, lenders and other financial stakeholders
- Governments and regulators

Risk trend

- ↑ Increase
- = Stable
- ↓ Decrease

Principal risk register

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

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

Where there are particular circumstances that mean that the risk is more likely to materialise, those circumstances are described.

Additional key business responses implemented by management are also set out.

The list is not intended to be exhaustive but does reflect those risks that the Board and IAG Management Committee believe to be the most likely to have a potential material impact on the Group during the plan period.

Principal risk factor table

Principal risk	Strategic imperatives	Category	Risk trend 2025	Risk trend 2024	Viability scenario
1 **Brand, customer and competition** Chief Commercial Strategy Officer/Chief Corporate Development Officer		S	=	=	1 2 3 4
2 **Critical third parties in the supply chain** Chief Transformation and Procurement Officer		O	↑	↑	1 2
3 **Data and cybersecurity** Chief Transformation and Procurement Officer		O	↑	↑	1 3
4 **Economic, political and regulatory environment** Chief Commercial Strategy Officer/Chief Corporate Development Officer		S	=	↑	1 2 4
5 **Financial risk including tax** Chief Financial and Sustainability Officer		F	↓	↓	1
6 **Group governance structure** General Counsel		C	=	=	
7 **Operational and IT resilience** Operating company CEOs/Chief Transformation and Procurement Officer		O	=	=	1 2 3
8 **People, culture and employee relations** Chief Executive Officer/operating company CEOs		O	=	=	2
9 **Safety and security and other regulatory compliance** Operating company CEOs/General Counsel		C	=	=	
10 **Sustainable aviation** Chief Financial and Sustainability Officer		S	=	=	1 2 4
11 **Transformation, innovation and AI** Chief Transformation and Procurement Officer		O	=	=	4

Risk management and principal risk factors *continued*

1 Brand, customer and competition

Chief Commercial Strategy Officer

Chief Corporate Development Officer

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
	S		=	=	1 2 3 4

Strategic relevance

- The Group's brands are positioned in their respective markets to meet their customer propositions and deliver commercial value. Any change in customer engagement or travel preferences could impact the financial performance of the Group
- IAG will continue to focus on and invest in its customer propositions to ensure competitiveness in its chosen priority customer demand spaces and to ensure that it adapts to meet changing customer expectations
- The markets in which the Group operates are highly competitive. The Group faces direct competition on its routes, as well as from indirect flights, charter services and other modes of transport. Some competitors have other competitive advantages such as government support or benefits from insolvency protection
- The Group is clear on the key levers to improve brand perception and satisfaction for each of its operating company brands

Status

Customers' sentiment to travel and their expectations when they travel are intrinsic to brand health. The Group's ability to attract and secure bookings and generate revenue depends on customers' perception of and affinity with the Group airlines' brands and their associated reputation for customer service and value. Operational resilience and customer satisfaction underpin customer trust. The Group airlines' brands are, and will continue to be, vulnerable to adverse events impacting service and operations, many of which remain outside the airlines' control. Reliability and consistency of service and product delivery, including on-time performance (OTP), and customer support through disruption, are key elements of brand value and of each customer's experience.

The Group continues to embed and optimise operational resilience and further develop disruption management capabilities and customer communication through each journey in light of the extent of the ongoing external disruption due to ATC restrictions, lack of resilience at constrained airports and industry-wide third-party supply delays, particularly over aircraft availability and engine availability and reliability. IAG remains focused on strengthening its customer-centricity and all of the Group's airlines seek to support their customers through any disruption including schedule adaptions where required. The resilience and engagement of our people as customer service ambassadors to deliver excellent customer service combined with investment in new fleet, cabin and service propositions, helps ensure that our customers choose to fly with the Group's airlines.

The Group continues to ensure that its operating companies adapt and focus their business models, products and customer propositions to meet changing customer expectations and needs (including those with additional needs). The potential for distortional effects of government policy and/or aviation-specific taxation or other regional or country-specific measures on the competitive landscape continue to be monitored. These include increases in Air Passenger Duty (APD) or fragmented application of mandates or policies on carbon offsets.

Risk description

- Erosion of the brand and customer trust through poor customer service or lack of reliability in operations may adversely impact the Group's leadership position with customers and ultimately affect future revenue and profitability
- If the Group is unable to meet the expectations of its customers and does not engage effectively to maintain their emotional attachment, then the Group may face brand erosion and loss of market share
- Some of the markets in which the Group operates remain regulated by governments, in some instances controlling capacity and/or restricting market entry. Changes in such restrictions may have a negative impact on margins
- Regulatory or policy changes may create competitive distortion, impacting the Group's airlines and their competitiveness or business model

Mitigations

- All the Group's airlines are considered within the brand portfolio review
- Brand initiatives for each operating company have been identified and are aligned to the Group's business plan
- Product investment to enhance the customer experience supports the brand propositions and is provided for in the plan
- All airlines track and report to IAG on their OTP and NPS to measure customer satisfaction
- Reviews of resilience, resourcing levels and schedule operability
- Enhanced disruption management tools within airlines to allow customers to manage their travel preferences
- Increased focus on the end-to-end customer journey from flight search through to arrival and baggage reclaim
- The Group's global loyalty strategy builds customer loyalty within IAG airlines
- The Group Strategy function supports the IAG Management Committee by identifying where resources can be devoted to exploit opportunities and accelerate change
- The airlines' revenue management departments and systems optimise market share and yield through pricing and inventory management activity
- The Group maintains rigorous cost control and targeted investment to remain competitive
- The Group's airlines are focused on customer-centricity and operational resilience
- The portfolio of brands provides flexibility as capacity can be deployed at short notice as needed
- The IAG Management Committee regularly reviews market share and the commercial performance of joint business agreements.

2 Critical third parties in the supply chain

Chief Transformation and Procurement Officer

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
			↑	↑	1 2

Strategic relevance

- Any sub-optimal service delivery or asset supplied by a critical supplier can impact the Group airlines' operational and financial performance as well as disrupt our customers and impact our brand and reputation.
- Infrastructure decisions or changes in policy by governments, regulators or other entities could impact operations but are outside the Group's control.
- The Group relies on the provision of airport infrastructure and is dependent on the timely delivery of appropriate facilities. Constraints at London and other key airports can impact the ability to recover from periods of disruption
- An uncontrolled increase in the planned cost of expansion of a hub airport, particularly London Heathrow, could result in increased landing charges, making the airport uncompetitive versus other European hubs and impact on traffic and network, growth and fleet decisions
- Airport charges represent a significant operating cost to the airlines and airport resilience weaknesses can have an impact on operations
- The Group's airlines are reliant on ATC infrastructure for flight operations and increasing ATC restrictions impacts performance and disrupts our customers
- Aircraft and engine performance and availability issues can impact the supply and reliability of aircraft, engines and components for growth, flight operations and maintenance
- Aircraft and engine availability issues can impact growth and ongoing network operations, impacting customers and competitiveness
- Inflationary cost pressures or imposition of tariffs within the supply chain may increase the cost of travel

Status

The aviation sector continues to be affected by global supply chain disruption, which has impacted new aircraft deliveries; engine and component availability and reliability; resource availability and/or threat of industrial action in critical third parties and airport services; the resilience of airports, particularly London airports and their ability to adapt to a high demand environment with increasing airport congestion; and ATC capability and restrictions, particularly given skill set shortages and weather events.

Weaknesses in aircraft and engine production have caused industry-wide delays in deliveries of new fleet and lack of spare engines. Prolonged recovery timelines continue to impact the Group's airlines' ability to deliver flight schedules as planned. Lack of component parts also combines with delays in new aircraft and spare engines, and technical performance issues requiring additional maintenance that continue to impact operations, delays aircraft maintenance and turnaround times for aircraft.

Additionally, any imposition of new tariffs or increased baseline tariffs could result in further stress on the global supply chain, further delaying aircraft and engine production, or create inflationary cost environments.

The Group proactively assesses its schedules for operability and works with all critical suppliers to understand any potential disruption within their supply chains caused by either a shortage of available resources, strike action or production delays, which could impact the availability of new fleet, engines or critical goods or reliability of critical services to support IT transformation and resilience. This has led to increased costs to secure such services. Focus has been placed on key suppliers to understand any business or operational continuity impacts, and where possible, identify other suitable suppliers. The Group continues to be impacted by availability and performance issues with Rolls-Royce Trent 1000 and Pratt & Whitney GTF engines, which are mitigated by using replacement aircraft and invoking remedy support from the engine manufacturers.

Many elements of the supply chain remain outside of the Group's ability to directly manage, including aircraft deliveries and availability of engines and components, airport performance, ATC resilience and airspace availability.

The Group continues to consult stakeholders and raise awareness of the negative impacts of ATC airspace restrictions on the aviation sector with the continued closure of airspace driven by geopolitical events.

In November, the UK Government selected the third runway proposal scheme to inform the expansion decision and the government's review of the Airports National Policy (ANPS) statement. The Group continues to challenge unreasonable levels of increases in airport charges or inefficient expansion plans, especially at London Heathrow.

Risk description

- IAG is dependent on the timely entry of new aircraft and the engine performance of aircraft to improve operational efficiency and maintain resilience in flight operations
- IAG is dependent on the timely, on-budget delivery of infrastructure and airspace changes. An inefficient Heathrow expansion plan could see increased passenger and operational costs, reducing direct and connecting traffic
- IAG is dependent on resilience within the operations of ATC services to ensure that its flight operations are delivered as scheduled
- IAG is dependent on the performance and costs of critical third-party suppliers that provide services to our customers and the Group, such as airport operators, border control and caterers. Lack of resilience or increases in costs may impact the Group's operations and customers
- IAG is dependent on the investment in infrastructure and availability and production of alternative fuels to meet its carbon commitments

Mitigations

- The Group mitigates engine and fleet performance risks, including delays to delivery and unacceptable levels of carbon emissions, to the extent possible by working closely with the engine and fleet manufacturers, as well as retaining flexibility with existing aircraft return requirements and aircraft lessors
- The Group engages in regulatory reviews of supplier pricing, such as the UK Civil Aviation Authority's periodic review of charges at London Heathrow and London Gatwick airports
- The Group is active at an EU policy level and in consultations with airports covered by the EU Airport Charges Directive
- The Group proactively works with suppliers to ensure operations are maintained and the impact to their businesses understood, with mitigations implemented where necessary and inflation minimised
- The Group Procurement function manages all critical contracts within a strategic supplier management framework
- The Group Fleet function works with the airframe manufacturers and lessors to secure aircraft for the Group
- Alternative suppliers are identified where feasible
- The Group undertakes benchmarking of supplier performance
- Transformation initiatives have been identified to offset inflation

Risk management and principal risk factors *continued*

3 Data and cybersecurity

Chief Transformation and Procurement Officer

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
			↑	↑	1 3

Strategic relevance

- The cyber threat environment remains challenging for all organisations, including the airline industry. Cyber threat actors, criminals, foreign governments, hacktivists or insiders have the capacity and motivation to attack the airline industry for financial gain or other political or social reasons
- Heightened geopolitical conflict, protectionist stances between regions and governments and the use of AI as a tool to scale malware attacks sees increased exposure with high profile attacks across different industries, particularly those with complex, interconnected supply chains
- The fast-moving nature of this risk means that the Group will always retain a level of vulnerability

Status

The risks from cyber threats continue as threat actors seek to exploit any weaknesses in defences, particularly through social engineering and human behaviours. The threat of malware attacks on critical infrastructure and services remains high due to ongoing geopolitical tensions, with the Group exposed to threat actors targeting IAG, its operating companies and its suppliers. In the year, some of the Group's businesses have been affected by attacks on third-party service providers, impacting flight operations and customers. Iberia was also subject to unauthorised access to the systems of one of its service providers, which may have exposed certain data. The Group continues to improve its cybersecurity posture either through major IT transformational change or additional monitoring tools and is focused on better understanding the risk presented by its suppliers.

The regulatory regimes associated with data and infrastructure security are also becoming more complex with different regulators applying different framework approaches and guidance for reporting. The Group airlines are subject to the requirements of privacy legislation such as General Data Protection Regulation (GDPR) and the Network and Information Systems Directive (NISD). Regulations in this area continue to increase.

The emergence and usage of AI to enhance existing tactics, techniques and procedures, produce phishing emails and deploy malware has also accelerated attempts to access organisations' systems and data and increases the threat and scale of social engineering or cyberattacks. Some use of AI by the Group will be subject to the EU AI Act, which defines AI systems and sets out a risk-based classification for AI applications.

Investment in cybersecurity systems and controls continues as planned, although addressing the risk is also dependent on business capacity and the delivery of solutions to address technical obsolescence across the operating companies. All planned investment is linked to a Group-wide maturity assessment based on the National Institute of Standards and Technology (NIST) cybersecurity framework, a leading industry standard benchmark. Data centre migration activity to the cloud across the Group's airlines will further help to improve the security controls environment. As the Group improves its security posture and maturity, it better understands the rapid nature of potential attack vectors and how to detect and respond to them.

Risk description

- The Group could face financial loss, disruption or damage to brand reputation arising from an attack on the Group's systems by criminals, foreign governments, hacktivists or insiders
- If the Group does not adequately protect customer and employee data, it could breach regulations and face penalties and loss of customer trust
- Transformation or changes in environments for the Group's operating companies and third-party suppliers could result in new weaknesses in the cyber and data security control environment
- The emergence and usage of AI to bypass cybersecurity controls, produce sophisticated phishing campaigns or allow accelerated deployment of malware could increase the scale, severity and impact of cyberattacks and cyber-related fraud, both for IAG and its supply chain
- The Group fails to meet AI regulations, particularly as it emerges from different geographical regions.
- Lack of accuracy or insufficient human oversight of AI could increase the risk of data misuse
- Increased digitalisation and integration with suppliers could increase the risk of impacts from third-party breaches or a cyberattack, including unauthorised access to Group systems, data loss or data corruption

Mitigations

- The Group has a Board-approved cyber strategy that drives investment and operational planning
- A cyber risk management framework ensures the risk is reviewed across all operating companies
- The IAG Cyber Governance board assesses the Group-wide portfolio of projects quarterly and each operating company reviews its own portfolio at least quarterly
- The IAG Chief Transformation and Procurement Officer provides assurance and expertise around strategy, policy, training and security operations for the Group
- External attack surface monitoring and threat intelligence is used to analyse cyber risks to the Group
- External benchmarking exercises are conducted on cyber posture
- Regular cyber awareness training is run by the operating companies, including annual mandatory training on cyber risk and data protection for all staff
- Oversight of critical systems and suppliers to ensure that the Group understands the data it holds, that it is secure, and regulations are adhered to
- Data protection officers are in place in all operating companies, coordinated through a Group-wide Privacy Steering Group
- All suppliers must adhere to IAG security requirements. A Group-wide third-party risk management process integrates cybersecurity due diligence into contracting processes to monitor supplier security performance
- Desktop and simulated exercises are conducted to test business response plans

4 Economic, political and regulatory environment

Chief Commercial Strategy Officer

Chief Corporate Development Officer

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
	S		=	↑	1 2 4

Strategic relevance

IAG remains sensitive to political and economic conditions in the markets globally, particularly in our hub markets. All of the following can be influenced by political and economic change:

- Business and leisure demand for travel;
- Inflation and interest rate impacts on the cost base;
- Access to markets for new or existing routes;
- Increasing levels and costs of regulation;
- Constriction in the supply of products;
- Availability of services and/or resources;
- Availability gaps for key technical skill sets;
- Imbalance in the competitive landscape;
- Ability to fly scheduled operations;
- Availability of airspace;
- Taxation, regulation and charges on aviation; and
- Pricing and pricing over ancillaries.

Status

Geopolitical risk and uncertainty remains high and wider macroeconomic events may continue to drive market volatility, impacting demand. The Group continues to monitor the implications for trade and any imposition of baseline or other tariffs that may disrupt economic confidence, relative purchasing power and drive cost inflation. Increased regulation and political intervention drive increased levels of cost and impact the ability of airlines to set capacity and pricing, which may impact the Group's revenue streams and business model. The rise of populist governments and government policy globally sees increased protectionism, which could result in market or competitive distortion and a trend for increased scrutiny from regulators and tax authorities that could see changes that increase costs to airlines. The tone of dialogue between the US, Russia, China and the EU and UK, which can influence markets and result in imposition of misaligned policies or tariffs, and any potential impact to the Group, is kept under review.

Ongoing conflicts, wars, political instability and heightened tensions across the Middle East and elsewhere continue to cause airspace restrictions and congestion for flows to Asia.

Recent supply chain disruptions have occurred in many markets and the level of disruption and potential impacts are considered across the Group. The Group also considers elections or government policy changes in key markets and the implications for trade, respective economic health and how governments view the aviation industry.

Developments in relevant international relationships, where they affect air services agreements to which the EU or UK are party, are monitored throughout the year and the Group's positions advocated with the relevant national governments. Any proposals to set floor or ceiling caps on pricing, including the scope of ancillaries that airlines may be allowed to charge their customers for, may impact the ability to freely set pricing, sell ancillaries to meet customer needs and/or set capacity.

IAG has worked through trade associations and IATA, as well as national governments, to put its case on issues of the importance of aviation to international trade and customer connectivity and the value that it brings.

Any further macroeconomic trends or potential requirements arising from disparity in policy or regulation between the EU and UK are monitored by the IAG Government Affairs function.

Risk description

- Economic deterioration or structural change in either a domestic market, key customer segment or the global economy may have a material impact on the Group's financial position, while foreign exchange, fuel price and interest rate movements create volatility
- Failure to adequately plan for and be able to respond to uncertainty driven by geopolitical or market events or health-related concerns impacts the operations, costs and customers of the Group
- Changes in government may result in a change in sentiment to aviation and access to markets
- Government policy asymmetry impacting a domestic market could increase the burden of regulation and cost to our passengers

Mitigations

- The IAG Board and the IAG Management Committee review the financial outlook and business performance of the Group through the monthly trading results, financial planning process and quarterly reforecasting process
- Reviews to assess and drive the Group's financial performance through the management of capacity, together with appropriate cost control measures including the balance between fixed and variable costs, management of capital expenditure, and actions to improve liquidity
- External economic outlook, fuel prices and exchange rates are carefully considered when developing strategy and plans and are regularly reviewed by the IAG Board and IAG Management Committee as part of business performance monitoring
- The Group engages with its regulators, governments and other political representatives and trade associations to help represent the views and contribution of the Group and aviation to society and economies
- The Group's airlines have increased their focus on enhanced disruption management tools to increase operational resilience to restrictions, such as capacity constraints at airports or health-related measures
- The Group's Government Affairs function monitors government initiatives, represents the Group's interest, forecasts likely changes to relevant laws and regulations and responds to consultations on regulatory change or policy that could impact the aviation industry or create competitive distortion

→ See the Regulatory environment section

Risk management and principal risk factors *continued*

5 Financial risk including tax

Chief Financial and Sustainability Officer

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
	F		↓	↓	1

Strategic relevance

- The Group's ability to finance ongoing operations, committed aircraft orders, future fleet growth plans or acquisitions is vulnerable to various factors including financial market conditions, financial institutions' appetite for secured aircraft financing and the financial markets' perceptions of the future resilience and cash flows of the Group
- The volatility in the price of oil and petroleum products can have a material impact on the Group's financial results
- The volatility in currencies other than the airlines' local currencies can have a material impact on the Group's operating results, particularly the US dollar
- Higher interest rates can have a material impact on the Group's operating results
- Payment of tax is a legal obligation. Changes in the tax regulatory environment, including changes in tax rates and interpretation of tax regulations by tax authorities, may result in new tax claims or additional tax costs for the Group and in additional complexity in complying with such changes

Status

Access to the secured and unsecured debt markets may be disrupted by geopolitical and economic uncertainty, impacting funding options and interest rates available to the Group for new aircraft financing or where it chooses to refinance debt. Any interest rate increases implemented by central banks increase the cost for the Group of existing floating rate debt, as well as for new financing. As at 31 December 2025, approximately 20% of the Group's debt, including hedges, was floating rate debt. The Group successfully raised long-term financing for all the aircraft deliveries it sought to finance during 2025, representing approximately one-third of the number of deliveries. The Group's credit ratings are investment grade: S&P's BBB stable and Moody's Baa2 stable.

Fuel cost volatility driven by geopolitical events is partly mitigated by the Group's fuel hedging policy. Reduced access to fuel hedging instruments or the inability to pass increased fuel costs on to consumers could impact the Group's profits. The Group continues to assess the strength of the US dollar against the euro and pound sterling and the potential impacts on the Group's operating results. All airlines hedge currency risk in line with the Group hedging policy.

Tax is managed in accordance with the tax strategy, which can be found in the Corporate Policies section of the IAG website. The Group has a number of scheduled tax audits, by local tax authorities, in progress across its businesses. Group Tax continues to work with the operating companies to support and address any tax considerations from planned investments or business structural change. Further information on tax matters, including taxes paid and collected by IAG, is set out in note 10 to the consolidated financial statements.

Risk description

- Failure to finance ongoing operations, committed aircraft orders, future fleet growth plans, business acquisitions and third-party financial guarantees
- Higher interest rates in the market, or more restrictive terms, for new finance arrangements or refinancing may impact the Group's floating finance debt, floating operating leases and cost base
- Failure to manage the volatility in the price of oil and petroleum products
- Failure to manage currency risk on revenue, purchases, cash and borrowings in foreign currencies other than the airlines' local currencies of euro and sterling
- Failure to manage financial counterparties' credit exposure arising from cash investments and derivatives trading
- The Group is exposed to systemic tax risks arising from either changes to tax legislation and accounting standards or challenges by tax authorities on the interpretation or application of tax legislation
- Businesses and consumers may be subject to higher levels of taxation as governments seek to increase environmental taxes, redesign the global tax framework and rebuild public finance

Mitigations

- The IAG Board and Management Committee review the Group's financial position and financing strategy regularly
- The Group has maintained its clear focus on managing liquidity and ensuring that critical investment in the Group is maintained
- Maintain strong relationships with banks, lenders and lessors
- Scenario planning for different financial environments
- Continuous review of capital structure to minimise interest rate exposure and lower cost of capital
- The IAG Audit and Compliance Committee and IAG Management Committee regularly review the Group's fuel and currency positions and other financial contracts
- All airlines hedge in line with the Group's hedging policy under the oversight of Group Treasury
- All airlines review routes to countries with exchange controls to monitor delays in the repatriation of cash and/or the risk of material local currency devaluation
- The Group has a financial counterparty credit limit allocation by airline and by type of exposure and monitors the financial and counterparty risk on an ongoing basis
- The Group adheres to the tax strategy approved by the IAG Board and is committed to complying with all tax laws, to acting with integrity in all tax matters and to working openly with tax authorities
- Tax risk is managed by the operating companies in conjunction with the IAG Tax function and the Group takes expert advice on tax matters as required
- Tax risk is overseen by the IAG Board through the IAG Audit and Compliance Committee
- The Group seeks to understand its stakeholders' expectations on tax matters, such as cooperative working with tax authorities and its interaction with non-governmental organisations
- The IAG Board annually reviews and approves the tax strategy

→ See the Financial review section

6 Group governance structure

General Counsel

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
	©		=	=	

Strategic relevance

- Airlines are subject to a significant degree of regulatory control. In order for air carriers to hold EU operating licences, an EU airline must be majority-owned and effectively controlled by EU nationals. British Airways is a UK carrier and not subject to the same requirement

Status

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

Risk description

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

Mitigations

- The Group has governance structures in place that include nationality structures to protect Aer Lingus's, British Airways' and Iberia's operating licences and/or route rights. These have been approved by the relevant national regulators
- IAG will continue to monitor regulatory developments affecting the ownership and control of airlines in the UK and EU

See the Corporate governance section

Risk management and principal risk factors *continued*

7 Operational and IT resilience

Operating company CEOs

Chief Transformation and Procurement Officer

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
			=	=	1 2 3

Strategic relevance

- The Group's airlines may be disrupted by a number of different events that combine to stress operational resilience
- A single prolonged event, a series of events in close succession or a combination of events over a period can impact on operational capability, financial status and brand strength
- The Group needs to adhere to local governments' restrictions and regulations, especially related to safety and public health, and is sensitive to any consequential impacts
- IAG is dependent on IT systems for most key business processes. The integration within IAG's supply chain means that the Group is also dependent on the performance of suppliers' IT infrastructure, including networks
- The Group needs to have resilience to withstand severe and unexpected stresses. Potential high-impact, low-likelihood events have been considered that could disrupt the Group and/or the aviation sector. Many of these events remain outside of the Group's control

Status

Shortages in the supply chain; airspace and ATC restrictions; availability of experienced licensed resources, including engineers and pilots; industrial unrest or strike action, combined with goods availability shortages and fragility and delays over delivery in the supply chain, especially over engines availability, can all impact the operational environment and the customer experience of the Group's airlines. This increases the costs of running operations to provide additional resilience, as well as impacting the costs and operations of the businesses on which the Group relies. The Group is focused on minimising any unplanned schedule changes or flight cancellations with additional buffers and resilience built into the airlines' networks. End-to-end domain transformation reviews seek to optimise processes, better utilise data for decision-making and deliver efficiencies.

The Group continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estates. The Chief Transformation and Procurement Officer works with the Group's operating companies to ensure appropriate prioritisation and investment, to maximise value from IT investment and to provide oversight and challenge over ambition and pace of delivery.

The Group is progressing with its digitalisation agenda, migration to the cloud from on-premises data centres, remediation and transformation of its networks and addressing obsolescence. It has moved more resources into product teams more closely aligned to business needs. The Group is reliant upon the resilience of its systems and networks for key customer and business processes and is exposed to risks that relate to poor performance, vulnerability or failure of these systems. This includes major programmes and upgrades to modernise, including new commercial capabilities and customer-centric enhancements using agile-based models, as well as replacing core IT infrastructure and improving network connectivity and reducing redundancy. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans for the go-live of IT systems-related changes with focus on minimising unplanned outages.

Risk description

- The Group's airlines are reliant on critical parties to deliver goods and services to maintain operations and any failure of the level of service or reliability and delivery of goods may impact resilience and our customers
- The ATC infrastructure and resource model does not adapt and optimise aircraft movements, impacting operations
- Lack of resilience or provision of airport services at key airports or constrained airport hubs impacts operational resilience
- Ongoing engine availability and performance problems create operational complexity and additional costs
- An event causing significant network disruption or the inability to promptly recover from short-term disruptions may result in lost revenue, customer disruption and additional costs
- Public health concerns impacting populations at scale could see an adverse effect on the Group where governments choose to impose restrictions, as would any other material event impacting customers, employees, the supply chain and flight operations
- The dependency on IT systems and networks for key business and customer processes is increasing, and the failure of a critical system may cause significant disruption
- Obsolescence within legacy infrastructure could result in service outages and disruption

Mitigations

- Management has business continuity plans to mitigate this risk to the extent feasible, with focus on operational and financial resilience and customer and colleague safety and recovery
- The Group's airlines have standby aircraft and crew in place
- Resilience to minimise the impact of ATC airspace restrictions, poor performance or constraints at airports and/or strike action on the Group's customers and operations is in place
- The Group's airlines are focused on developing customer disruption management tools to help our customers in times of disruption
- The operating companies' tech teams work to deliver digital and IT change initiatives to enhance security and stability
- Operating companies' IT governance boards are in place to review delivery timelines
- Reversion plans are developed for migrations of critical IT infrastructure
- System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure

8 People, culture and employee relations

Chief Executive Officer

Operating company CEOs

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
			=	=	2

Strategic relevance

- The Group has a large, unionised workforce with around 84% of colleagues represented by one of a number of different trade unions under collective bargaining agreements. IAG relies on the successful agreement of collective bargaining arrangements across its operating companies to operate its airlines
- Future critical skill sets and the right culture are needed to transform our businesses at pace
- Colleagues are critical to delivering the customer experience
- The Group's airlines require specialist skill sets to continue to operate

Status

Our people and their engagement, cultural appetite and mindset for change are critical to the Group's current performance and future success. Our leadership recognises the efforts of our staff and their commitment through the continued operational challenges facing our airlines. Shortages in technical licensed staff across the aviation sector and in the Group airlines may impact maintenance delivery timelines unless resource levels can be secured. Additionally, pilot entry into the Group's airlines is critical to keep the operations resilient and meet future growth plans.

Across the Group, collective bargaining is in place with various unions. Where agreements are open, and there is a threat of industrial unrest, our operating companies engage in discussions with unions, as well as governments and labour courts where relevant, to address concerns arising within the negotiations, manage customer disruption and enable the airlines to secure sustainable collective agreements and growth. In the year, the Group's airlines negotiated a number of collective agreements, with open discussions and/or consultations still in progress in a number of businesses. All of the Group's businesses continue to monitor potential changes to employment legislation to ensure compliance.

The Group is focused on staff wellbeing, people morale and motivation, and initiatives to build trust and engagement continue. The Group has identified the skills and capabilities that are required to manage its transformation. All operating companies recognise the critical role that their employees will play in the transformation and future success of the Group and they are focusing on improving organisational health and employee engagement. The Group maintains its focus on behaviours and compliance with key regulations.

Risk description

- Any breakdowns in the bargaining process with the unionised workforces may result in subsequent industrial or strike action that may disrupt operations and adversely affect business performance and customer perceptions of the airlines
- Our people are not engaged, or they do not display the required leadership or cultural behaviours
- The Group businesses fail to attract, motivate, retain or develop our people to deliver service and brand experience
- Critical skill sets are not in place to execute on the required transformation plan or to exploit innovation and AI opportunities and drive the business forward
- Technical licensed staff, including pilots and engineers, need to be secured to maintain operations
- The Group is exposed to the risk of an individual employee's or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses to the Group

Mitigations

- Ongoing information sharing, consultation and collective bargaining with unions across the Group take place on a regular basis, led by operating companies' human resources specialists, who have a strong skill set in industrial relations
- The Group's businesses ensure that remuneration is aligned to local markets in terms of productivity and pay
- Operating companies' people strategies are in place in our businesses
- Succession planning within and across operating companies
- Focus on recruiting and developing skills to run and transform our businesses
- The Group's businesses are investing in apprentice programmes and retention initiatives to develop and secure critical skill sets
- Operating companies' engagement and organisational health surveys have been conducted with action plans developed to create a positive and inclusive culture
- Access to support individuals' wellbeing
- The Group has clear frameworks in place including comprehensive Group-wide policies designed to ensure compliance, monitored by the IAG Audit and Compliance Committee
- IAG's Code of Conduct is supported by annual awareness programmes and mandatory training, with additional focus for higher-risk areas.
- 'Speak Up' and whistleblowing channels are available across the Group's businesses

Risk management and principal risk factors *continued*

9 Safety and security and other regulatory compliance

Operating company CEOs

General Counsel

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
	©		=	=	

Strategic relevance

- The safety and security of our customers and employees are fundamental values for the Group
- High-profile external events impacting the aviation sector and aircraft may change customer sentiment towards air travel
- Regulation of the airline industry covers many of the Group's activities including route flying rights, airport landing rights, security and environmental controls. The Group's ability to comply with and influence changes to regulations is key to maintaining operational and financial performance
- Carrying out business in a compliant manner and with integrity is fundamental to the values of the Group, as well as the expectations of the Group's customers and stakeholders

Status

The IAG Audit and Compliance Committee of the Board and the Safety board of each operating company continue to monitor the safety performance of IAG's airlines. Safety and security responsibility lies with each Group airline in accordance with its applicable standards.

The Group continues to embed its compliance framework. Refreshed training materials have been rolled out across the Group's businesses.

The Group maintains its focus on compliance with key regulations and mandatory training programmes have continued through the year.

Risk description

- A failure to prevent or respond effectively to a major safety or security incident or intelligence may adversely impact the Group's brands, operations and financial performance
- A failure to meet legal or regulatory standards may result in breach with the potential to hurt or impact our customers, employees or third parties, or impact our operations and lead to reputational damage, fines or losses to the Group

Mitigations

- The corresponding safety committees of each of the airlines of the Group satisfy themselves that they have the appropriate resources and procedures, which include compliance with Air Operator Certificate requirements
- The Group's airlines have comprehensive training and maintenance programmes in place, supported by a just culture environment, where everyone is accountable for their actions and their performance is reflective of the knowledge, behaviours and skills they have
- There is ongoing security engagement with airports, regulators and public authorities across the airlines' networks
- Incident centres respond in a structured way in the event of a safety or security incident or intelligence
- The Group has clear frameworks in place, including comprehensive Group-wide policies designed to ensure compliance, monitored by the IAG Audit and Compliance Committee
- Compliance, human resources and legal professionals specialising in competition law, anti-bribery and other legislation and regulations that apply to the Group businesses support and advise the Group's businesses
- IAG's Code of Conduct is supported by annual awareness programmes and mandatory training, with additional focus for higher-risk areas
- 'Speak Up' and whistleblowing channels are available across the Group's businesses

10 Sustainable aviation

Chief Financial and Sustainability Officer

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
	S		=	=	1 2 4

Strategic relevance

- IAG advocates for a fair transition where climate regulations uphold the global competitiveness of all airlines and regulators administer appropriate, fair obligations to reduce carbon emissions by all airlines, alongside incentives that support the delivery of emission-reduction initiatives
- IAG has a low-carbon transition pathway that is embedded into its business strategy. Sustainability considerations are included in the business planning process for all operating companies
- IAG engages with governments, regulators and industry bodies, advocating for a balanced regulatory framework that supports decarbonisation while recognising aviation's vital social and economic role
- Fragmented regulatory policy requirements increase the potential for competitive distortion and sub-optimal outcomes for customers
- Our customers, employees, stakeholders and potential investors seek confirmation over our sustainability agenda

Status

IAG is committed to a target of net zero carbon emissions across its operations and supply chain by 2050. The Procurement function has a key role to play in ensuring delivery of the Scope 3 commitment for the Group with supplier sustainability ratings and sustainability clauses in supplier contracts key considerations for future contract negotiations and renewals.

Plans implemented by the EU, UK and US governments to decarbonise aviation have resulted in fragmentation of policy measures and support offered by governments for green initiatives across the different regions in which the Group airlines operate. SAF infrastructure and availability still lags demand, impacting the ability to achieve the aviation industry's carbon reduction commitments. Mandates and other tax-based measures may disproportionately impact the Group's airlines versus their competitors. All of the Group's airlines have agreed deals for the production of SAF to meet the Group's target for its use on the path to decarbonisation. Overall aviation industry requirements will require infrastructure investments across markets to support the production of SAF to meet demand expectations. Ongoing industry-wide new fleet entry delays may also impact fuel efficiency.

IAG continues to model potential impacts and costs, with mitigation plans embedded into strategic and financial planning. The Group and its businesses completed a double materiality assessment in the year as part of the CSRD reporting requirements.

IAG continues with its assessment of climate-related risks under the TCFD guidelines by testing and revising its assumptions against updated forecasts for future business growth, the regulatory context and future carbon pricing. The Group has embedded forecasting of its climate impacts into its strategic, business and financial planning processes and has assessed that it is resilient to material climate-related impacts.

Risk description

- Concern about climate change and the impact of carbon affects Group airlines' performance as customers seek alternative methods of transport or to reduce their levels of air travel
- New taxes, changes in government policy or stance, the potential removal of aviation jet fuel exemptions and increasing price of carbon allowances impact on price and demand
- The airline industry is subject to fragmented regulatory requirements and policy asymmetry between markets, driving costs and operational complexity, as well as the potential for competitive distortion between airlines and sub-optimal outcomes for the planet
- Demand exceeds supply to meet sustainable fuel mandates or infrastructure and production is not available in the markets the Group airlines serve
- SAF policy fragmentation results in different in-scope allowances across markets, distorting the competitive environment and levels of carbon costs
- The Group may face an increasing challenge by external parties over decarbonisation when utilising offsets to meet compliance obligations
- Increasing severity of weather events results in operational and customer disruption

Mitigations

- IAG climate change strategy to meet target of net zero carbon emissions by 2050
- Annual incentive plans link manager bonuses to annual carbon intensity targets
- Embedded climate impacts into the financial statements, balance sheet, financial forecasting and other relevant disclosures
- IAG's commitment to SAF usage and meeting the Group's share of mandated SAF uplift obligations with operating companies continuing to secure mid- and long-term supply agreements
- IAG actively monitors the delivery of SAF procured
- Fleet replacement plan is introducing aircraft and engines into the fleet that are more carbon efficient
- Reporting on sustainability performance in the IAG supply chain to better mitigate supply chain-related sustainability risks
- Participating in CORSIA, the ICAO global aviation carbon offsetting scheme and the EU ETS and UK ETS emission trading schemes
- Horizon scanning for potential partners and technology
- Engagement across UK, EU and global trade associations to shape effective climate policy and drive support for low-carbon solutions

See the Consolidated Non-Financial Information Statement and Sustainability Information

Risk management and principal risk factors *continued*

11 Transformation, innovation and AI

Chief Transformation and Procurement Officer

Strategic imperatives	Category	Stakeholder impact	Risk trend 2025	Risk trend 2024	Viability scenarios
			=	=	4

Strategic relevance

- The transformation, innovation and AI agenda is critical to the Group's ability to deliver strong returns and to compete in the competitive marketplace, where distortionary effects of any aviation support schemes may allow competitors to address debt or accelerate their change agendas and invest to improve capabilities and customer propositions
- Competitors and new entrants to the travel market may use digital tools, innovate or use AI and technology more effectively and disrupt the Group's business model

Status

The Group continues to focus on its cost base to offset price increases in the supply chain, particularly costs from fleet and engine manufacturers and the additional costs of resilience, to ensure that the Group is well prepared for any further external headwinds that may impact the aviation industry. Opportunities for AI adoption to drive efficiencies and better insights have been identified across the Group's businesses with business cases and implementation subject to guardrails to help protect against unexpected outcomes. The people impact of change and the talent and skill sets needed for the future size and shape of the Group's businesses are considered as part of the Group's transformation and innovation programmes.

The Group has an established Transformation Programme Management Office, which has oversight of an agreed portfolio of initiatives across the Group focused on improving customer service, revenue and cost efficiency, and the transformation mindset is becoming part of our culture. Many of the programmes are multi-year and all are subject to the ongoing review and investment approvals of the IAG Board. This has strengthened the Group's operating companies' focus on addressing their legacy estates to deliver digital customer experiences.

Risk description

- Failure to transform the business to effectively deliver cost-efficiency initiatives, maintain or grow share in the new competitive environment, fully implement all programmes across the Group and realise the benefits of the change initiatives to deliver Group digital platforms and customer propositions
- The pace of change may expose the Group to execution risk as multiple initiatives are delivered across processes and systems that serve our operations and customers
- The impact on our people of the wide-ranging change agenda, if poorly managed or uncoordinated, could lead to logistical and engagement challenges, with the potential to negatively impact NPS, revenue and efficiency benefits
- Further simplification, optimisation and efficiencies from end-to end domain transformation are not delivered
- Competitors, or new entrants, may invest and innovate in deploying digital technologies, AI, sustainability initiatives and/or platforms ahead of the Group
- Technology disruptors may use tools to position themselves between our brands and our customers
- The levels of data capture, data storage and security and availability of data are not sufficient and ready to exploit AI use cases
- Lack of accuracy or insufficient human oversight of AI tools and agentic AI development and outputs within technical teams and by employees in the operating companies could result in errors, suboptimal business decisions or reputational or brand impacts
- The Group does not understand the scope or depth of the use of AI and agentic AI across its businesses and third parties as its prevalence accelerates

Mitigations

- The Chief Procurement and Transformation Officer has clear oversight of all programmes across the Group's businesses
- Mirrored structures in the operating companies
- Consistent core metrics and dashboard reporting used to assess performance against plan
- The IAG Management Committee has regular operating-company-specific meetings to assess their transformation agenda and the risks to delivery
- The Group transformation agenda is subject to Board approval and progress is regularly monitored by the Board
- Group AI governance committee to assess AI initiatives to allow the Group businesses to exploit AI capabilities, with mirrored committees in place across all operating companies
- There are operating company-led communications to our employees on change initiatives and changes that may affect them
- Consideration is given to the Group's sustainability commitments and agenda for all programmes
- Any potential changes that could impact the brands are reviewed to mitigate against reputational and brand damage
- The IAGi accelerator programme continues to create early-stage engagement and leverages new opportunities with startups and technology disruptors

Viability assessment

Longer-term trends and risk considerations

The Directors have assessed industry, Group-specific and non-sector-specific longer-term trends over a timeframe beyond the plan period, such as climate change regulation, infrastructure development proposals at hub airports, availability and timing of new technologies in fleet and engines, exploitation of innovation, AI and related tools, policy uncertainty, and aviation's complex, integrated supply chain. These trends may require the business to consider strategic responses, business model adaptions and new skill sets ahead of any potential impact to the Group plan.

Other considerations include:

- Economic trends and shifts in the relative strengths of global economies, including the rise of emerging markets and hubs, market shifts and interconnectivity including partnerships and alliances, the competitive landscape and changes in customer mix or sentiment to travel;
- Supply chains and proximity and reliability of supply, and inflationary, resource and availability pressures;
- Costs of compliance with environmental and climate change regulations and/or lack of availability of infrastructure to meet commitments or mandates;
- Increasing regulatory burdens, policy asymmetry or government intervention impacting aviation and the Group's business model;
- Areas of risk or opportunity for the Group, such as workforce availability, migration, war for talent and critical skill sets, AI and agentic AI adoption, outcomes of mis- and dis-information, and workforce demographic changes;
- Airframe and engine availability, performance and reliability;
- The potential macroeconomic consequences of tariffs or trade barriers, interest rates and inflation, especially where there are labour shortages in key markets or a shortage of technical specialists;
- Shifts in regional economic power and security implications of government change or policy change;
- The Group's resilience to future events impacting aviation, global or financial markets, interest and exchange rate changes, particularly the US dollar; and
- Stakeholder expectations over IAG's commitment to acting with integrity to protect our planet, particularly on climate change and carbon impacts.

Risk assessment across the timeline of the plan

The Directors have assessed key threats and trends faced by the industry, emerging risks and opportunities, and other industry and Group-specific risks that could impact the Group's business plan:

- These are considered in light of their impact on our business model and relevance, operations, customers and financial status and include changes in regulations, customer trends and behaviours, macroeconomic predictions on growth, workforce availability, regional market opportunities, technology trends, environmental implications and infrastructure developments that could impact our operations, as well as more existential threats to aviation;
- When developing the Group's three-year business plan, longer-term considerations have been assessed by the IAG Management Committee and the Board in conjunction with the priorities of and risks faced by the business; and
- The Board also conducted its annual strategy session, in addition to regular performance and strategy delivery progress reviews during the year. Following this process, short-, medium- and longer-term priorities, challenges and opportunities were identified and actions agreed.

Viability scenario process

When considering the viability of the Group for the purposes of this report, the Directors have evaluated the risk landscape facing the Group and have recommended plausible but severe downside scenarios that could impact the Group's three-year plan, in order to determine the Group's resilience to such impacts.

The results of these scenarios on the plan have been presented both pre and post an assessment of the likely effectiveness of the mitigations that management reasonably believes would be available over this period (which are not already reflected in the plan).

The Directors have assessed key threats and trends, and emerging risks and opportunities, to determine plausible but severe downside scenarios that could impact the Group's three-year business plan.





Risk management and principal risk factors *continued*

Scenarios modelled

The scenarios have been defined by management and designed to consider principal risks (or combinations of risks) that could materialise over the viability period and weaken the Group's liquidity position, and therefore its financial sustainability. Each scenario is regarded as severe but also plausible and has considered the impact on liquidity, solvency and the ability to raise financing in an uncertain and volatile environment.

Management has also assessed mitigations that are available to the business beyond operating cost reductions, including further financing, capital expenditure plans and potential disposals. Options are presented, as appropriate, for the Board to assess. In reviewing and approving the scenarios, the Board considered, among other matters, the availability and sufficiency of potential mitigations, the expected speed of implementation in response to the uncertainty and the future flexibility required for the Group to adapt further as needed.

Sensitivities in the scenarios' assumptions have been highlighted by management and challenged by the Board. In addition, the Board reviewed the results of revenue and margin reverse stress tests, which demonstrated the level of sustained passenger revenue decline and, separately, margin decline before mitigations, that would result in the Group using all available liquidity (including cash and currently available undrawn credit facilities) and compared these to the outputs from the scenarios.

No.	Title	Link to principal risks
1	**Downside case**	
	This scenario configures a blend of commercial and operational adverse impacts, including a cyber event within an airline, which would result in capacity reductions and disruption to operations and customers, in addition to an increase in fuel prices over and above the Group's business plan assumptions. Economic considerations include a combination of events reducing capacity up to a maximum of 25%, increasing fuel prices up to 20%, reducing passenger unit revenue and increased operational costs. The downside case assumes that the airlines have access to further mitigations, including access to their portions of the available revolving credit facility. The period to June 2027 of this downside case has also been applied as the downside case in the going concern analysis (see note 2 to the consolidated financial statements).	1, 2, 3, 4, 5, 7, 10
2	**Operational resilience challenges**	
	Lost revenue within some IAG airlines from pre-emptive flight cancellations in response to resourcing challenges with resultant reputational impact. Ongoing challenges in the global supply chain, particularly aircraft and engine availability, reliability and performance, lead to an increase in grounded aircraft awaiting maintenance, with further capacity reductions also impacting revenues. Revenues from the Group's maintenance business are also impacted by the lack of available spare parts. Further revenue impact considered from reduced capacity as a result of ATC airspace restrictions and outage. Revenue impact from schedule disruption due to extreme weather events also considered within the scenario.	1, 2, 4, 7, 8, 10
3	**Cybersecurity and IT infrastructure**	
	Stresses to model the impacts of a ransomware attack on an IAG airline across different duration periods. The scenarios assume a disruption period of up to multiple weeks resulting from the attack before full connectivity is re-established and flight operations are fully restored, impacting customers and operations of the affected airline. It also assumes lost revenue due to disruption of operations at the affected airline with knock-on impacts to other IAG airlines due to the need to isolate and switch off connectivity of Group-shared credentials platforms. There are also further lost revenues due to reputational impact and increased EU 261 and other customer goodwill costs. Associated costs of recovery from the incident include the disruption through the investigation period including increased IT costs as well as brand impacts and the potential for regulatory scrutiny and fines.	1, 3, 7
4	**Sustainability and business transformation**	
	An increasing revenue stress on flight operations across the Group to reflect changes in customer behaviours from the demand impact of costs of carbon. Increased carbon costs and sustainable fuel costs to meet mandates and where supply cannot be secured. Revenues in key markets below plan expectations also modelled to reflect a potential long-term change in mix and travel behaviours. Potential for lost revenue impact arising from delays in delivering and realising the benefits of business transformation initiatives and increased costs of securing required resourcing levels. Longer-term consideration of the impacts of climate change and carbon and regulatory initiatives to address this within the aviation sector, such as the implementation of new regulatory policy, carbon costs and the cost and availability of SAF are also subject to assessment and modelling by the Group in addition to the viability scenario assessments.	1, 4, 10, 11

Viability scenario includes sustainability-related stress

Viability statement

The Directors have assessed the viability of the Group over three years to December 2028. They have considered the global macroeconomic environment and geopolitical uncertainty, the robustness of the aviation industry to external shocks and the resilience of its supply chain, the assumptions of the plan, the strategy of the Group and the Board's risk appetite. Although the prospects of the Group are considered over a longer period, the Directors have determined that a three-year period is an appropriate timeframe for assessment as it is aligned with the Group's strategic planning period (as reflected in the plan), and as the external uncertainties facing the aviation sector continue to be significant and many are beyond the Group's ability to influence directly.

The Board recognises the pace of change required within the Group to further adapt, maintain appropriate resilience and respond to this environment, in addition to the rapidly changing competitive landscape and wider global macroeconomic conditions.

The Group has reviewed the modelling of the impact of mitigating actions to offset further deterioration in demand and capacity, including reductions in operating expenditure and capital expenditure. The Group expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions it would pursue in the event of adverse liquidity experience.

Further details on debt financing can be found in the going concern disclosures in note 2 to the consolidated financial statements.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation, meet its liabilities as they fall due and raise financing as required over the period to December 2028. However, this is subject to a number of significant factors that are outside the control of the Group. In reaching this assessment the Directors have made assumptions when considering both the plan and the downside case (the most severe and plausible of the viability scenarios considered):

- The Group will continue to have access to funding options and the capital markets will retain a level of stability and appetite for funding within the aviation sector;
- The Group can implement any further structural changes required in agreement with any union consultation processes and regulatory approvals;
- Any imposition of extensive new tariff regimes does not result in acute stress on the global supply chain, particularly for aircraft or engines, and/or result in a global macroeconomic correction driving recessions;
- Any pandemic or other public health-related restrictions do not result in further prolonged and substantial capacity reductions and groundings as governments do not have the appetite for the economic impact and stress that such actions would place on their respective economies and populations;
- Any negative disruptive effects of AI do not significantly affect the sector or global markets, including further stresses on infrastructure availability, financial markets or the supply chain;
- Any major climate shocks do not result in significant, prolonged travel disruption; and
- Geopolitical events do not result in war zones significantly impacting financial markets, airspace operations and connectivity flows across our flight schedules.





Corporate Governance

Corporate Governance

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Chairman's introduction to Corporate Governance



Javier Ferrán
Chairman

"Our robust and efficient governance framework underpins our ability to live our values and deliver on our strategy."

I am pleased to present IAG's Corporate Governance report for the year ended 31 December 2025. The report describes IAG's corporate governance framework and procedures and summarises the work of the Board and its Committees to illustrate how we have fulfilled our duties during the year.

The Board is responsible for the effective leadership of the Group and promoting its long-term sustainable success. During 2025, the Board supported management to build on the strong results achieved in 2024 to deliver record financial performance for the Group in 2025. The strong financial position has enabled us to continue to deliver significant shareholder returns while balancing the interests of our wider stakeholders.

Chairman's introduction to Corporate Governance *continued*

We have continued to focus on the implementation of our strategy and held a productive Board strategy session with members of the IAG and operating company management teams in October 2025. We remain focused on delivering on our transformation and innovation agenda through the development of initiatives that benefit both our shareholders and other stakeholder groups alike.

Board succession

Peggy Bruzelius and Emilio Saracho both stepped down from the Board at the 2025 Annual Shareholders' Meeting held in June. I thank them both for their commitment and contribution during their years of service as directors of the Company.

I am pleased to have welcomed two new non-executive directors to the Board and its Committees. Simone Menne and Päivi Rekonen were appointed at the Company's Annual Shareholders' Meeting on 19 June 2025. Simone Menne brings significant financial and accounting experience from the airline and transportation industry gained through several non-executive and executive roles. Päivi Rekonen brings expertise in strategy, digital and technology transformation also gained across a plethora of different industries in both executive and non-executive positions.

Simone Menne was also appointed to the Audit and Compliance and the Remuneration committees while Päivi Rekonen joined the Nominations and the Environmental and Corporate Responsibility (ECR) committees with effect from 19 June 2025.

People and Culture

Culture and our people remained high on the Board agenda in 2025, building on the investment and development already made to support people transformation and development at all levels of the organisation. We were regularly updated on people initiatives within each operating company and were glad to see the progress being made across the organisation. The Board continues to support management in building a healthy organisational culture that aligns to our core values of ambition, teamwork, innovation, pragmatism, efficiency and responsibility and supports our Group strategy.

In January 2026, we announced that Nicholas Cadbury would be stepping down from his role in June 2026. José Antonio Barrionuevo has been appointed as his successor and he brings a strong track record in financial leadership and transformation in the aviation sector. He currently serves as Chief Financial and Transformation Officer at British Airways.

On behalf of the Board, I would like to thank Nicholas for his contribution during these years. Under his leadership, IAG has built back its balance sheet and profitability and improved shareholder returns, positioning the Group for long-term growth.

As in previous years, we continued our programme of workforce engagement, which enables members of the Board to play an active role in embedding our culture by engaging and interacting with the core functions across the Group. The outcomes of the engagement are presented to the Board each year in December and provides the opportunity for the Board and management to discuss the feedback; this ultimately aids the refinement of our people and culture strategies over the year to come.

The Board recognises the importance of diversity in the broadest sense, which enriches perspectives and supports effective decision-making contributing to the Company's long-term success for the benefit of all stakeholders.

At IAG, our purpose is to connect people, businesses and countries. By opening up the world, we enable individuals to experience different cultures, broaden their horizons and bring communities together. This commitment to connection reflects our belief in diversity and inclusion as fundamental to our success. We remain focused on attracting the best talent across the Group and ensuring that our leadership pipeline reflects a broad range of skills, experiences and perspectives. Succession planning for senior leaders is a key priority, and we are mindful of the benefits that diverse characteristics bring to decision-making and governance. By fostering an inclusive environment, we aim to strengthen our ability to innovate, respond to challenges and deliver sustainable growth for all stakeholders.

Governance updates

As reported in the 2024 Annual Report and Accounts, the Board approved an update to its Regulations and those of its advisory committees in February 2025, which was driven by the publication of the revised CNMV Technical Guide on Audit Committees and the 2024 refresh of the UK Corporate Governance Code.

This review also involved redefining the Group's safety governance. Responsibility for overseeing the functioning of the Group's airlines' safety risk supervision and management systems was allocated to the Audit and Compliance Committee. As before, this is general oversight, assuming that each Group airline is directly responsible for the safety of their operations as holders of their respective operating licences.

In addition, a Group Safety Coordination Committee has been set up to facilitate coordination between the Group's airlines and to provide a forum for discussing common challenges and sharing best practices. This committee also serves to support the general oversight role of the IAG Audit and Compliance Committee.

Assigning overall responsibility for supervising the entire risk management and internal control system to the Audit and Compliance Committee also aligns well with the new requirements of provision 29 of the UK Corporate Governance Code, which will come into force in 2026. The Board has been regularly updated on the Group's preparations and roadmap for reporting against this new provision 29 and have overseen a number of policy and process updates.

Board performance review

As required under the UK and Spanish Corporate Governance Codes, we conducted an external Board and Committee performance review this year. The process was led by Dr Tracy Long of Boardroom Review Limited to ensure an objective review with actionable recommendations. The findings were discussed at the November Board meeting and an action plan was agreed for the year ahead. The outcomes of this review and further details on the process are provided later in this report

Looking ahead

The Board's priorities for 2026 remain consistent with prior years, focusing on the implementation of the Group strategy, transformation and sustainable value creation for both our shareholders and wider stakeholders – underpinned by strong and effective corporate governance practices, which help to maintain our values and strong corporate culture.

I want to thank all employees for their continued dedication, efforts and hard work in delivering our 2025 performance. I would also like to extend my thanks to my fellow Board members for their commitment and support during 2025.

Javier Ferrán
Chairman

Our Board of Directors



1. Javier Ferrán
Chairman



2. Luis Gallego
Chief Executive Officer



3. Heather Ann McSharry
Senior Independent Director



4. Eva Castillo
Non-Executive Director



5. Margaret Ewing
Non-Executive Director



6. Maurice Lam
Non-Executive Director



7. Bruno Matheu
Proprietary Director



8. Simone Menne
Non-Executive Director



9. Robin Phillips
Proprietary Director



10. Päivi Rekonen
Non-Executive Director



11. Nicola Shaw
Non-Executive Director

Board of Directors *continued*

1. Javier Ferrán (N)

Key areas of experience:
Consumer, finance, sales/marketing, governance.

Current external appointments:
Chairman, Casa Optima SPA. Managing partner, Terlos LLP.

Previous relevant experience:
Chairman, Diageo Plc 2017–2025. Non-executive director, Coca-Cola European Partners Plc 2016–2020. Chairman of Supervisory Board, Picard Surgelés 2010-2020. Member, International Advisory Board ESADE 2005–2019. Non-executive director, Associated British Foods Plc 2005–2018. Non-executive director, Desigual SA. 2014–2017. Non-executive director, SABMiller Plc 2015–2016. Vice chairman, William Grants & Sons Limited 2005–2014. Non-executive director, Louis Dreyfus Holdings BV 2013–2014. Non-executive director, Abbott Group 2005–2008. Non-executive director, Chupa Chups SA 2000–2003. Partner, Lion Capital LLC 2005–2018. President EMEA, President and CEO, Bacardi Group 1992–2004.

2. Luis Gallego

Key areas of experience:
Airline industry, general management.

Current external appointments:
Member of the Board of Governors and chair of IATA Board.

Previous relevant experience:
Chairman and CEO, Iberia 2013–2020. CEO, Iberia Express 2012–2013. Chief Operating Officer, Vueling 2009–2012. Founder of Clickair 2006–2009.

3. Heather Ann McSharry (R) (N)

Key areas of experience:
General management, pharmaceuticals/ healthcare, financial services, consumer products, food and construction industry sectors, governance.

Current external appointments:
Non-executive director, chair of Nominations and Governance Committee, Jazz Pharmaceuticals Plc.

Previous relevant experience:
Non-executive director, CRH Plc 2012-2021. Non-executive director, Greencore Plc 2013–2021. Non-executive director, Uniphar Plc 2019–2020. Non-executive director, Bank of Ireland Plc 2007–2011. Chairman, Bank of Ireland Pension Fund Trustee Board 2011–2017. Managing Director, Reckitt Benckiser Ireland 2004–2009. Managing Director, Boots Healthcare Ireland 1998-2004.

4. Eva Castillo (A) (R)

Key areas of experience:
Financial sector, telecoms sector.

Current external appointments:
Trustee of the Council for Economy of the Holy See (Vatican). Trustee of the Board of the Comillas ICAI Foundation. Member of Entreculturas Foundation. Member of Advantere School of Management. Member of the advisory board of NTT Data Spain S.L.U.

Previous relevant experience:
Non-executive director, Caixabank 2012-2025. Non-executive director, Zardoya Otis 2019–2022. Non-executive director, Bankia 2012–2021. Chair, Telefónica Deutschland AG 2012–2018. Non-executive director, Telefónica, S.A. 2008–2018. Non-executive director, Visa Europe Plc 2014–2017. President and CEO, Telefónica Europe 2012–2014. Non-executive director, Old Mutual Plc 2011–2013. President and CEO, Merrill Lynch Capital Markets, Spain 1999–2006. President and CEO, Merrill Lynch, Wealth Management EMEA 2006–2009.

5. Margaret Ewing (A) (N)

Key areas of experience:
Professional services, financial accounting, corporate finance, strategic and capital planning, corporate governance, risk management.

Current external appointments:
Senior independent director and chair of the Audit and Risk Committee, ConvaTec Group Plc. Non-executive director and chair of the Audit and Risk Committee, ITV Plc.

Previous relevant experience:
Trustee and chair of the Finance and Audit Committee, Great Ormond Street Hospital Children's Charity 2015–2020. Non-executive director, Standard Chartered Plc 2012–2014. Independent external member of the Audit and Risk Committee, John Lewis Partnership Plc 2012–2014. Non-executive director, Whitbread Plc 2005–2007. Vice chairman, managing partner, Public Policy, Quality and Risk and London Practice senior partner, Deloitte LLP 2007–2012. Director of finance, BAA Ltd 2006 and chief financial officer, BAA Plc 2002–2006. Group finance director, Trinity Mirror Plc 2000–2002. Partner, Corporate Finance, Deloitte & Touche LLP 1987–1999.

6. Maurice Lam (A) (E)

Key areas of experience:
Professional services, financial accounting, audit and compliance in the banking industry.

Current external appointments:
Independent director, chairman of the Audit Committee and member of the Board Risk Committee, Bank of China (Europe) S.A. Independent director and chairman of the Audit and Compliance Committee of Banque Internationale à Luxembourg S.A.

Previous relevant experience:
Independent director, chairman of the Audit Committee and member of the Board Risk Committee of Quintet Private Bank (Europe) S.A. 2015–2020. Member of the board of directors of LuxConnect S.A., a Luxembourg state-owned company, acting as a business enabler in the ICT market 2013–2016. Independent director, Generali Fund Management S.A. 2013. Deloitte Luxembourg, Managing partner and CEO, 2000–2010, Head of audit 1993–2000, Audit Partner, Financial Services 1988–1993; Deloitte & Touche UK 1979–1985.

●	Committee Chair
(A)	Audit and Compliance Committee
(N)	Nominations Committee
(R)	Remuneration Committee
(E)	Environment and Corporate Responsibility Committee

7. Bruno Matheu (E)

Key areas of experience:
Airline industry and transportation, marketing.

Current external appointments:
Founder and president, BLM Consulting. Senior Advisor Boston Consulting Group. Director, Transat A.T. Inc.

Previous relevant experience:
CEO, Airline Equity Partners – Etihad Aviation Group, 2014–2017. Member of the boards of Virgin Australia and Air Seychelles, 2014–2017. Chief officer Long-Haul Business Unit, Air France, 2013–2014. EVP Marketing, Revenue Management and Network, Air France–KLM, 2004–2012. Member of the Group Executive Committees Air France–KLM, 2004–2012. Chairman, Commercial Committee Air France–KLM, 2004–2012. Co-chairman, Joint Ventures with Delta Airlines, China Eastern and China Southern, 2004–2012. Non-executive director, Air France, Alitalia, CityJet, Amadeus, Ecole Centrale, 2004–2012.

8. Simone Menne (A) (R)

Key areas of experience:
Airline industry, transportation, financial accounting, corporate finance, risk management and internal audit, technology, corporate governance, consumer goods and human resources.

Current external appointments:
Non-executive director, Siemens Energy. Non-executive director and Audit Committee chair, Henkel. Non-executive director, Russel Reynolds Associates.

Previous relevant experience:
Non-executive director, Johnson Controls International, 2019–2025. Non-executive Director, Deutsche Post 2014–2024. Non-executive director, BMW 2015–2021. Non-executive director, Springer Nature 2018–2020. Member of management, Boehringer Ingelheim GmbH 2016–2017. Member of the Management Board and executive vice president Finance and Aviation Services, Deutsche Lufthansa AG 2012–2016. Chief financial officer, British Midland Ltd 2010–2012. Head of finance and controlling, Lufthansa Technik AG 2004–2010. Head of finance and human resources Europe, Deutsche Lufthansa AG 2001–2004. Head of finance and human resources Southwestern Europe, Deutsche Lufthansa AG 1999–2001. Managing director, Lufthansa Revenue Services GmbH 1989–1999. Various functions, Deutsche Lufthansa AG, including head of EDP and user services, head of accounting West Africa, Auditing 1987–1997.

9. Robin Phillips (E)

Key areas of experience:
Finance, airline industry and transportation.

Current external appointments:
Chairman, Development Funding Board, Pancreatic Cancer UK. Senior advisor, Circadence Corporation (US). Board member, IR Scientific (Canada).

Previous relevant experience:
Global head/co-head of Corporate and Investment Banking, head of Global Banking and Markets (Hong Kong), group head Climate Committee, head of Global Industries Group, head of Transport, Services and Infrastructure, HSBC 2003–2019. Global co-head of Transport and Infrastructure Group, Citigroup 1999–2003. Executive director, Transportation and Aviation Investment Banking, UBS Warburg 1992–1999. Assistant director, Capital Markets, Kleinwort Benson 1985–1991.

10. Päivi Rekonen (E) (N)

Key areas of experience:
Technology innovation, digital transformation, strategic planning, governance, international market expansion.

Current external appointments:
Non-executive director, Wipro Limited. Chair of the Board of Directors, Amina Bank AG. Non-executive director, Konecranes Plc. Member of the Supervisory Board and member of the Foundation, IMD Business School.

Previous relevant experience:
Non-executive director, WithSecure Plc 2017–2024. Non-executive director, Efecte 2018–2023. Non-executive director, Alma Media Plc 2018–2021. Managing director, UBS 2014–2018. Senior vice president and global head of Group Strategy and Digital Marketing, Adecco Group 2011–2012. Managing director and global head, Corporate IT Services Solutions, Credit Suisse Group, 2007–2009. General manager and head, Strategy, Internet Business Solutions Group, and previously other senior positions, Cisco Systems 1998–2007. Head, Competence & Human Resources Development, Greater China and previously other senior positions. Nokia 1990–1998.

11. Nicola Shaw (R) (E)

Key areas of experience:
Transport sector, public policy and regulatory affairs, consumer, safety and environment, operational management.

Current external appointments:
Chief executive, Yorkshire Water.

Previous relevant experience:
Executive director, National Grid Plc 2016–2021. Non-executive director Ellevio AB 2015–2017. CEO, HS1 Ltd 2011–2016. Non-executive director, Aer Lingus Plc 2010–2015. Director and previously other senior positions FirstGroup Plc 2005–2010. Director of Operations and other management positions Strategic Rail Authority 2002–2005. Deputy director and deputy chief economist, Office of the Rail Regulator 1999–2002.

●	Committee Chair
(A)	Audit and Compliance Committee
(N)	Nominations Committee
(R)	Remuneration Committee
(E)	Environment and Corporate Responsibility Committee

Corporate Governance

Statement of compliance with applicable corporate governance codes

IAG is incorporated and listed in Spain and is subject to Spanish legislation and corporate governance requirements, including the requirement to report on its compliance with the Spanish Good Governance Code of Listed Companies, last updated and published by the Spanish *Comisión Nacional del Mercado de Valores* (CNMV) in June 2020 and available on its website (www.cnmv.es).

IAG is also listed on the London Stock Exchange and is subject to the UK Listing Rules, including the requirement to explain whether it complies with the UK Corporate Governance Code published by the UK Financial Reporting Council (FRC). A copy of the version of the UK Corporate Governance Code applicable to this reporting period (updated and published in January 2024) is available on the FRC's website (www.frc.org.uk).

IAG has prepared a consolidated Corporate Governance report responding to both Spanish and UK reporting requirements, which is available separately on the Company's website (www.iairgroup.com) and on the CNMV website (www.cnmv.es). Pursuant to the CNMV regulations, this report has been filed with the CNMV and accompanied by a statistical annex covering some legally required data. At the same time, this Corporate Governance report forms part of the IAG Management report for the year 2025.

In addition, and as required by the UK Listing Rules, this report includes an explanation regarding the Company's application of the principles of the UK Corporate Governance Code and how it has complied with the Code's supporting provisions during the year. Details of where key information can be found are provided below.

During 2025, IAG fully complied with all applicable recommendations of the Spanish Corporate Governance Code; even though the Company acknowledges that, due to legal and regulatory requirements applicable to the aviation sector, the Company's Bylaws contain certain share ownership restrictions that are contrary to the provisions of the first recommendation of the Spanish Code.

The Company confirms that it applied the principles and complied with all the provisions of the UK Corporate Governance Code in the reporting period, noting that the new provision 29 will be effective from reporting periods beginning on or after 1 January 2026.

Applying the principles of the UK Corporate Governance Code

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IAG governance framework and division of responsibilities

Delegation

Accountability

IAG Board of Directors

The Board is responsible for setting the Company's purpose, values and strategy, promoting its culture and overseeing the business and performance. It has ultimate responsibility for the long-term success of the Group and for delivering sustainable shareholder value as well as contributing to wider society.

Key matters reserved to the Board are:

- Submission of proposals to the shareholders' meetings
- Preparation of the annual statutory disclosures
- Approval of the Group's strategy, business and financial plans
- Approval of the Group's general policies
- Appointment and removal of senior executives
- Determination of the policy on shareholders' remuneration
- Approval of significant investment or divestment decisions
- Approval of the risk management and control policy, setting risk appetite
- Ensuring effectiveness of the corporate governance system

Key positions:

The Chairman:
Javier Ferrán

- Chairs shareholders' meetings
- Leads the effective operation of the Board
- Sets the Board's agenda and directs its discussions and deliberations
- Acts as main link with the Group CEO and management
- Seeks regular engagement with major shareholders
- Promotes and ensures highest standards of corporate governance and strong corporate culture

The Senior Independent Director (SID):
Heather Ann McSharry

- Acts as a sounding board for the Chairman and leads the evaluation of his performance
- Serves as intermediary for other directors when necessary
- Is available to shareholders if concerns are not resolved through normal channels

IAG Board of Directors

The Board has four advisory committees that provide dedicated focus on a number of areas. Each Board committee comprises non-executive directors only and has an experienced independent non-executive chair.

Audit and Compliance
Provides oversight of Group financial reporting, risk and internal control framework.

Nominations
Ensures the Board and its committees have the correct balance of skills, knowledge and experience.

Remuneration
Establishes the Group Remuneration Policy and reviews remuneration policies and practices.

Environment and Corporate Responsibility
Oversees the Group sustainability strategy and targets.

IAG Management Committee

Led by the Group CEO, this Committee is responsible for the day-to-day management of the Company. It is responsible for the performance of the Group and the implementation of the strategy approved by the Board.

Key position:

Group Chief Executive:
Luis Gallego

- Is responsible and accountable to the Board for the management and operation of the Company
- Leads the Company's management team
- Develops an effective management strategy
- Oversees the preparation of operational and commercial plans
- Puts in place effective controls
- Coordinates Group activities

The corporate governance framework was last approved by the Board on 27 February 2025.

Corporate Governance *continued*

Group structure

As the Group's parent company, IAG is responsible for the strategic direction, setting Group-wide performance metrics, capital allocation and maintaining overall oversight of material operational and compliance issues at operating company level.

Each operating company is fully accountable for its own performance and executing on its strategy. Each company is commercially and operationally independent and has its own customer value proposition and culture. It is empowered through its own board of directors and management committee to maintain its own relationship, people and stakeholder management processes unless there is value in cohesion centrally at Group level.

Cross-collaboration across the Group's various operating companies is facilitated by the parent company to share best practice, expertise and synergies, which in turn helps to facilitate the Group's overall strategic, innovation and sustainability agendas.

Further details on the Group structure can be found in the Business model section within the Strategic Report.

Board of Directors: division of responsibilities

As stated in the Board Regulations, which are available on the Company's corporate website (www.iairgroup.com), the Board endeavours to reconcile the corporate interests with the legitimate interests of employees, suppliers, customers and other affected stakeholders, while also taking into consideration the impact of its activities on the community as a whole and on the environment. Examples of this long-term focus and consideration of stakeholders' interests are discussed further in this report and in the Stakeholder engagement section.

Consistent with its governance role, the Board of Directors retains a schedule of matters reserved for its decision, as detailed in article 3.4 of the Board Regulations.

The different Board positions and their respective responsibilities are detailed in the Board Regulations. The Board has separate regulations for each Board committee. The schedule of reserved matters and each of the Board committee regulations were reviewed in February 2025 (the Nomination Committee regulations were refreshed in January 2026) and are available on the corporate website. The roles, membership and activities of these committees in 2025 are described in the individual reports within this Corporate Governance report.

There is a clear separation of the roles of the Chairman and the Group Chief Executive; their main responsibilities are established in articles 5 and 6 of the Board Regulations. The Chairman is responsible for the operation of the Board and its overall effectiveness in directing the Company. The Group Chief Executive and his management team are responsible for the day-to-day management and performance of the Group and the implementation of the strategy approved by the Board.

All the powers of the Board have been permanently delegated to the Group CEO save for those that cannot be delegated pursuant to applicable legislation, the Company Bylaws or the Board Regulations.

Decision-making, reserved matters and delegation

The IAG Board has delegated the day-to-day management of the Group to the Group CEO and the Group's Management Committee, but it has reserved authority for itself on several matters, including three key areas as set out below:

- Approval of the Group strategy and the supervision of its implementation, which entails the approval of the business plan, annual management objectives and financial plan, as well as monitoring of the risk management and internal controls framework and processes including the review of the effectiveness of all material controls;
- Approval and compliance oversight of the Group's general policies including but not limited to: investment and financing policies; enterprise risk management policy; and any corporate responsibility or sustainability policies;
- According to certain quantitative thresholds, the approval of contractual commitments, asset acquisitions or disposals, capital expenditures, borrowings and equity investments.

The Group's decision-making process is regulated by the internal policy on decision-making and delegation, which was last approved by the Board in November 2025. The policy sets out the matters to be covered by the IAG Board, IAG Management Committee and Principal Subsidiaries. In addition, another policy regulates the Group's investment process. This authority framework and the support provided by the Board advisory committees underpin the effective operation of the governance system.

As indicated above, there are occasions where the Board may have to make decisions balancing the competing priorities of stakeholders. The principles set out in article 3.6 of our Board Regulations, which align with those reflected in section 172 of the UK Companies Act, are embedded throughout the Group's decision-making processes.

Board composition

The IAG Board comprises eight independent non-executive directors, one of whom is the Chairman; two proprietary non-executive directors (as described below); and one executive director, IAG's Group CEO. The biographies of all members of the Board are set out in the Board of Directors section.

Peggy Bruzelius and Emilio Saracho did not stand for re-election at the 2025 Annual Shareholders' Meeting, having first been appointed as non-executive directors in 2020 and 2016, respectively. To fill these vacancies, Simone Menne and Päivi Rekonen were appointed as non-executive directors at the Annual Shareholders' Meeting held on 19 June 2025.

As set out in the Company's Bylaws, the Board shall comprise a minimum of nine and a maximum of 14 members. As at 31 December 2025, the Board composition was:

Name of Board member	Position/category	First appointed
Javier Ferrán	Chairman	20 June 2019
Luis Gallego	Group CEO	8 September 2020
Heather Ann McSharry	Senior Independent Director	31 December 2020
Eva Castillo	Director (independent)	31 December 2020
Margaret Ewing	Director (independent)	20 June 2019
Maurice Lam	Director (independent)	17 June 2021
Bruno Matheu	Director (proprietary)	26 June 2024
Simone Menne	Director (independent)	19 June 2025
Robin Phillips	Director (proprietary)	8 September 2020
Päivi Rekonen	Director (independent)	19 June 2025
Nicola Shaw	Director (independent)	1 January 2018

The Board Secretary is Álvaro López-Jorrín, partner in the Spanish law firm J&A Garrigues, S.L.P., and the Deputy Secretary is Lucila Rodríguez. The Group Chief Financial and Sustainability Officer, Nicholas Cadbury, and the Group General Counsel, Sarah Clements, also attend Board meetings.

Directors' independence

The Board, as supported by the Nominations Committee, reviewed directors' independence at its meeting held on 29 January 2026 and is satisfied that those directors classified as independent are free from any business or other relationship that could materially interfere with exercising an independent view, both as a question of character and judgement. Further details on conflicts of interest and the independence of directors can be found later in this report and in the Nominations Committee report.

The Chairman was considered independent on appointment and neither he nor any of the non-executive directors has exceeded the maximum nine-year recommended term of service set out in the UK Corporate Governance Code.

More information on Board changes and succession planning can be found in the Nominations Committee report.

Appointment, re-election, resignation and removal of directors

IAG directors are appointed for a period of one year, as set out in the Company's Bylaws. At the end of their mandate, directors may be re-elected one or more times for periods of equal duration to that established in the Bylaws. In this way, the Company complies with the UK Corporate Governance Code recommendation that directors should be subject to annual re-election.

Re-election proposals are subject to a formal process, based on a Nominations Committee proposal in the case of independent directors or its recommendation for all other categories of directors. This proposal or recommendation is prepared having due regard to the performance, commitment, capacity, ability and availability of the director to continue to contribute to the Board with the knowledge, skills and experience required on the Board at such time.

Directors cease to hold office when the term of office for which they were appointed expires.

The selection and appointment process is described in the Nominations Committee report.

Notwithstanding this, a director must resign under article 17.2 of the Board Regulations, if among other matters, the director ceases to have the good standing, suitability, reliability, competence, availability or commitment to office necessary to be a director of the Company or when his or her remaining on the Board might affect the Company's credibility or reputation or otherwise jeopardise its interests.

According to article 24.2 of the Board Regulations, directors have several disclosure obligations, including the duty to inform the Company of any situation in which they are involved that may seriously affect the reputation of the Company, in particular if they are involved in any investigation related to a criminal proceeding. In such circumstances, the Board would consider the case as soon as practicable and adopt the decisions it deems fit, following a report by the Nominations Committee and taking into account the corporate interest.

Corporate Governance *continued*

The Board may only propose the removal of a non-executive director before the end of a term if, after receiving a report from the Nominations Committee, it considers there is just cause. For these purposes, just cause is deemed to exist when the director takes up new positions or enters into new obligations that prevent the director from dedicating the necessary time to the performance of their duties as a director, otherwise breaches their duties as a director or unexpectedly becomes subject to any of the circumstances set out in article 17.2 of the Board Regulations.

Removal may also be proposed as a result of a takeover bid, merger or other similar corporate transaction that results in a material change of control.

The rules on the actions and communication required from a director who stands down before the end of their term in office are set out in the Board Regulations.

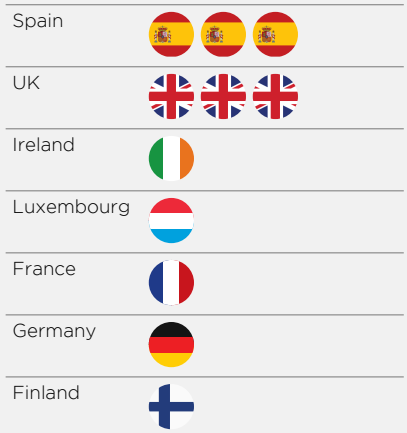
Diversity

The Board has a balance of members with more than 50% being women; including a woman as the Senior Independent Director and three women chairing Board advisory committees. At least one member of the Board is from an ethnic minority background.

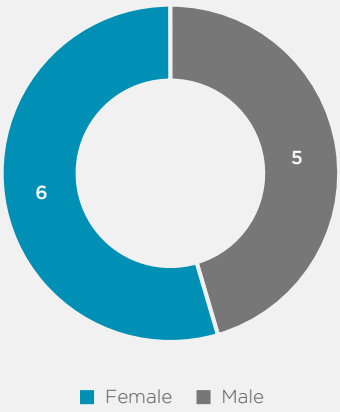
The Board supports diversity in a broader context, considering several factors to optimise Board composition. In addition to taking into account skills, gender and experience, the Board ensures compliance with regulatory requirements including the need to have more than half the Board being independent EU nationals.

Further details on the Group's Diversity and Inclusion policy can be found in the Nominations Committee report.

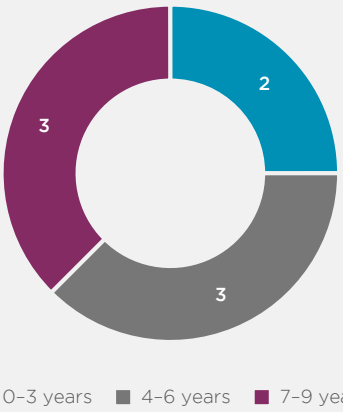
Board composition by nationality



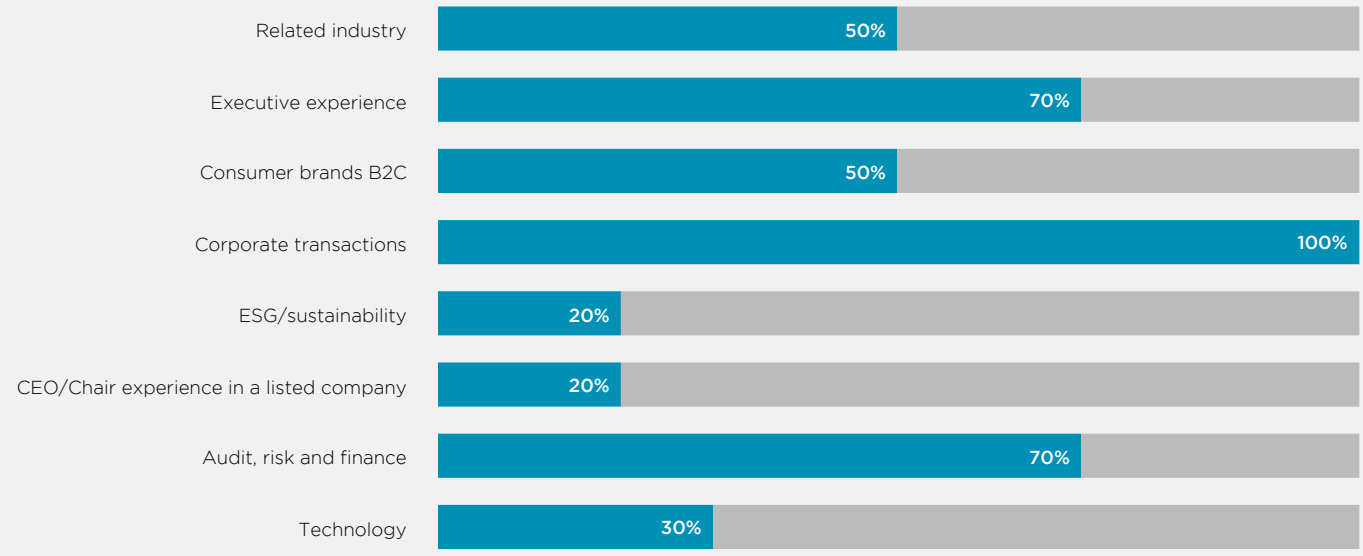
Board composition by gender



Board composition by tenure[1]



Board experience[2]



1 Tenure, which is as at the 2026 Annual Shareholders' Meeting, comprises solely independent non-executive directors, including the Chairman (eight directors). Of the three remaining directors' tenure is over five years for two of them and two years for the other.

2 Non-executive directors only

Board leadership and company purpose

IAG's purpose is to connect people, businesses and countries – opening up the world for people to experience different cultures, broaden their horizons and bring communities together.

Under the leadership of the Board, our purpose, culture and values, together with our strategy, define how we work and how we run our business to drive the Group's long-term sustainable success. This is supported by our robust corporate governance framework and illustrated by our business model (set out in the Business model section), which explains how we create sustainable value for our shareholders while contributing to all our key stakeholders and society at large. Further details of IAG's purpose and values can be found throughout this Annual Report, including in the People section.

The Board, supported by its committees, is responsible for setting and overseeing the implementation of the Group's strategy, ensuring the implementation of an appropriate risk management framework and monitoring sustainable financial and business performance as described in the Risk section.

Investment in the workforce

The IAG model empowers each operating company to deliver for its customers and people, with each being responsible for managing recruitment, pay and conditions for their colleagues, as well as careers and development. Group companies invest in their employees through training and development programmes, as well as through healthcare and wellbeing initiatives.

Across the Group, we look to ensure that all rewards and benefits are simple, clear, competitive and fair. Around 84% of the workforce is covered by collective bargaining agreements. We work closely with employee representatives to consult on reward matters. For those employees outside collective agreements, we benchmark roles and rewards against local markets to ensure they remain attractive and competitive.

Further information on workforce remuneration can be found in the Directors Remuneration report and Sustainability statement.

Embedding our corporate culture

The Board has overall responsibility for defining and setting the Group's corporate culture and reinforcing the culture through decision-making, strategy and conduct.

Our culture is a key component in continuing to make progress with our strategic and transformation plans and therefore the Board has continued to focus on and support the development of a healthy and inclusive Group culture aligned with our core values and purpose.

In addition to the Group's shared values, each operating company has its own unique culture, which enables them to deliver their own brand commitment and an exclusive customer experience.

The Board uses a variety of tools to monitor and assess how effectively culture is embedded across the Group. The Board also gains insights from employees to evolve IAG's culture and maintain the focus on creating an inclusive and supportive working environment.

Each year a specific session on People and Culture is held at the Board strategy meeting which, in 2025, included specific updates on leadership, talent, culture, diversity and inclusion, reward and AI enablement.





Corporate Governance *continued*

Action	How the Board monitors, assesses and embeds culture
Board performance review	The Board undertakes an annual review of its performance and effectiveness to ensure that it continues to operate effectively. In 2025, Dr Tracy Long of Boardroom Review Limited was appointed to provide an externally facilitated review of the Board and noted in the Board performance report the importance of culture in managing transformational change. → For further information, see the Nominations Committee report
'Speak Up'	The Audit and Compliance Committee has responsibility for reviewing the Group's 'Speak Up' arrangements, its effectiveness and any reports arising from its operation. The programme provides employees the opportunity to confidentially raise matters of concern and encourages openness and transparency. Further information is provided in the Audit and Compliance Committee report. → For further information, see pages 56 and 178–179
Leadership Connect	IAG has developed the 'Leadership Connect' programme. which gives the Group's senior leadership team the opportunity to collaborate and realign on the Group's values and strategic priorities and drive direct collaboration across the operating companies by encouraging knowledge sharing and best practice. The Board is regularly updated on the outputs of such meetings.
Remuneration	The Remuneration Committee is responsible for setting the Remuneration Policy and practices and ensuring that workforce remuneration remains aligned with the corporate culture and strategy of the Group.
Employee Surveys	IAG undertakes regular employee surveys, which provide an overview of employee satisfaction and feedback across the Group and helps to foster a culture of accountability and transparency. The surveys provide the Board with valuable insights which are supplemented by regular updates on employee initiatives throughout the year.
Workforce Engagement Programme	During 2025, the designated workforce engagement directors visited a number of operating companies across IAG to meet a variety of employees and leaders in their work context, with the goal of understanding first-hand the challenges and opportunities of the different businesses, employee issues, levels of engagement and general sentiment. These visits continue to be valuable in understanding what matters to colleagues across the business, from ground and flight operations to our customer support and corporate teams, and involving a mix of new recruits and colleagues with long tenure reflecting the changing composition of the Group's workforce. Eva Castillo remains the director responsible for coordinating the workforce engagement. She was supported during 2025 by Heather Ann McSharry and Maurice Lam who conducted four engagement visits, meeting colleagues across operating companies in London, Madrid and Barcelona. Board members noted the continued progress made on transformation across all areas of the business and the increasing investment in the people agenda, particularly in the areas of career development, training, and structured pathways such as apprenticeships. In addition, the Board was pleased to see the continued collaboration across operating companies which has helped to strengthen and drive operational improvements and efficiencies. While each visit highlighted some specific local challenges, several key themes emerged. These included transformation, recruitment and retention, operational integrations, management and organisational health, and competitive pay. Each visit included a debrief with senior teams on emerging issues to ensure appropriate actions are taken forward. Each year, the Board reviews and considers the results of the annual workforce engagement programme at its December meeting ensuring that it remains effective and relevant feedback is used to influence people, cultural and organisational strategy and transformation across the Group. In addition to its direct engagement with employees, the Board has been regularly informed about initiatives at each operating company with respect to its workforce. Each year a specific session on People and Culture is held at the Board strategy meeting which, in 2025, included specific updates on leadership, talent, culture, diversity and inclusion, reward and AI enablement For further detail on the outcomes of broader employee engagement activities including on workforce remuneration, refer to the Stakeholder engagement and Remuneration Committee sections of this annual report.

Decision-making and stakeholder interests

Section 172 statement (and compliance with article 3.6 of IAG's Board of Directors' Regulations)

Section 172 of the UK Companies Act 2006 requires directors of a company to act in a way they would consider, in good faith, would most likely promote the success of a company for the benefit of its shareholders. In making decisions, the directors should also have due regard to other factors such as the interests of other stakeholders and how specific actions may affect the communities and environment they operate in. This is in line with Recommendation 12 of the Spanish Corporate Governance Code, which is reflected in article 3.6 of our Board of Directors' Regulations.

Stakeholder engagement is central to the execution and development of our strategy and is a key priority of the Board and IAG as a whole. The following section seeks to outline how the directors have fulfilled their legal duties and considered the views and interests of stakeholders in their decision-making to create and promote the long-term success of the Company while maintaining high business conduct and balancing those competing interests.

The Board is regularly updated on stakeholder feedback received through the operating companies and those views are incorporated into business cases presented to the Board for consideration.

Further details on how the provisions of Section 172 were considered can also be found throughout the Strategic and Corporate Governance reports.

Board decisions, corporate interests and stakeholders

The table below outlines where the relevant information in relation to section 172(1) of the UK Companies Act and article 3.6 of the IAG Board of Directors Regulations can be found in the Annual Report and Accounts.

Section 172(1) provision	Relevant disclosures in the Annual Report and on the Company's website
a Decisions for the long term	• Business model • Strategic priorities • Sustainability • Board activities during the year
b Employee interests	• Stakeholder engagement • Corporate Governance report (workforce engagement) • Sustainability statement • Nominations Committee report • Remuneration Committee report • Audit and Compliance Committee report
c Business relationships with suppliers, customers and others	• Business model • Stakeholder engagement • Sustainability statement • ECR Committee report • Audit and Compliance Committee report
d Community and environment impact	• Business model • Strategic Report • Sustainability report • ECR Committee report
e Reputation for high standards of business conduct	• Stakeholder engagement • Sustainability report • Audit and Compliance Committee report • ECR Committee report
f Fairness between shareholders	• Business model • Stakeholder engagement • Corporate Governance report (directors' duties, conflicts of interest and related-party transactions) • Audit and Compliance Committee report

Corporate Governance *continued*

Examples of principal decisions taken during the year

In each instance, the Board was provided with a detailed analysis of the proposal, including potential alternatives, feasibility and risk assessments, as well as synergies across the Group, as relevant.

Aircraft purchase

On 8 May 2025, the Board approved the acquisition of 21 Airbus A330-900neo family aircraft and 32 Boeing 787-10 family aircraft, and this was subsequently approved at the Annual Shareholders' Meeting on 19 June 2025. The order facilitates the replacement of aircraft, earnings growth and the strengthening of core profit pools and helps maintain the Group's access to aircraft and its competitive position.

Section 172(1) provisions

(a), (b), (c), (d), (e)

Stakeholder groups impacted



Considerations and outcomes

- Replacement of end-of-life long-haul aircraft ensures that customers continue to receive a high level of service and quality of aircraft fit for servicing the Group into the future
- The aircraft will provide more fuel-efficient solutions, maintenance cost savings and improved reliability
- Provides the Group with the flexibility to grow over the coming years and strengthen its position in the market in its core profit pools. The investment will subsequently create further returns for shareholders
- The estimated carbon emissions for the A330neo aircraft would contribute to a significant reduction in the Group's carbon-intensity measure compared to the older fleet, which was a key environmental consideration for the Board when approving the acquisition

Starlink short-haul connectivity

On 6 November 2025, the Board approved the implementation of Starlink connectivity on short-haul aircraft across the Group, which will provide next generation high speed, reliable connectivity to be installed on Group aircraft from late 2026.

Section 172(1) provisions

(a), (c), (d), (e)

Stakeholder groups impacted



Considerations and outcomes

- The further implementation of Wi-Fi on short-haul as well as the replacement of existing short-haul connectivity will increase capacity, provide faster speeds, global coverage and be a step change in customer experience
- The feedback gained from customers transferring across hubs was a key consideration in the Board's decision-making process, which will ultimately allow customers to obtain a similar coverage across Group services
- IAG competitors are adopting new technology or upgrading existing technology in this area; thus, the Board considers it critical for the Group to maintain similar momentum to its peers by building further key business relationships, receiving key data insights and maintaining high levels of customer standards
- An extensive market review was undertaken across the Group with a number of key internal and external stakeholders and potential suppliers to identify Starlink as the most suitable partner for IAG
- The Board also considered the potential operational efficiencies that would be afforded by the implementation of new technology, which will ultimately benefit shareholders and other wider stakeholder groups

Stakeholder key

- Customers
- Employees
- Suppliers
- Shareholders, lenders and other financial stakeholders
- Environment
- Public administration (government and regulators)
- Society

Stakeholders' interests

Day-to-day stewardship of stakeholder relationships is delegated to management, with the Board having a supervisory role based on the information provided and discussions held with management teams. In addition to this, the Board has direct engagement with the Company's shareholders and with the workforce as recommended by the UK Corporate Governance Code.

Information on the Board's engagement with the workforce is provided in the Workforce engagement section of this Corporate Governance report.

More information on our stakeholders and our engagement with them can be found in the Stakeholder engagement section of this Annual Report.

Shareholders and investors

The Board is committed to maintaining strong communication with our shareholders, and their interests are key to Board considerations.

The Board maintains a direct and active dialogue with shareholders and investors, mainly through the Group CEO and the Chief Financial and Sustainability Officer, who meet with shareholders and investors on a regular basis, as well as through the Chairman, the SID or the Committee Chairs as appropriate.

In 2025, the Chairman met with significant shareholders to discuss governance matters, as well as the performance of the Group and its strategy. In addition, the Chair of the Remuneration Committee and Chairman launched an engagement process with a number of key investors and proxy agencies to discuss remuneration matters, and in particular, the approach to the review of the Directors Remuneration Policy. Further details are included in the Remuneration Committee report. All directors had the opportunity to meet individual shareholders at the Annual Shareholders' Meeting held in June 2025.

The Board is regularly apprised of shareholders' feedback and the main issues discussed with shareholders and investors. Annually, the Company's corporate brokers are also invited to attend and provide an update on the market and investor perceptions.

Following investor days in November 2023 and November 2024 that focused on IAG and British Airways, respectively, Iberia held an investor day in June 2025. The Iberia senior management team hosted most of our sell-side equity analysts as well as a number of top shareholders. Key messages included explaining the historical transformation of Iberia and the long-term opportunity in the Latin America market, as well as setting a medium-term target for operating profit of €1.4 billion and an operating margin at the upper end of the Group's 12–15% range.

Directors and senior managers, along with the Investor Relations team, held over 477 meetings with existing and prospective investors during 2025, including at the Iberia investor day, road shows (in London, Madrid, Edinburgh, the US and Canada, Dublin, Stockholm and Milan), investor conferences, dinners as well as an on-site visit to British Airways at Heathrow.

Additional information can be found in the Stakeholder engagement section of this Annual Report.

Corporate Governance *continued*

Board and committee meetings

The Board met eight times during the year, including its annual two-day strategy meeting held in October 2025. Details of attendance at Board and committee meetings are shown below.

The Board Secretariat together with the Group General Counsel maintain an annual agenda schedule for Board meetings that sets out strategic, standard and operational matters to be considered. The Chairman sets a carefully structured agenda for each meeting in consultation with the Group CEO, with support from the Group General Counsel and the Board Secretariat. The key activities of the Board in 2025 are detailed in the Board activities table further on in this report.

At each Board meeting, the Chairs of the Board's committees report on meetings held since the previous Board meeting. The reports focus on the key discussions and decisions considered by the respective committees, providing an opportunity for directors to comment or ask questions on the matters dealt with by each committee and to ensure that all Board members remain apprised of committee activities. In addition, the Group CEO and the Chief Financial and Sustainability Officer report to the Board on key matters in the Group.

All scheduled Board meetings include a private session for non-executive directors to meet with the Chairman to discuss any matters arising. At least once a year, there is a private meeting with the Chairman that includes independent non-executive directors only. The SID also met with the non-executive directors, without the Chairman, as part of the Chairman's annual performance review.

As stated in the Board Regulations, directors must make their best efforts to attend Board meetings. If this is not possible, they may grant a proxy to another non-executive director specifically for that meeting. No director may hold more than three proxies, except for the Chairman, although he cannot represent more than half of the Board members. As far as possible, proxies should be granted including voting instructions.

Board and committee attendance during 2025

Board member	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Environment and Corporate Responsibility Committee
Javier Ferrán	8/8		4/4		
Luis Gallego	8/8				
Peggy Bruzelius[1]	4/4	2/2	2/2		
Eva Castillo	8/8	5/5		5/5	
Margaret Ewing	8/8	5/5	3/4		
Maurice Lam	7/8	5/5			3/3
Bruno Matheu	7/8				2/3
Simone Menne[2]	5/5	3/3		1/1	
Heather Ann McSharry	8/8		4/4	5/5	
Robin Phillips	7/8				3/3
Emilio Saracho[1]	4/4			4/4	2/2
Päivi Rekonen[3]	5/5		2/2		1/1
Nicola Shaw	8/8			4/5	3/3

1 Stepped down from the Board and Committees on 19 June 2025

2 Joined the Board and the Audit and Compliance and Remuneration committees on 19 June 2025

3 Joined the Board and the Nominations and Environment and Corporate Responsibility committees on 19 June 2025

Board activities

Directors participate in the design of the Board plan of activities for the year, setting the priorities for the Board and including any topics requested by directors.

The key Board activities during 2025 are outlined below.

Strategy and planning

Joint Board/Management Committee two-day strategy session in October, including:

- Transformation
- Customer strategy
- Sustainability
- People and culture
- Strategic partnerships
- Sustainable value creation
- Business plan and financial update

Performance and monitoring

- Regular reporting from operating companies, including transformation updates
- Quarterly and full-year financial reporting
- Monthly financial report (reviewed at the relevant meeting or distributed to all Board members)
- Review of various joint business arrangements

Significant transactions, investments and expenditures

- Financing arrangements
- Capital expenditure items
- Treasury shares buyback programmes
- SAF provision agreements
- IT/HR projects

Risk management and internal controls

- Review of risk map and risk appetite performance and statements
- Assessment of viability and going concern
- Effectiveness review of the internal control and risk management systems
- External auditor's yearly report
- IT updates, including cyber and AI

Shareholders, stakeholders and governance

- Shareholders returns including share buybacks and dividends
- Transactions with related parties
- Sustainability updates
- Shareholders' and investors' updates
- Board and management succession
- Remuneration matters
- Shareholders' meetings call notices and proposed resolutions
- Board and committees' evaluation and improvement priorities
- Update on the Directors' and Officers' insurance programme
- Updates on corporate governance
- People and culture update
- Policy reviews
- Regular reporting from matters discussed by the Audit and Compliance Committee, the Nominations Committee, the Remuneration Committee and the ECR Committee

Board information and training

In general, all Board and committee meeting documents are available to all directors ahead of meetings, including the minutes of each meeting, through an online platform that facilitates efficient and secure access to all materials.
All directors have access to the advice of the Board Secretary and the Group General Counsel. Directors may take independent legal, accounting, technical, financial, commercial or other expert advice at the Company's expense when it is judged necessary in order to discharge their responsibilities effectively. No such independent advice was sought in the 2025 financial year.

Directors are offered the possibility to update and refresh their knowledge of the business and any technical related matter on an ongoing basis to enable them to continue fulfilling their responsibilities effectively. Directors are consulted about their training and development needs and given the opportunity to discuss these as part of the Board annual performance evaluation.

In 2025, the training needs of the Board were met through a combination of internal presentations and updates as part of Board and committee meetings, and specific sessions or 'deep dives' into to specific topics, which in 2025, included deep dives into Vueling and LEVEL operations. Additionally, a specific training session on cyber and ransomware was facilitated by Deloitte in December 2025.

Training planned for 2026 includes a Sustainable Aviation Fuel session and a deep dive into Aer Lingus's business.

Induction of directors

According to the induction guidelines approved by the Nominations Committee, on joining the Board every newly appointed director has a thorough and appropriate induction. Each programme is based on the individual director's needs and includes meetings with other directors, senior management and key external advisers as appropriate. The induction is designed to provide a wide overview of the industry and the sector, including particulars of each of the markets in which the Group operates, as well as an understanding of the Group's business model and its different businesses.
The programme is also a useful tool to introduce the new director to the IAG Management Committee as well as to the different operating companies' teams.

During 2025, an induction programme was launched for both Simone Menne and Päivi Rekonen following their appointments in June 2025. The basic content of the programme included:

- Origin of the Group's, business basics and current strategy
- Business model, competitive landscape, strategy and current position of each of the operating companies
- IAG capital structure, principal shareholders and analyst coverage
- Sustainability programme
- IAG finance particulars and financial targets (including fleet acquisition, hedging policy and risk map)
- Group governance structure
- Spanish corporate legal framework. and UK and Spanish corporate governance requirements
- IAG compliance programme and litigation status
- Aviation regulation
- M&A briefing and strategy
- IAG brands portfolio

In relation to each committee, newly appointed members are also provided with introductory sessions specific to each committee and designed in accordance with each director's interests and needs.

Further details are provided in the Nominations Committee report.

Board and committee performance review

The effectiveness of the Board and its committees is reviewed annually, with an independent, externally facilitated review being conducted every three years.

As the last external review was conducted in 2022, the Board engaged Dr Tracy Long of Boardroom Review Limited to conduct the external Board and Committee performance review in 2025. The Board followed the Chartered Institute's Principles of Good Practice for Listed Companies when appointing Dr Long. Boardroom Review Limited which has no connection with the Company or any individual director.

Dr Long developed a tailored methodology specifically for IAG, which encouraged candid reflections from the Board in order to identify the current strengths and prepare for any future challenges. A comprehensive brief was developed by the Chairman and Board Secretariat in order to determine the key themes and priorities for the review.

Dr Long was provided with key corporate information prior to meeting with Board members and key representatives from the IAG Management team in order to gather insights and findings. In addition, Dr Long observed the July 2025 Board and Nominations and Audit and Compliance committee meetings and was given access to the full suite of papers for these meetings. The findings from the review were presented at the October 2025 Board meeting and an action plan to address matters raised was agreed.

In relation to the agreed actions for 2025, the Board considers that good progress has been made during the year. In particular, the appointment of Päivi Rekonen and Simone Menne in June 2025 has further enriched the Board's overall skill set and diversity of perspective. Succession will be a continued area of focus for 2026.

In addition, as highlighted in the 2024 performance review, the Board agenda, as well as specific training sessions, continued to include topical areas of interest requested by the Directors.

The Board performance review highlighted the strong and complementary relationship between the Board and management, which had created a culture of trust, respect and confidence in the Board and allowed sufficient debate and discussion of key topics such as transformation, strategy and culture.

Actions agreed for 2026 include:

- Receiving biannual updates on competitive intelligence;
- Continuing to monitor culture and escalation through surveys, 'Speak Up' channels and the non-executive directors' engagement programme;
- Developing the new safety reporting framework; and
- Continuing to focus on succession planning and talent development.

Other statutory information

Directors' disclosure duties, conflicts of interest and related-party transactions

Directors must inform the Company of any participation or interest they may hold or acquire in any company that is a competitor of the Group, or any activities that could place them in conflict with the corporate interest.

According to article 21 of the Board Regulations, directors have an obligation to adopt all measures necessary to avoid conflict-of-interest situations. These include any situation where the interest of the director, either directly or through third parties, may conflict with the corporate interest or with their duties to the Company. In the event of a conflict, the affected director must inform the Company and abstain from participating in the discussion of any transaction referred to by the conflict. For purposes of calculating the quorum and voting majorities, the director in question would be excluded from the number of members present.

The 2025 Annual Shareholders' Meeting held on 19 June 2025 approved the re-election of Robin Phillips and Bruno Matheu, as non-executive proprietary directors as proposed by IAG's significant shareholder Qatar Airways Group (Q.C.S.C.) ('Qatar Airways'). Qatar Airways, a Middle East air carrier headquartered in Doha, has been the single largest shareholder of IAG since 2016, owning, as notified to the Spanish National Securities Market Commission (CNMV), 24.995% of the share capital of the Company. Throughout this period there has been a long-standing business and commercial relationship between Qatar Airways and the Group airlines. This close relationship of commercial cooperation, which has always been undertaken on an arm's-length basis and on market terms, significantly reduces the potential existence of permanent conflicts of interest between Qatar Airways and the Group's airlines.

As far as the relationship of the proprietary directors with the significant shareholder who proposed their appointments is concerned, it should be noted that Robin Phillips and Bruno Matheu have no relevant connection with Qatar Airways.

Any potential conflict of interest that might affect such proprietary directors is managed by applying the duty of abstention in accordance with the procedure for managing conflicts of interest described below. In addition, the Spanish and the UK regimes on related-party transactions are also applicable as detailed below.

In accordance with article 3.4 of the Board Regulations, the Board of Directors has the exclusive authority to approve transactions with directors or shareholders that have a significant holding or that are represented on the Board, or with any persons related to them, on the terms established in the law and the Board Regulations and this will require a prior report from the Audit and Compliance Committee.

The execution of these types of transaction needs to be reported to the Audit and Compliance Committee to ensure that they are carried out at arm's length and with due observance of the principle of equal treatment of shareholders. IAG's internal regulations on related-party transactions establish that the Audit and Compliance Committee needs to issue a report to the Board assessing whether the transaction is fair and reasonable from the standpoint of the Company and, where applicable, of shareholders other than the related party, and report on this assessment, including the assumptions and methods used. Where appropriate, the directors involved in the transaction shall not participate in the preparation of such a report.

Depending on the amount or value of the proposed related-party transaction, varying corporate governance and disclosure requirements may apply under both the Spanish and UK legal frameworks.

In accordance with IAG procedures on related-party transactions, prior to the Audit and Compliance Committee's consideration, shareholder related-party transactions are also reviewed by the IAG Management Committee and are reported to the Group Audit Director.

Share issues, buybacks, treasury shares and dealings in IAG-listed securities

The Annual Shareholders' Meeting held on 19 June 2025 provided authority for the Board, with the express power of substitution, for a term ending at the 2026 Annual Shareholders' Meeting (or if earlier, 15 months from 19 June 2025), to:

- Increase the share capital pursuant to Article 297.1.b) of the Spanish Companies Law, by up to 50% of the aggregate nominal amount of the Company's issued share capital as at 19 June 2025 (such amount to be reduced by the maximum amount that the share capital may be increased by on the conversion or exchange of any securities issued as authorised below), through the issue and placement of new shares (with or without a premium) for cash consideration;
- Issue securities (including warrants) convertible into and/or exchangeable for shares of the Company, up to a maximum limit of €1,500,000,000 or the equivalent thereof in another currency, provided that the aggregate share capital that may be increased

on the conversion or exchange of all such securities may not be higher than 50% of the aggregate nominal amount of the Company's issued share capital as at 19 June 2025 (such amount to be reduced by the amount that the share capital has been increased under the relevant authorisation);
- Exclude pre-emptive rights in connection with the capital increases and the issuance of convertible or exchangeable securities that the Board may approve, under the previous authorities, for the purposes of allotting shares or convertible or exchangeable securities, in connection with a rights issue or in any other circumstances, subject to an aggregate maximum nominal amount of the shares so allotted or that may be allotted on conversion or exchange of such securities of:
  - 10% of the aggregate nominal amount of the Company's issued share capital (excluding any shares held in treasury) to be issued on an unrestricted basis; and
  - an additional 10% of the aggregate nominal amount of the Company's share capital (excluding any shares held in treasury) to be used for either an acquisition or a specified capital investment;
- Carry out the acquisition of its own shares directly or indirectly through its subsidiaries, subject to the following conditions:
  - the maximum aggregate number of ordinary shares authorised to be purchased shall be the lower of the maximum amount permitted by the law and represents 10% of the aggregate nominal amount of the Company's issued share capital on 19 June 2025;
  - the minimum price per share that may be paid is zero;
  - the maximum price per share that may be paid is the higher of:
    - an amount equal to 5% above the average of the middle market quotations for the shares taken from the relevant stock exchange for the five business days immediately preceding the day of purchase; or
    - the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the transaction is carried out at the relevant time;

  in each case, exclusive of expenses.

The shares acquired pursuant to this authorisation may be delivered directly to the employees or directors of the Company or its subsidiaries or as a result of the exercise of option rights held thereby. For further details see note 31 to the consolidated financial statements.

The IAG Securities Code of Conduct regulates the Company's dealings in its treasury shares. This can be accessed via the Company's website.

Capital structure and shareholder rights

As at 31 December 2025, the share capital of the Company amounted to €472,720,114.70 (2024: €497,147,601.00), divided into 4,727,201,147 shares (2024: 4,971,476,010 shares) of the same class and series and with a nominal value of €0.10 each (2024: €0.10 each), fully subscribed and paid for.

As at 31 December 2025, the Company owned 162,175,275 shares as treasury shares (2024: 117,622,004 treasury shares).

Each share in the Company confers on its legitimate holder the status of shareholder and the rights recognised by applicable law and the Company's Bylaws, which can be accessed on the Company's website.

The Company has a Sponsored Level 1 American Depositary Receipt (ADR) facility that trades on the over-the-counter market in the US. Each ADR is equivalent to two ordinary shares and each ADR holder is entitled to the financial rights attaching to such shares, although the ADR depositary, Deutsche Bank, is the registered holder. As at 31 December 2025, the equivalent of 25,340,228 shares were held in ADR form (2024: 31,884,274 shares).

Company's share capital

During the year, the issued share capital of the Company was reduced from 4,971,476,010 shares to 4,727,201,147 shares following the cancellation of treasury shares repurchased through the Company's share buyback programme.

The significant shareholders of the Company who have notified the Spanish National Securities Market Commission (CNMV), as at 31 December 2025, calculated according to the Company's share capital as at the date of this report and including positions in financial instruments, were:

Name of shareholder	Number of direct shares	Number of indirect shares	Name of direct holder	% of voting rights attached to shares	Number of voting rights through financial instruments	% voting rights through financial instruments	Total voting rights	Percentage of capital
Qatar Airways (Q.C.S.C.)	1,242,630,613	–		24,995%			1,242,630,613	24.995 %
Capital Research and Management Company[1]		250,267,054	Collective investment institutions managed by Capital Research and Management Company	5.034%			250,267,054	5.034 %
EuroPacific Growth Fund[2]	150,923,760			3,036%			150,923,760	3.036 %
BlackRock Inc.[3]		136,233,248		2,882%	26,642,075	0,564%	162,875,323	3.446 %

1 On 11 February 2026 Capital Research and Management Company notified the Spanish CNMV of a 5.041% interest in the Company.

2 EuroPacific Growth Fund is the legal owner of shares in the Company. However, it has delegated its proxy voting authority to Capital Research and Management Company. Therefore, the position disclosed by Capital Research and Management Company as at 7 January 2026 includes the voting rights associated with EuroPacific Growth Fund's holdings.

3 On 23 January 2026 BlackRock Inc notified the Spanish CNMV of a 3.392% interest in the Company.

Corporate Governance *continued*

Annual Shareholders' Meeting

The quorum required for the constitution of the Annual Shareholders' Meeting, the system of adopting corporate resolutions, the procedure for amending the Bylaws and the applicable rules for protecting shareholders' rights when changing the Bylaws are governed by the provisions established in the Spanish Companies Law.

The Annual Shareholders' Meeting was held on 19 June 2025 in Madrid and was held in person with the option for shareholders to attend and participate in the meeting remotely.

The Annual Shareholders' Meeting Regulations, which establish the operating rules of the Annual Shareholders' Meeting, are available in the Corporate Governance section of the Company's website.

Disclosure obligations

The Company's Bylaws establish a series of special obligations concerning disclosure of share ownership, as well as certain limits on shareholdings, taking into account the ownership and control restrictions provided for in applicable legislation and bilateral air transport treaties signed by Spain and the UK.

In accordance with article 7.2 b) of the Bylaws, shareholders must notify the Company of any acquisition or disposal of shares or of any interest in the shares of the Company that directly or indirectly entails the acquisition or disposal of a stake of over 0.25% of the Company's share capital, or of the voting rights corresponding thereto, expressly indicating the nationality of the transferor and/or the transferee, obliged to notify, as well as the creation of any charges on shares (or interests in shares) or other encumbrances whatsoever, for the purposes of the exercise of the rights conferred by them.

In addition, pursuant to article 10 of the Bylaws, the Company may require any shareholder or any other person with a confirmed or apparent interest in shares of the Company to disclose to the Company in writing such information as the Company shall require relating to the beneficial ownership of or any interest in the shares in question, as lies within the knowledge of such shareholder or other person, including any information that the Company deems necessary or desirable in order to determine the nationality of the holders of the said shares or any other person with an interest in the Company's shares or whether it is necessary to take steps in order to protect the operating rights of the Company or its subsidiaries.

In the event of a breach of these obligations by a shareholder or any other person with a confirmed or apparent interest in the Company's shares, the Board may suspend the voting or other political rights of the relevant person. If the shares associated with the breach represent at least 0.25% of the Company's share capital in nominal value, the Board may also direct that the transfer of any such shares is not registered.

Limitations on ownership of shares

In the event that the Board deems it necessary or appropriate to adopt measures to protect an operating right of the Company or of its subsidiaries, in light of the nationality of its shareholders or any persons with an interest in the Company's shares, it may adopt any of the measures in article 11 of the Bylaws, including the determination of a maximum number of shares that may be held by non-qualifying shareholders, provided that such maximum may not be lower than 40% of the Company's share capital. If such a determination is made and notified to the stock market, no further acquisitions of shares by non-qualifying persons can be made.

In such circumstances, if non-qualifying persons acquire shares in breach of such restriction, the Board may also (i) agree on the suspension of voting and other political rights of the holder of the relevant shares, and (ii) request that the holders dispose of the corresponding shares so that no non-qualifying person may directly or indirectly own such shares or have an interest in the same. If no such transfer is performed on the terms provided for in the Bylaws, the Company may acquire the corresponding shares (for their subsequent redemption) pursuant to applicable legislation. This acquisition must be performed at the lower of the following prices: (a) the book value of the corresponding shares according to the latest published audited balance sheet of the Company; and (b) the middle market quotation for an ordinary share of the Company as derived from the London Stock Exchange's Daily Official List for the business day on which they were acquired by the relevant non-qualifying person.

Impact of change of control

The following significant agreements contain provisions entitling the counterparties to exercise termination in the event of a change of control of the Company:

- Certain significant IAG financing arrangements allow for prepayment, redemption or early termination in certain circumstances if there is a change of control of the Company.

In addition, the Company's share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control of the Company, in accordance with the rules of the plans.

Directors' and officers' liability insurance

The Company has purchased insurance against directors' and officers' liability for the benefit of the directors and officers of the Company and its subsidiaries. The Board receives an annual update on the Group's Directors' and officers' liability insurance.

Disclosure of information required under UKLR 6.6

In accordance with UKLR 6.6.1(R), the table below sets out the location of the information required to be disclosed, where applicable.

UK Listing Rule	Information to be included	Reference in report
6.6.1(1)	Interest capitalised by the Group	Refer to note 9a of the consolidated financial statements.
6.6.1(11)	Shareholder waiver of dividends	IAG waived dividends on all shares held in treasury during 2025.

Fair, balanced and understandable statement

The Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Report of the Nominations Committee



Javier Ferrán
Nominations Committee Chair

Committee members	Date appointed
Javier Ferrán (Chair)	8 September 2020
Margaret Ewing	28 January 2021
Heather Ann McSharry	31 December 2020
Päivi Rekonen	19 June 2025

Dear shareholder

On behalf of the Nominations Committee, I am delighted to present the Nominations Committee Report for the year ended 31 December 2025.

The report provides an overview of the key areas of responsibility and focus of the Nominations Committee. It highlights the key role the Committee plays in ensuring the Board and senior management team have the right combination of skills, capabilities, knowledge, experience and diversity to provide the Company with strong leadership and ensure that we can deliver on our strategy.

We have overseen a number of changes to the Board during the year. As noted in my introductory letter to this report, Peggy Bruzelius and Emilio Saracho both retired from the Board following the 2025 Annual General Meeting in June. I would like to thank both directors for their valuable contributions and dedication to their roles.

Following a rigorous search and selection process, which focused on agreed criteria and experience that would complement the current composition of the Board, we welcomed two new non-executive directors to the Board and committees, Päivi Rekonen and Simone Menne. Both Päivi and Simone bring a wealth of knowledge and expertise to the Board gained through both executive and non-executive roles. To read more about their experience please refer to the Board Biographies section.

Following the aforementioned rotations off the Board, the Committee reviewed the composition of each Board advisory committee and recommended the appointment to the Board of Simone Menne to the Audit and Compliance and Remuneration committees, and Päivi Rekonen to the ECR and Nominations committees, following Peggy Bruzelius's and Emilio Saracho's retirement.

In order to facilitate the orderly succession of the Board, the Committee reviewed the Board's skills matrix and tenure in October 2025 to identify potential gaps in relation to non-executive director rotation in line with the Group's strategic priorities. As a result of the review, the Committee has planned relevant searches and required succession on the Board and its committees over the coming years.

The Committee continued to focus on succession plans for the Group's leadership teams and operating companies and oversaw a number of changes to Group company boards during the year. Additionally we reviewed progress in the management of talent pipelines and Group initiatives aimed at supporting diversity in the broadest sense.

As announced in early January 2026, Nicholas Cadbury will be leaving the business in June 2026 and will be succeeded by José Antonio Barrionuevo, the incumbent British Airways Chief Financial and Transformation Officer. The Nominations Committee was pleased to see this leadership role filled from within the Group, which evidences the work done on succession and development within the Group. José Antonio brings a strong track record in financial leadership and transformation, joining the Group in 2013 as Director of Strategy and Transformation at Iberia and working in a variety of roles, including seven years as Chief Financial Officer of Iberia.

We remain committed to fostering an environment that promotes diversity and inclusion opportunities at all levels of the organisation, ensuring that decisions are always based on merit, capability and performance. The Board has met the diversity and inclusion requirements of the UK and Spanish Listing Rules, as set out in our Board of Directors selection and diversity policy which we refreshed in January 2026.

This year, the Board and Committee performance review was externally facilitated by Dr Tracy Long of Boardroom Review Limited. The outcomes of the review were very positive and confirmed that the Committee continues to operate effectively while supporting the Board in delivering the highest standards of leadership and oversight for the Group's strategy.

Javier Ferrán
Nominations Committee Chair

Report of the Nominations Committee *continued*

The Nominations Committee

The composition, competencies and operating rules of the Nominations Committee are regulated by article 31 of the Board Regulations and by the Nominations Committee Regulations, which were updated in January 2026 to mirror changes introduced in the refreshed directors selection policy and in the Group diversity and inclusion policy. A copy of the Board and the Nominations Committee regulations can be found on the Company's website.

The Nominations Committee has overall responsibility for leading the process for appointments to the Board and for ensuring these appointments bring the necessary skills, experience and competencies to the Board, aligning its composition to the business's strategy and needs. The Committee also reports to the Board on the proposed appointment of senior executives to the Company and appointments to Group company boards. It oversees Board and senior management succession planning and, more generally, the development of a diverse pipeline for succession.

The Nominations Committee must comprise no less than three non-executive directors appointed by the Board, who have the dedication, capacity and experience necessary to carry out its functions. A majority of the members must be independent directors who are EU nationals.

The only changes to the composition of the Nominations Committee in 2025 were the departure of Peggy Bruzelius, who did not stand for re-election, and the appointment of Päivi Rekonen, both effective from the 2025 Annual Shareholders' Meeting.

The Committee's responsibilities

The responsibilities of the Nominations Committee under the Regulations in force in 2025 and the refreshed 2026 version can be summarised as follows:

- Evaluating the mix of competencies, knowledge and experience necessary in the Board's membership and reviewing the criteria for the Board's composition and the selection of candidates;
- Submitting recommendations for the appointment of directors to the Board for approval and reporting on the proposed designations of the members of the Board committees and their Chairs;
- Succession planning for Board members including making proposals to the Board that ensure that such succession occurs in a planned and orderly manner;
- Ensuring that non-executive directors receive appropriate induction programmes;
- Overseeing the development of a diverse pipeline for both the Board and senior management population;
- Reporting to the Board on the appointment and removal of senior executives (which includes all of the IAG Management Committee);
- Ensuring that plans are in place for orderly succession of senior management positions; and
- Coordinating the annual performance review of the Board and its Committees.

The Committee's activities in 2025

The Committee met four times during 2025, with three scheduled meetings and one special meeting called to discuss appointments to the Group company boards. Directors' attendance at these meetings can be found on page 106 of the Corporate Governance section. The Group CEO was invited to attend the Committee's meetings when necessary.

The Committee focused on the following activities during the year:

- Review of the composition of the Board;
- Review of committees' membership;
- Board succession planning;
- Review of directors' independence;
- Review of compliance with the directors selection and diversity policy;
- Review of diversity and inclusion initiatives;
- Management succession plans;
- Nominations Committee performance review;
- Changes to Group company boards; and
- Review of investor feedback from the Annual Shareholders' Meeting.

Board succession

The Committee regularly reviews the formal succession plan for the Board, including analysis of non-executive directors' length of tenure, skills and experience, and plans for succession relating to any areas that could require strengthening from a skills and succession perspective including outcomes from the Board performance review.

The Committee engaged Egon Zehnder to assist with the search for two new non-executive directors given the pending rotations at the Annual Shareholders' Meeting in June 2025. The search process resulted in the appointment Päivi Rekonen and Simone Menne in June 2025. Egon Zehnder has no other connection to the Company and has no connection to any individual director.

In October 2025, the Committee specifically considered Board succession planning, including the Board refreshment timetable, the Board skills matrix and the consideration and identification of skills and attributes relevant to future appointments.

The Committee has planned a number of search processes in order to adequately plan for the Board's succession schedule over the coming years.

Directors' independence, performance and re-election

The Nominations Committee, having considered the matter carefully, is of the opinion that all the current non-executive directors, with the exception of the two proprietary directors, are independent, both in line with the definitions set out by the Spanish Companies Act and the UK Corporate Governance Code, and are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement.

In May 2025, the Nominations Committee considered the proposal for the re-election of directors ahead of the Annual Shareholders' Meeting, except with regard to Peggy Bruzelius and Emilio Saracho who did not stand for re-election.

In accordance with the Board Regulations, all proposals for the appointment or re-election of directors presented were accompanied by an explanatory report issued by the Board of Directors with the support of the Nominations Committee assessing the competence, experience and merits of each candidate. As part of its assessment, the Committee also reviews the time commitment and availability of each non-executive director.

Following this review, the Committee was of the opinion that each non-executive director submitting themselves for re-election continued to demonstrate commitment to the role as a member of the Board and its committees and that each was making a valuable contribution to the leadership of the Company.

Each director is required to advise the Committee and seek its authorisation before accepting any external directorship or other significant appointment that might affect the time they are able to devote to the role as a director of the Company.

Management appointments and succession planning

During 2025, there were no changes to the IAG Management Committee; however, the Committee was kept updated on succession plans over the short, medium and long term. As announced in January 2026, the Board approved the appointment of José Antonio Barrionuevo as Chief Financial Officer, who will succeed Nicholas Cadbury with effect from June 2026.

Board Appointments

The procedure for the appointment of Directors and Committee members follows the principles established in the directors selection policy, which has as its objective the recognition of the importance of Board, Committee and Senior Management diversity in a broader sense. As recommended by the Spanish Good Governance Code, the Nominations Committee reviews compliance with this policy on an annual basis. The review for the 2025 reporting period was completed in January 2026. The Committee also refreshed the policy in January 2026 to align with the update to the Group diversity and inclusion policy, which was approved by the Board in December 2025.

When considering director appointments, the Committee follows a formal, rigorous and transparent procedure, designed to capture the value of diversity in its broadest sense in line with the directors selection, while ensuring that any appointment is made on merit, capability and performance as well as the needs of the Board at that time. Diversity considerations also include ensuring that more than half of the Board are independent EU nationals to meet regulatory obligations.

Gender diversity principles are followed throughout the director appointment process in line with Corporate Governance requirements, while ensuring all appointments are merit-based as established in the policy. The Board's policy is to consider candidates with different skills, experiences and professional and industry backgrounds as well as any other characteristics referred to in applicable legislation or corporate governance recommendations or provisions. When conducting a search, the Company will only engage search firms that have signed up to the latest UK Voluntary Code of Conduct for Executive Search Firms (or its international equivalent).

As at 31 December 2025, we have met the diversity and inclusion requirements of the UK Listing Rules, the FTSE Women Leaders and Parker initiatives, as set out in our directors' selection and diversity policy in effect at such time.

Female directors currently represent 55% of the Board and 60% of the non-executive directors (including the chairman) and the SID is a woman. In addition to this, three of the four Board advisory committees are chaired by women: the Audit and Compliance, the Remuneration and the ECR committees.

From an ethnic minority perspective, the IAG Board has met the requirement to have one director from a minority ethnic background in line with the UK Listing Requirements.

Report of the Nominations Committee *continued*

Our gender identity and ethnicity data reported in accordance with Listing Rule 6.6.6(9) and 6.6.6 (10) is set out below. Disclosure is based on self-identification through an information-gathering process where individuals were provided with the requirements and categories for confirmation of classification. The information is reported as at 31 December 2025 and remains unchanged at the date of this report.

Gender identity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1] (CEO, CFO, SID and Chair)	Number in executive management[2]	Percentage of executive management
Men	5	45%	2	7	70%
Women	6	55%	1	3	30%
Not specified/prefer not to say	–	–	–	–	–

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1] (CEO, CFO, SID and Chair)	Number in executive management[2]	Percentage of executive management
White British or other White (including minority-white groups)	10	91%	3	10	100%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	9%	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1 The IAG Chief Financial and Sustainability Officer, Nicholas Cadbury, does not hold a position on the Board although he attends all Board meetings.

2 Excluding IAG's CEO who is reported as a Board member

The Committee embraces the importance of diversity and inclusivity on the Board and within senior management. The Committee monitors management's efforts to promote diversity in IAG's senior management as well as initiatives aimed at fostering a healthy and inclusive environment that provides equal access to opportunities for all, and ensures that decisions are made based on merit, capability and performance. IAG's aim is for both senior leaders and our businesses to reflect the diverse communities we work in and to create an environment where individuals feel their unique differences are respected, recognised and valued. Beyond gender and ethnicity, the Management Committee is composed of individuals of multiple nationalities (including Spanish, British, American, dual Brazilian/Argentinian, Irish and Italian). In addition, most of the executives have multi-jurisdictional backgrounds and/or careers, which serve to enhance the value that they bring to the Group, its customers and employees. Further information on the Board composition is included on pages 99 to 100 of the Corporate Governance section.

In line with the Group's diversity and inclusion framework and strategy, the Group's operating companies and platform businesses have implemented a range of initiatives to support diversity and inclusion at all levels of the business, while ensuring that all appointments are merit-based and that the candidate is suitable for the role, without any kind of discrimination taking place. The Board supports and monitors management initiatives in improving the diversity of IAG's senior leaders. At the end of 2025, 35% of senior leadership roles were held by women in and 10% of our UK senior leaders group self-disclosed as ethnically diverse.

Further details and explanations of the steps that IAG is taking to promote diversity and inclusion across the Group are set out in the Sustainability report.

Committee performance review

The Committee's performance and effectiveness is reviewed annually by the Committee and as set out on page 108 of the Corporate Governance report. In 2025, the review was externally facilitated, and it was determined that the Nominations Committee had operated effectively throughout the year.

During 2026, the Committee will continue to focus on longer-term succession planning for senior leadership and developing the pipeline around the key competencies of performance, leadership, teamwork and collaboration. In addition, the Committee plans to prepare and plan for the succession of Board roles over the medium to long term.

Report of the Environment and Corporate Responsibility Committee



Nicola Shaw
Environment and Corporate Responsibility Committee Chair

Committee members	Date appointed
Nicola Shaw (Chair)	25 February 2021
Maurice Lam	17 June 2021
Bruno Matheu	26 June 2024
Robin Phillips	25 February 2021
Päivi Rekonen	19 June 2025

Dear shareholder

I am delighted to introduce the Environment and Corporate Responsibility Committee report for the year ended 31 December 2025. This report highlights some of the work and activities carried out by this Committee during the year.

During 2025, we were pleased to welcome Päivi Rekonen to the Committee, replacing Emilio Saracho, who retired from the Board at the Annual Shareholders' Meeting in June.

I would like to thank Emilio Saracho for his contribution as a member of this Committee.

Following the approval of the Committee regulations on 27 February 2025, the Committee's remit was refocused solely on environmental and corporate responsibility matters, with oversight of the functioning of the Group airlines' safety risk supervision and management systems allocated to the Audit and Compliance Committee.

The Committee continued to oversee and guide IAG's sustainability strategy and initiatives in support of the Board of Directors, ensuring that they are effective and in line with prevailing regulations and good practice.

We continued to make good progress on our sustainability targets in 2025 and achieved a carbon intensity of 77.5gCO_2/pkm, bettering our 2025 target of 80.0gCO_2/pkm and delivering a 0.7% improvement on the prior year. We were also pleased to see an increase in usage of SAF by Group airlines to more than 291,000 tonnes, which was delivered as part of meeting our share of the EU and UK SAF mandates that became applicable to fuel suppliers in 2025. This represents a 79% increase on 2024 and has resulted in IAG's net emissions being reduced by over 796,900 tonnes of CO_2. The ongoing work to deliver operational efficiency and new fleet have further supported the reduction of carbon emissions across the Group.

The Committee has been kept abreast of regulatory initiatives affecting IAG's environmental and workforce reporting including the new Modern Slavery Guidance which is due to be published in 2026. The Committee also received a number of updates including on the delayed transposition of The Corporate Sustainability Reporting Directive (CSRD) in Spain and the EU Omnibus I package. The Committee also reviewed the material impacts, risks and opportunities (IRO) identified by IAG in its double materiality assessment in 2025. As a result of this exercise, definitions of some IROs were clarified, but there were no changes to our material topics for the scope of the Sustainability statement as outlined in this Annual Report and Accounts.

The Committee reviewed the results of the 2025 sustainability benchmarking study which had been conducted with the support of ICF, an international sustainability and technology consultancy firm, and demonstrated IAG's performance across all 10 environmental metrics. The review noted that IAG had met all social and governance metrics with a strong board-level ESG integration and executive pay linked to climate goals.

Report of the Environment and Corporate Responsibility Committee *continued*

In May 2025, we also reviewed and submitted for approval by the Board the proposal to invest in the **one**world SAF fund managed by Breakthrough Energy Ventures, which aims to accelerate innovation and secure access to emerging SAF technologies through a dedicated fund. The fund supports the need for long-term aviation fuel solutions that will help the aviation industry to reach net zero.

Additionally in May, the Committee was updated on the ongoing work on the Group Modern Slavery Statement. The Committee was pleased to see a number of enhancements in 2025 including an increase in the audits reviewed and increased training on modern slavery as well as further engagement with ESG leads for high-risk suppliers leading to continued improvement in our compliance in this area and IAG maintaining its Tier 2 status (Evolving Good Practice) under the CCLA Modern Slavery Benchmark.

The Committee was pleased to see IAG's 2050 Scope 1 emissions net zero target was independently assessed by the Transition Pathway Initiative (TPI) in November 2025 as 1.5°C-aligned, and our medium-term target to achieve 20% reduction in Scope 1 emissions by 2030 has been assessed as well-below 2°C aligned.

Finally, in December 2025 the Committee reviewed the progress of IAG's sustainability programme against its KPI's, including third-party ESG ratings the Group participates in. The Committee was pleased to see IAG recognised as a leading airline group, and in the top 100 global companies, by Sustainalytics for its low-carbon transition rating in its updated assessment in September 2025. The Committee also welcomed news that IAG had retained its status as the leading airline group under the Transition Pathway Initiatives' carbon management quality indicator assessment, as of December 2025.

The Committee discussed updates to the Group's carbon roadmap to net zero emissions by 2050 as detailed on page 64 of the Sustainability section, plans to review its environmental sustainability policy, and the requirements for further policy support to maintain competitiveness of European airlines in the delivery of the industry's climate goals.

The Committee has a full agenda for the year ahead and as regulations in this area continue to evolve affecting each of our operating companies, we look forward to the reviews we will have with the Executive team as they navigate this complex picture.

Nicola Shaw
Environment and Corporate Responsibility Committee Chair

The Environment and Corporate Responsibility Committee

The Committee's composition, responsibilities and operating rules are set out in article 33 of the Board Regulations as well as by the Regulations of this Committee, which were last reviewed on 27 February 2025 and are available on the Company's website. At the Board meeting held on 27 February 2025, the responsibilities and operating rules of the Board committees were reviewed, and it was agreed that the Committee would continue as the Environmental and Corporate Responsibility (ECR) Committee (formerly the Safety, Environmental and Corporate Responsibility Committee) concentrating its work in these two areas.

The Committee shall be made up of no less than three directors appointed by the Board, with the necessary dedication, capacity and experience. All the members of the Committee are non-executive directors with the majority being independent directors.

In addition to the Board Secretary and Deputy Secretary, regular attendees at Committee meetings included the Chairman, the Group Chief Executive and Group Senior managers in charge of different sustainability areas were invited to attend specific agenda items as required and when relevant.

The Committee's role and responsibilities

The Committee's role is to assist and advise the Board of Directors on matters relating to environment and corporate responsibility.

This Committee provides a governance forum for the non-executive directors to exercise specific oversight, challenge and support senior management in the development of the Group's sustainability strategy, policies and targets.

Under the Regulations in force in 2025, the Committee's remit included:

- To review the Group's social and environmental strategy and policies;
- To periodically evaluate the effectiveness of IAG's environment and social policies;
- To review the content, integrity and completeness of sustainability reporting;
- To review IAG's sustainability performance, as well as its position in recognised international indexes and metrics;
- To monitor and evaluate IAG's interaction with its stakeholder groups; and
- Advise other Board committees on sustainability matters as relevant.

The Committee's activities during the year

During 2025, the Committee held three meetings. Directors' attendance at these meetings is detailed in the Corporate Governance report.

The Committee's activities during the year included:

- Reviewing the 2024 non-financial information statement and other sustainability reporting;
- Reviewing the carbon intensity measure under the annual incentive plan;
- Reviewing IAG's sustainability strategy and targets;
- Review of compliance with environmental and social practices and policies;
- Sustainability trends update, benchmark and indices;
- Overview of SAF projects;
- Regulatory update focusing on SAF policy;
- Stakeholder engagement review; and
- 2025 update to the Modern slavery and human trafficking statement.

Market trends and EU and national ESG consultations

In 2025, the Committee was regularly informed of any forthcoming ESG policy initiatives, updates and consultations at international, EU or national level, including the Group's position and intended actions in relation to each.

Benchmarking

At its meeting in May, the Committee considered an update on a benchmarking study of all ESG factors carried out by an international sustainability and technology consultancy. The report provided an overview of IAG's position relative to the industry across a range of sustainability factors and provided a good roadmap for future management and Committee focus.

Stakeholder engagement review

The Committee reviewed the annual report on stakeholder engagement on sustainability issues, which included industry associations, government and regulators, customers, investors, employees and suppliers, and considered the main objectives of this dialogue and its impact. Further details can be found in the Stakeholder engagement section.

Modern slavery review

The Committee reviewed the update to the Group's Modern slavery and human trafficking statement before submission to the Board of Directors. IAG has maintained its Tier 2 status (Evolving Good Practice) under the CCLA Modern Slavery Benchmark and has identified a number of suggestions to further enhance our performance in this area in 2026 to ensure compliance against the updated UK Modern Slavery Guidance published in 2025. The Committee was pleased to see an increase in the number of audits reviewed and issues identified as well as the continued engagement with ESG leads across the Group particularly in relation to key areas of risk. IAG also played a key role as member of the ICAO Ad Hoc Group on Combatting Trafficking in Supply Chains, an international, joint industry-regulatory group composed of experts from states, air operators, and international organisations in order to develop industry wide guidance material published in 2025.

CSRD

As in 2024, IAG continues to voluntarily comply with the EU Corporate Sustainability Reporting Directive (CSRD) (Directive 2022/2464/EU) presented in IAG's 2025 Sustainability statement. As mentioned, the CSRD has not been transposed into Spanish law and thus IAG must continue to comply with Spanish Law 11/2018. The Committee was updated on the joint letter received from the CNMV and ICAC on sustainability reporting pending the transposition of the Directive in Spain. The Committee noted that a quick fix delegated regulation developed during the review of CSRD in its Omnibus package had been extended to Spanish companies who must also remain in compliance with Law 11/2018. Details of reliefs IAG is taking towards its reporting obligations are provided in the Sustainability statement on page 311.

IAG performed a review of its double materiality and regulatory alignment with the support of Transcendent (a Spanish sustainability consultancy). The assessment confirmed that IAG's double materiality assessment continues to align with the requirements of the CSRD and EU taxonomy.

The Committee was updated on the outcome of this review, and the approval of material IROs for 2025, which was conducted by the Audit and Compliance Committee in November. This confirmed no changes would be made to the reporting scope.

Review of compliance and progress against key metrics

The Committee completed its annual review of compliance with environmental and social practices and policies and progress against key indicators.

Sustainability (ESG) ratings review

As in previous years, the Committee was also informed of the Group's positioning in relation to the main sustainability rating index with IAG being recognised as the leading airline group, and in the top 100 global companies, by Sustainalytics for its low-carbon transition rating in September 2025.

Committee annual performance review and priorities for 2026

The annual performance review of the Committee in 2025 was externally facilitated, in line with the UK Corporate Governance Code, by Dr Tracy Long of Boardroom Review Limited. It was noted that the delegated Committees were being used effectively for detailed analysis and debate of key subject areas. The Committee will continue to focus on the delivery of the Group's sustainability programme in 2026, including compliance with climate policies and reporting obligations.

Report of the Audit and Compliance Committee



Eva Castillo
Audit and Compliance Committee Chair

Committee members	Date appointed
Eva Castillo (Chair since 1 August 2024)	31 December 2020
Margaret Ewing	20 June 2019
Maurice Lam	17 June 2021
Simone Menne	19 June 2025

Dear shareholder

I am pleased to present my report as Chair of the Audit and Compliance Committee for 2025. I would like to thank Peggy Bruzelius for her dedicated service as a Committee member and extend a warm welcome to Simone Menne, who joined the Committee this year following Peggy's decision to step down from the Board.

The Audit and Compliance Committee continues to play a pivotal role in IAG's governance, overseeing risk management, internal controls, financial and non-financial reporting, compliance, and both internal and external audit. In 2025, the Committee's remit was further expanded to include oversight of the safety and security frameworks in place and under the responsibility of the Group's airlines.

The Committee held five planned meetings during 2025 and the key items discussed by the Committee in discharging its oversight and responsibilities and its areas of focus are set out in further detail in this report.

This report highlights the key matters considered in 2025 and details how the Committee fulfilled its responsibilities to ensure the integrity and compliance of the Annual Report and Accounts.

Throughout the year, I engaged with all Committee members, management and our internal and external auditors. The Committee's Regulations were updated to align with the latest Technical Guidance on Audit Committees issued by the CNMV, and the Board reaffirmed the Committee's overall oversight of the Group's risk management and internal control frameworks, including safety and security risk management and enterprise risk management.

In preparation for 2026 the Committee also considered the implementation of the requirements of Provision 29 of the revised UK Corporate Governance Code. Provision 29 introduces a new Board declaration on the effectiveness of material controls and enhances some existing reporting requirements on the Company's risk management and internal control framework. In line with this, the Committee has been monitoring management's preparations to ensure compliance with Provision 29, including reviewing IAG's definition of material controls.

The Committee worked diligently to ensure reliable financial and non-financial reporting and compliance with laws and regulations, through oversight of the Group's internal control framework, including Internal Control over Financial Reporting (ICFR) and risk management frameworks. We closely monitored management's approach to the implementation of the new requirements of Provision 29 and the implementation of the requirements of UK Economic Crime and Corporate Transparency Act 2023, which became enforceable in September 2025. In addition, the Committee continued to maintain its focus on IT and cybersecurity, with regular updates on the Group's IT operating model and transformation programmes.

An external evaluation of the Committee's effectiveness was completed in 2025, following an internal evaluation in 2024. The findings, shared with the Board, confirmed that the Committee operated effectively during the year. In accordance with the report's recommendations, the Committee's priority areas for 2026 will be the overall supervision of the Group's risk management and internal control framework, as well as its new oversight responsibility relating to the overall airline safety framework.

I hope you find this report informative and that it provides assurance regarding the Committee's activities during 2025 and our plans for 2026.

Eva Castillo
Audit and Compliance Committee Chair

The Audit and Compliance Committee

The composition, competencies and operating remit of the Audit and Compliance Committee are regulated by article 29 of the Board Regulations as well as the Regulations of the Audit and Compliance Committee. A copy of these Regulations can be found on IAG's website.

The Committee's composition, competencies and attendance

Detailed biographies of all Committee members are included in this Annual Report. The Board is satisfied that the Committee has maintained competence relevant to its overall responsibilities, including possessing a wide range of financial, audit, risk management and relevant sector and business experience among its members, providing the right mix of skills and experience to provide constructive challenge and support to management. The Board has determined that all Committee members have recent and relevant financial experience. The Board, through the Nominations Committee, will continue to review the Committee's membership to ensure the skills and experience of its members align with the business as it develops.

In addition to the Secretary, the Deputy Secretary and the Group Audit Director (who functionally reports to the Committee Chair), the Chairman, the Group CEO, the Chief Financial and Sustainability Officer, the Group General Counsel, the Group Financial Controller and representatives of the external auditors regularly attended the Committee meetings.

In relation to the recommendation of the CNMV Technical Guide to limit the presence of non-members at committee meetings, the following measures are followed:

- Draft agendas are reviewed to ensure the participation of appropriate stakeholders for each agenda item.
- A private session of the Committee is held at the end of each meeting.
- Regular private sessions are held with the internal and external auditors, the Chief Financial and Sustainability Officer and the Group General Counsel.
- Where appropriate, management or the auditors are asked to leave the meeting if a topic is to be discussed that may conflict with or involve them.

The Committee's responsibilities and activities

The Committee's principal responsibilities are to oversee and provide assurance to the Board on the integrity and quality of all external reporting, effectiveness of audit arrangements and robustness and effective operation of internal controls, compliance and risk management frameworks.
The Committee meeting agendas are tailored to ensure emerging topics are included and to allow for ad hoc discussion and reviews. A summary of the Committee's activities during 2025 and until the date of this report follows.

Audit and Compliance Committee activities

Area of Committee focus	Activities
Financial reporting	• Reviewing, challenging and considering the external auditor's views on significant accounting estimates, judgements and accounting policies applied in the financial statements of the Group and related reporting and disclosures. • Reviewing the financial statements and announcements of the Group to ensure integrity. • Consideration of the process for confirming and recommending to the Board that the 2025 Annual Report and Accounts is fair, balanced and understandable.
External auditor	• Oversight of the external auditor, focusing on audit quality, effectiveness, independence and objectivity to ensure the rigour and challenge of the audit process is maintained. Specific activities undertaken by the Committee to oversee the relationship with KPMG and the audit process are included in this report.
Internal auditor	• Oversight of the internal auditor, focusing on the appropriateness of internal audit skills and resourcing, approving the audit plan, reviewing audit results, monitoring implementation of audit recommendations and ensuring the independence of the Internal Audit team. Specific activities undertaken by the Committee with regard to internal audit are included in this report.
Internal Control over Financial Reporting	• Consideration of and challenge to management's analysis of risks in financial reporting, identification of key financial controls and documentation of accounting processes. • Monitoring the internal controls procedures adopted by the Company to oversee compliance with them. • Reviewing the results of the internal audits of ICFR, consideration of the external auditor's findings and conclusions on this matter and tracking the progress of implementation of internal and external ICFR audit recommendations.
Enterprise risk management	• Reviewing the principal and emerging risks facing the Group, including gaining assurance as to the effectiveness of the internal control system, mitigations and risk management process. • Reviewing the principal risks and the combination of risks that possess the potential to significantly impact the Group's strategic objectives, in order to simplify and further refine the Group's risk disclosures. • Reviewing the process whereby the Board reviewed and determined risk appetite. • Reviewing the performance of the Group against its existing risk appetite and confirming management's assessment that the Group has applied appropriate mitigations or other effective controls to ensure that the Group has operated within (or agreed) risk appetite throughout the period. • Reviewing annual compliance with the ERM risk policy. • Reviewing the Group's fraud risk assessment and design of the internal control framework to prevent and detect fraud, including consideration of the key controls and assurance activities provided across the Group in relation to financial and non-financial fraud risk. • Overseeing treasury risk management, including reviewing the Group's fuel and foreign exchange hedging policies, positions and financial counterparty exposure, compliance with the Group's treasury and financial risk management policies and consideration of the implications of the approved fuel hedging profile, and ensuring its continued appropriateness in managing these risks. • Overseeing tax risk management, in an environment of increased challenge, investigation and audit by tax authorities globally and considering the tax strategy before recommending it to the Board for approval and publishing it on the IAG website.
Legal and compliance	• Reviewing the Group's anti-bribery, sanctions, competition, privacy and Spanish Criminal Code compliance programmes including the latest related risk heatmaps, regulatory developments, issues identified during the year or still live from previous years and key programme activities during 2025 and priorities for 2026. Key programme activities include reviewing progress in implementation, awareness, training and other initiatives in respect of the updated Code of Conduct and Ethics. • Reviewing the Group's implementation of the requirements of UK Economic Crime and Corporate Transparency Act 2023 during 2025, which became enforceable in September 2025. • Reviewing, on behalf of the Board, the Group's independent third-party-facilitated whistleblowing procedures and the annual report from the Group's Head of Ethics and Compliance on: communication and awareness (plus trust in) the Group's whistleblowing facilities; incidents reported via the external whistleblowing and relevant internal channels, by category and nature; any emerging themes or trends; timeliness and responsibility for follow-up; and investigations and actions taken to address substantiated reports. • Consideration of Disclosure Committee and litigation reports from the General Counsel including the status of remaining and potential civil litigation actions (see note 28 to the consolidated financial statements).

Area of Committee focus	Activities
IT, cybercrime and GDPR	• Reviewing and monitoring key cybersecurity and data privacy management improvement projects including lessons learned from recent industry-wide ransomware attacks, visibility of trend analysis and benchmarking external data to better understand the Group's progress in implementing its improvement plans.
Safety Management Framework	• Reviewing and monitoring the Group airline's safety risk management frameworks including governance and oversight structure of each Group airline, audit and oversight, reporting culture and cross-airline coordination activities. Key updates also include safety outcome metrics and key group safety indicators.
Non-financial information	• Reviewing management's compliance with the CSRD (directive 2022/2464/EU) as well as the integrity of information provided in the Group's Consolidated Sustainability statement in compliance with Law 11/2018, including information on environmental, social, employee and human rights-related matters. In addition, the Committee received the external auditor's limited assurance report and conclusions on the Sustainability statement. • Reviewing the integrity of the reporting and data in respect of the Group's longer-term sustainability and climate-related risks and opportunities, including the Group's alignment with the provisions of the TCFD process and the appropriate reflection of the implications of climate change in the Group's strategy, financial statements and financial and cash flow forecasts.
Insurance	• Reviewing the Group's insurance position, including general insurance arrangements and directors' and officers' liability insurance. • Reviewing the adequacy and appropriateness of the cover with regards to the Group's relevant principal and emerging risks (recognising that not all risks are of an insurable nature). • Consideration of the insurance policies across the Group to ensure they are adequate and appropriate for the risks faced by the Group and new areas of risk and insurance.
Governance and other matters	• Reviewing compliance with applicable corporate governance provisions and recommendations. • Reviewing and recommending to the Board the adoption of amendments to relevant policies. • Considering and planning for the implications of any changes in European, Spanish or UK corporate governance requirements within the remit of the Committee.

Report of the Audit and Compliance Committee *continued*

Significant financial reporting matters considered by the Audit and Compliance Committee

The Committee takes account of significant issues and risks, including strategic, business, operating, financial, compliance and regulatory, that may materially impact the integrity and accuracy of the quarterly financial results announcements or the 2025 Annual Report and Accounts.

In doing so, the Committee considers the three often overlapping areas of significant financial reporting matters that arise from management's judgements, estimates and accounting treatments, the significant audit issues reported to the Committee by the external auditor, as well as the key audit matters, which are the matters of most significance to the audit included in the external auditors report.

In support of the Directors' statement and responsibilities, the Committee has also sought to ensure that the Group's reporting is aligned with the latest guidance and requirements from regulators, that it is fair, balanced and understandable and that all matters disclosed and reported upon meet the rapidly evolving needs of the Group's stakeholders.

The significant accounting judgements, estimates, accounting policies and issues considered by the Committee in relation to the Annual Report and Accounts for the year to 31 December 2025 (including those considered as significant audit issues by the external auditor and described in the Independent Auditor's Report) are set out in the table below. In addition to this, the Committee also considered the assumptions and judgement underlying the valuation of pension assets and liabilities in the financial statements as summarised in note 34 to the consolidated financial statements. After robust further consideration, challenge and debate, there are no topics where the conclusion resulted in significant disagreement between management, the external auditor and the Committee, and there were no unresolved issues that needed to be referred to the Board.

Matter	Action taken by the Committee and outcome/future actions
VAT assessment on the issuance of Avios	The Committee received multiple updates throughout 2023, 2024 and 2025 on the progress of HMRC's substantive review into whether VAT should have been and should be payable on the issuance of Avios. Based on the facts presented, the Committee agrees with management's assertion, confirmed by external counsel and tax advisers, that it is more likely than not that an adverse ruling will not eventuate. The Committee also focused on the recoverability of the payment made to HMRC, without admission of liability, in order to appeal the case to the First-tier Tribunal (Tax). As a result, the Committee also agrees with management's approach to record a receivable asset of €507 million in the 2025 consolidated financial statements, which will be recoverable should the Group receive a favourable outcome from the First-tier Tribunal (Tax). The Committee is satisfied that the disclosure made in the 2025 Annual Report and Accounts enables users to sufficiently understand the status of this matter. The Committee also considered the conclusions of the external auditor, who continued to identify the VAT matter in IAG Loyalty as a key audit matter.
Maintenance accounting	The Committee reviewed management's Maintenance, Repair and Overhaul (MRO) accounting estimates and assumptions relating to the Group's aircraft engine and other maintenance events performed by both Iberia and third-party providers to each of the airlines in the Group. The Committee challenged management on the appropriateness of the intercompany accounting treatment applied by airlines within the Group including, but not limited to, the impact on the componentisation of owned aircraft and revisions to provisions for leased aircraft. The Committee further challenged KPMG on the accounting applied by management and the range of alternatives presented by management. Following discussion with management and the external auditor, the Committee agreed with the accounting applied for both owned and leased engines.
Voucher revenue recognition	The Committee continued to focus on management's revenue recognition assumptions in respect of unredeemed vouchers issued in relating to both COVID-19 pandemic flight cancellations (referred to as 'disrupted flights') and non-disrupted flights. The Committee is satisfied that the breakage assumptions applied throughout 2025 in relation to the revenue recognition of vouchers are appropriately supported by reasonable management assumptions, which themselves are supported by historical redemption and expiry data.

Other significant matters considered

Highlights of other key matters that the Committee considered are explained below.

Matter	Action taken by the Committee and outcome/future actions
Viability and going concern assessments	Throughout the year and while finalising the 2025 Annual Report and Accounts, the Committee reviewed and evaluated management's going concern review and viability assessment, including the supporting analysis. The Committee found assurance in management's 2025 assessment. This assurance was gained by reviewing and challenging critical estimation assumptions and judgements applied to cash flow forecasts over the short, medium and long term, including the implications of climate change within the reference period. Many assumptions and judgements are based on external factors such as the political and economic environment and its impact on the aviation sector, ongoing conflicts and geopolitical tensions, which drive market uncertainty and heightened cyber attack risk and impacts of supply chain disruption, particularly inflation effects and delays in airframe and engine availability. The Viability Statement section of this Annual Report provides details of the base case and downside case used in assessing the appropriateness of the Board's Viability Statement and the going concern basis of accounting. The Committee critically reviewed the assumptions applied in management's base case and downside case projections, ensuring the downside case included appropriately severe but plausible assumptions. The Committee also examined the external auditor's findings and conclusions on this matter. Alternative negative scenarios were considered by the Committee, but the downside case presented the most severe yet plausible scenario. The Committee recommended the going concern statement and related disclosures to the Board for inclusion in the 2025 half year interim results announcement and the 2025 Annual Report and Accounts, as well as the Viability Statement for inclusion in the 2025 Annual Report and Accounts.
Fraud procedures	The Committee examined management's annual report covering the Group's fraud prevention framework, which included the annual fraud risk assessment, the key controls and the lines of defence established to prevent and detect fraud. The Committee observed the addition of the fraud prevention activities as a result of the UK Economic Crime and Corporate Transparency Act 2023 requirements which came into force from September 2025. Overall, the Committee gained confidence that there continues to be strong alignment between the risk assessment and the assurance map, including lines of defence, and was satisfied that the approved internal audit plan addressed the key financial reporting anti-fraud controls as well as audits targeted at specific fraud risks across the Group during this period. On behalf of the Board, the Committee will continue to monitor fraud and internal controls, including consideration of feedback from the external auditor, the outcomes of the annual ICFR audits and the results of a series of focused anti-fraud control internal audits.
Safety Management Framework	In February 2025, the Board restructured the role of its advisory committees and established that the Audit and Compliance Committee would be responsible for providing overall oversight of the Group airline's safety risk management frameworks. In November 2025, the Committee received the first six-monthly update from management covering key safety risk management framework metrics including governance and oversight structure of each Group airline, audit and oversight, reporting culture and cross-airline coordination activities. The update also included safety outcome metrics and key group safety indicators to provide confidence that the framework is operating effectively throughout the year. The Committee will receive the next update in May 2026.
Corporate governance	Throughout 2025, the Committee closely monitored developments in and emerging guidance in respect of the UK Economic Crime and Corporate Transparency Act 2023. In November, the Committee received an update on management's implementation of a number of initiatives to ensure reasonable fraud prevention procedures are in place across the Group and is reassured with the activities and the framework in place.

Report of the Audit and Compliance Committee *continued*

Matter	Action taken by the Committee and outcome/future actions
UK Corporate Governance Code – Provision 29 (Material Controls)	In December 2025, the Committee, on behalf of the Board, considered the plan for management's preparation for the implementation of the new UK Corporate Governance Code requirements in relation to provision 29 and material controls. Management has sought to build on established frameworks already embedded across the Group, including ICFR, safety and risk management systems and relevant compliance frameworks. As previously agreed with the Committee, management adopted an integrated approach leveraging existing policies, processes and assurance activities to avoid duplication and ensure consistency across control environments. The material controls framework developed by management draws directly on the Group's ICFR framework, including established methodologies for control identification, ownership, testing and remediation. The Committee challenged aspects of this framework, however, agreed with management that this provides a strong foundation for assessing the design and effectiveness of financial controls and informed the extension to operational, reporting and compliance controls. In parallel, management incorporated relevant elements of the Group's mature safety framework, particularly in relation to aspects that demonstrate the framework is operating effectively in each of the Group's airlines, recognising safety as a key operational control area. The Committee agreed with the approach, which included a definition of material controls for the Group, identification of material controls and definition of the effectiveness criteria for the controls. The Committee also agreed that reliance on existing frameworks was appropriate, robust and well-evidenced and supports an efficient and sustainable approach to the Board's future declaration on the effectiveness of material controls as at 31 December 2026. In mid 2026, a dry run of the approach and disclosure will be presented to the Board for final approval.
Ethics and compliance	The Committee recognises the critical role of ethics and compliance in upholding the highest ethical standards across the Group. Throughout 2025, the Committee closely monitored management's implementation of the Group's three-year ethics and compliance plan, including regular updates on progress and monitoring of the Group's Speak-up channels. The Committee also reviewed a number of policies during 2025 and recommended their approval by the Board, including the revised versions of the anti-fraud, anti-bribery and competition law policies. The Committee is pleased with the progress made, and compliance will remain a key area of focus for the Committee during 2026.

The Committee will continue to receive regular updates on all the above matters in 2026.

Internal Control over Financial Reporting

The Board of Directors is ultimately responsible for the supervision of the existence and effectiveness of ICFR. The Board has delegated responsibility for the development of effective controls to the Group CEO and supervision of the effectiveness of these controls to the Audit and Compliance Committee.

The Group's ICFR monitoring and auditing is mature and well embedded across the Group, covering processes applied by the Company, Aer Lingus, British Airways, IAG GBS, IAG Loyalty, IAG Transform, Iberia, LEVEL and Vueling, and processes performed by IAG GBS and IAG Cargo on behalf of the operating companies. This enables the Committee to evaluate and oversee IAG's management of financial reporting risk and to validate the Group's approach to complying with the CNMV's ICFR recommendations.

During 2025 and in February 2026, the Committee reviewed the results of the internal audits and external audit of ICFR (which included IT general controls). No unremediated material weaknesses that would impact the integrity of the financial statements were identified, and management continued to improve the control environment across the Group. The Committee also tracked the progress of internal audit recommendations to address any weaknesses identified.

Internal audit

The Committee's activities during 2025 in relation to the Internal Audit function included:

- Reviewing and agreeing the internal audit 2025 plan and 2026 first six months' plan (including resourcing and budget to appoint appropriate external specialist resource to provide the required level of assurance over the principal risks, processes and controls throughout the Group). This included ensuring the 2025 plan continued to focus on fraud risk while also ensuring coverage of 'other' specific risks, including cybersecurity, IT transformation programmes, non-financial information and satisfying ICFR and Spanish Criminal Code requirements;
- Reviewing key audit conclusions, discussing the quality and timeliness of management's responses, monitoring the resolution of issues raised and requesting additional audit review of certain weaknesses or concerns identified by internal audit, post-management action to remediate. Where an internal audit finding was rated seriously deficient, relevant responsible management were requested to, in person, present their plans and progress in addressing the audit recommendations and required actions, reflecting the importance the Committee attributes to the internal audits and their conclusions;
- Holding regular meetings during the year between the Committee, the Group Audit Director and the external audit partners, as well as ensuring the Group Audit Director feels able to raise any concerns informally and directly with the Chair of the Committee;
- Monitoring and protecting Internal Audit's independence and standing within the Group, ensuring it is able to influence and engage at the most senior levels across IAG, operating companies and functions, and is closely involved in the Group's discussions on risk; and
- Performing an effectiveness review with key internal stakeholders in December 2025.

The Committee is satisfied that delivery of the approved internal audit strategy and plan is providing timely and appropriate assurance on the effectiveness of controls in place to successfully and effectively manage aspects of the Group's relevant principal risks (i.e. those that are capable of being subject to an audit review).

Report of the Audit and Compliance Committee *continued*

External audit

External auditor key information	
Last tender	2019–January 2020
Transition year	2020
AGM approval of current auditor (for one year to 31 December)	June 2024
First audited Annual Report	Year to 31 December 2021
Next audit tender required by regulations	For appointment effective for year to 31 December 2031

The Committee engaged throughout the year with KPMG, with the engagement partners attending all Committee meetings.

The Committee Chair met frequently with the Group and lead audit partners throughout the year to review Group developments, audit progress, planned reporting and audit findings. The Committee's key activities in relation to its interaction with KPMG included:

- Review and approval of the 2025 external audit plan and strategy including consideration of scope, approach and methodology, emerging industry and Group-specific audit risks and materiality;
- Monitoring the audit plan's implementation, including receiving regular reports from KPMG, progress against plan in light of key judgements, audit matters and any significant weaknesses detected in the internal control environment;
- Discussion, prior to recommendation of the financial statements to the Board for approval, of the audit findings, including audit variances, and observations on internal controls, operations and resources. This included challenging the auditors on their conclusions regarding management's disclosure of the ongoing VAT assessment and accounting for aircraft maintenance discussed in the significant financial reporting matters section above;
- Performing an assessment of the effectiveness and independence of KPMG, including the quality of the 2025 audit (throughout the year) and reviewing and approving KPMG's fees and terms of reference; and
- Reviewing and approving 2025 non-audit services expenditure against policy and previously determined limit guidance. Reviewing and approving non-audit services limit guidance and expectations for 2026.

External audit scope, materiality and execution

In July, the Committee discussed and agreed the scope of the audit with KPMG, including the interim review plan (comprising audit testing, risk assurance procedures, process walkthroughs, controls testing and data and analysis routines) and ensured that the audit strategy was robust and informed by the auditor's assessment of the Group's key risks, particularly those that are significant to the audit. KPMG outlined to the Committee the key tests that it intended performing on the identified higher-risk audit areas that could lead to material misstatement of the financial statements and significantly influenced the audit plan. The auditor and the Committee confirmed a shared understanding of these risks and key audit matters, including accounting for VAT, customer loyalty valuation and accounting for aircraft maintenance, restoration and hand-back costs, and how these were to be considered in the audit approach.

The auditor confirmed, as part of its audit strategy, that 90% of the Group's prior year actual revenue and 89% of the Group's prior year total assets would be subject to a full scope audit based on account level scoping in accordance with the revised ISA 600 standard. The Committee agreed that the approach was appropriate and should provide the Board with a high level of assurance regarding the integrity of the financial statements and subsequently approved the audit plan, recognising that the plan would evolve as the year progressed to reflect any changes in circumstances or outlook.

External auditor quality and effectiveness

The Committee is dedicated to ensuring audit quality and effectiveness, which is continuously reviewed to uphold the rigour and challenge of the external audit process. Updates were received from KPMG at five Committee meetings, enabling the Committee to assess the quality of the audit by regularly monitoring the auditor's communications with management and the Committee, including: discussion and challenge during Committee meetings; compliance with relevant regulatory, ethical and professional guidance; and an assessment of the audit team's qualifications, expertise, resources and partner performance.

In addition to its own independent assessment, management conducted a survey on the Committee's behalf as well as engaging in detailed discussion with key executives and finance staff, which demonstrated that the 2025 external audit was deemed to be effective, robust and of good quality.

The Committee's independent evaluation considered the overall quality of the audit, including whether the auditor exhibited an appropriate level of challenge and scepticism in its work and dealings with management, and the independence of KPMG.

The Committee also assessed the depth of review and level of challenge provided by the external auditor over the significant accounting policies, judgements and estimates made by management. The Committee felt that KPMG challenged management robustly on key judgements and estimates, accounting treatments and disclosures; for example, in relation to loyalty programme revenue recognition, where KPMG's challenge included an evaluation of the effectiveness of management's expertise and modelling. The observations and conclusion of the Committee in respect of this matter are noted in this report above.

External audit tender and partner rotation

2021
KPMG first year of audit following the appointment approved by shareholders in 2020 for the 2021, 2022 and 2023 financial years

2024
KPMG reappointment considered and approved by shareholders for the year to 31 December 2024 and annually thereafter

2025
Mandatory rotation of external (KPMG) audit Spanish lead partner to sign off on the 2026 financial year

2030
To comply with the Spanish Act 22/2015, the UK Corporate Code 2024 and the Audit Committees and the External Audit: Minimum Standard, a competitive tender will be required for auditor appointment effective for the year to 31 December 2031 unless carried out earlier

To comply with the Spanish Act 22/2015, the Committee conducted an audit tender process that concluded in January 2020. Following KPMG's appointment (by shareholders) as the external auditor of the Company in 2020 for the years 2021, 2022 and 2023, the Committee reviewed and monitored the implementation of KPMG's audit plans as well as the execution of these plans throughout 2025. The Committee considered and recommended to the Board the reappointment of KPMG for 2026. In accordance with the partner rotation requirements highlighted in the table above, a new Spanish lead partner has been identified by KPMG for 2026.

External auditor non-audit services and independence

Non-audit service spend in 2025 is within the total target maximum and was €2,318,000. The Committee concluded that KPMG is independent, taking into account the level and nature of non-audit services provided.

IAG non-audit services policy: key features

Pre-approval

All non-audit services require pre-approval in accordance with the table below to ensure services approved are consistent with the IAG non-audit services policy for permitted services. This process ensures all services fall within the scope of services permitted and pre-approved by the Committee and does not represent a delegation of authority for pre-approval.

Value	Pre-approver
More than €100,000	Audit and Compliance Committee Chair and Chief Financial and Sustainability Officer
Between €50,000 and €100,000	Chief Financial Officer and Sustainability Officer and Group Audit Director
Less than €50,000	Group Audit Director

Fee cap

The guideline amount is set to ensure the total fee payable for non-audit services should not exceed 70% of the annual audit fee. The overall value of fees for work is addressed by a target annual maximum for 2025 of €3.0 million with an additional allowance of up to €1.7 million for large projects where the external auditor is uniquely placed to carry out the work. The Committee reviews the nature and volume of the non-audit services undertaken by the external auditor on a quarterly basis.

Prohibitions

IAG's policy includes a list of permitted non-audit services in line with the list of permitted services in the FRC's Revised Ethical Standard 2024 (originally introduced in 2019). Any service not on this list is prohibited. All non-audit services over €500,000 are put to competitive tender with other providers, in line with the Group's procurement policy, unless the skills and experience of the external auditor make it the only suitable supplier.

Details of the fees paid to the external auditor during the year can be found in note 7 to the consolidated financial statements.

Report of the Remuneration Committee



Heather Ann McSharry
Remuneration Committee Chair

Committee members	Date appointed
Heather Ann McSharry (Chair)	31 December 2020
Eva Castillo	31 December 2020
Simone Menne	19 June 2025
Nicola Shaw	1 January 2018

Dear shareholder

On behalf of the Board, I am pleased to present our 2025 Directors' Remuneration report, where we set out the remuneration decisions we have made during 2025, and our intended approach for 2026.

In 2025, we were pleased to welcome Simone Menne to the Committee following the retirement of Emilio Saracho from the Board at the Annual Shareholders' Meeting in June. We would like to thank Emilio for his contributions during his time on the Committee.

Business performance

This has been another very strong year for IAG, as we continue to execute our strategy and deliver our financial ambitions. We have announced a set of strong financial results, delivering another year of growth in revenues, earnings and margin. We have continued to deliver significant shareholder value through strong share price performance, an increased interim dividend payment, and the completion of the €1 billion share buyback programme announced in February 2025. Looking ahead, we remain focused on long-term value creation for our shareholders, driven by a disciplined approach to capital allocation, ongoing investment in improving customer experience and operational efficiencies.

Highlights include:

- Operating profit before exceptional items of €5,024 million;
- Increase in operating margin by 1.3 percentage points to 15.1%;
- Overall capacity increased by 2.4% for the year to 31 December 2025, reflecting growth in the Group's fleet of aircraft;
- Continued strengthening of our balance sheet, driven by strong free cash flow generation and disciplined capital allocation, with net leverage at 0.8x at 31 December 2025;
- Interim dividend announced at €0.048 per share, with the Group having completed the €1 billion share buyback programme;
- Continued to deliver our sustainability programme, increasing our sustainable aviation fuel use to 3.3% of total fuel and achieving our 2025 carbon intensity target.

Directors' remuneration policy review in 2025

Our new policy was approved by shareholders at the 2025 AGM, and we were pleased to receive 83.86% of votes in favour.

The key change was the introduction of a new long-term incentive framework for the CEO, which aligns with the model for IAG's senior leaders. To drive our ambitious strategic growth plans, a new Stretch Performance Incentive Plan (SPIP) was introduced in 2025, which incentivises the delivery of stretching operating margin performance above IAG's medium-term ambition through to the end of 2027. A single SPIP grant of 300% of salary was made to the CEO, with no further grants to be made under the current policy. The RSP, which has been in operation since 2021 and helps to provide stability in our volatile and cyclical industry, continues to be granted on an annual basis. We consider this combination of long-term incentives to be the most effective at fostering the high-performance culture that is critical to delivering our transformation ambition, while encouraging management to be agile and responsive to external challenges, and it has proven to incentivise, engage and retain our senior team.

We engaged extensively with our largest shareholders and the major proxy agencies before seeking shareholder approval. We welcomed the thoughtful and insightful feedback we received, which helped us shape our disclosure and proposal. I would like to thank our shareholders for their contribution to the policy review and for their support at the 2025 AGM, and look forward to further engagement as we continue to implement the policy going forward.

In our highly volatile sector, we will continue to review the structure of long-term incentives to ensure they remain effective in motivating and engaging senior management to deliver long term sustainable value for shareholders. As always, any material changes to our remuneration structure would be developed in close consultation with our shareholders.

2025 Annual Incentive Plan outcome

Our annual incentive framework is based on a combination of financial and non-financial measures. The 2025 scorecard was unchanged from 2024, reflecting the Group's continued key focus on

delivering robust financial performance, an excellent customer experience and strong progress towards our sustainability and other strategic goals. For the Group CEO, annual incentive weightings were based 60% on operating profit before exceptional items, 20% on customer NPS, 10% on carbon efficiency and 10% on strategic and role-specific objectives.

The Annual Incentive Plan operated in line with our Remuneration Policy and reflects our strong performance in the year. Under the formulaic outcome, actual performance achieved was 93.2% of the maximum opportunity, largely driven by financial performance against our stretching operating profit targets. Despite slightly lower passenger load due to fleet modernisation and sustainable aviation fuel (SAF) we continue to deliver against our carbon targets, with stretch performance achieved again in 2025. Performance against the customer measures was at maximum (with a +7.0pts improvement versus 2024), demonstrating the impact of our investment in aircraft, IT and property. This contributed to excellent operational performance. Our investments in customer service, lounges, on-board food and digital products have all also contributed to the increase.

The Committee determined that the incentive outcomes are fair and appropriate in this context, and therefore no discretion was applied to the formulaic outcome.

Full details of achievement against targets are provided in the variable pay outcomes section of this report.

Vesting of the 2023 Restricted Share Plan (RSP)

The restricted share award granted to IAG's executive director in 2023 is due to vest in March 2026. The award is subject to a performance underpin, which takes into consideration IAG's overall financial and non-financial performance over the relevant three-year period.

In line with our established framework for assessing the satisfaction of the underpin, the Committee reviewed details of IAG's financial performance (including revenue, profitability, operating margin, cash generation, return on capital, as well as performance relative to sector peers) and key non-financial and operational performance measures (including progress towards IAG's sustainability ambitions and its broader social agenda). Further details are set out in the Restricted Share Plan section later in this report.

The Committee agreed that, based on its assessment, the conditions set out in the underpin had been satisfied. As a result, the 2023 RSP award for the IAG CEO will vest in full in March 2026. The estimated value of the award is included in the single total figure of remuneration in this year's report and reflects the increase in IAG's share price over the plan period. The award is subject to a two-year holding period.

Implementation of the policy for 2026

The CEO's salary is reviewed annually, to ensure it remains competitive in IAG's dynamic talent environment. Any increases are considered in the context of internal and external relativities and the experiences of shareholders and other stakeholders. Following a detailed review, the Committee approved a salary increase of 3% for the IAG CEO for 2026, which is in line with the wider workforce.

The maximum annual incentive opportunity will remain at 200% salary for the IAG CEO, consistent with the policy. There will be no changes to the performance measures for 2026, which the Committee still considers best reflect the most important priorities of the Group for the year ahead.

There are no changes to the operation of the RSP for 2026. The IAG CEO's opportunity is 150% of salary. His award will vest after three years, subject to the satisfaction of the performance underpin, and subject to a further two-year holding period.

Workforce experience

The Committee regularly reviews management's remuneration in relation to the broader workforce. In line with IAG's business model, our operating companies manage their own reward frameworks, ensuring employee remuneration accurately reflects performance, aligns with local market conditions, and remains competitive to attract the right talent.

The Committee receives regular updates on workforce initiatives, such as investments in areas like flexible benefits, designed to maintain IAG's attractiveness as an employer and to support employee wellbeing. Around 84% of our employees are covered by collective bargaining agreements, which aim to secure fair, competitive, and sustainable pay, offering stability for both the business and its people.

Members of the Committee participate in the Board workforce engagement programme, allowing direct interaction with employees on remuneration. These insights are then used to ensure executive remuneration decisions appropriately consider the wider workforce experience and meet stakeholder expectations.

The hard work, commitment and dedication of our employees across the Group is a key driver of our success, and on behalf of the Committee, I would like to thank our colleagues for their valued contribution in 2025.

Conclusion

Over the past year, the Remuneration Committee has carefully reviewed the evolution of the company's performance against its annual and longer-term targets, and the alignment of this performance with the experience of employees, shareholders, customers, and other key stakeholders. In this situation, the Committee took a balanced and considered approach to executive remuneration. We are satisfied that the Directors' Remuneration policy operated as intended throughout 2025, and the remuneration outcomes detailed in this report are appropriate in the context of our very strong results and our trajectory.

We hope that our Directors' Remuneration report will receive your support at our 2026 Shareholders' Meeting, and we welcome any questions you may have in advance.

Approved by the Board and signed on its behalf by

Heather Ann McSharry
Remuneration Committee Chair

Remuneration at a glance

IAG Chief Executive Officer

Purpose and link to strategy features	Outcomes for 2025	Implementation in 2026
Fixed remuneration		
Base salary		
To attract and retain talent to help achieve our strategic objectives. Takes account of factors such as role, skills and contribution.	From 1 January 2025: £913,519 (€1,076,126) (an increase of 3% from 2024). No more than the average increase for the wider workforce.	Following a review, an increase of 3% has been awarded. From 1 January 2026: £940,925 (€1,102,294). Which is in line with the average increase for the wider workforce.
Taxable benefits and pension-related benefits		
Provides basic retirement and benefits, which reflect local market practice.	Pension at 12.5% of salary, comparable to the rate applicable to the majority of the UK workforce. Benefits provided as per policy.	Benefits to be provided as per policy and pension will remain unchanged.
Variable remuneration		
Annual Incentive Plan		
Incentivises annual corporate financial and non-financial performance and the delivery of role-specific objectives. The deferred-shares element aligns the interest of executives and shareholders and provides a retention tool.	For our 2025 bonus, the scorecard was weighted as follows: 60% operating profit (before exceptional items), 20% customer NPS, 10% carbon efficiency and 10% strategic and role-specific objectives. Under those scorecard measures, the bonus outcome was 93.2% of maximum, and thus the 2025 bonus amount was £1,703,000. As the IAG CEO has met the 400% shareholding guideline, 80% of the award will be paid out in cash with 20% deferred into shares for three years (otherwise 50% deferred into shares for three years).	Maximum opportunity unchanged at 200% of base salary. No change to the scorecard measures and weightings for 2026. The targets for 2026 are commercially sensitive and will be disclosed in the 2026 Remuneration report.
Long-term incentive		
Incentivises long-term shareholder value creation and retention.	The third Restricted Share Plan (RSP) award was made to the IAG CEO in March 2023 and is due to vest in March 2026. Based on the Committee's assessment of the performance underpin the RSP award will vest in full. The award will be subject to a two-year holding period post vesting. More detail on the Committee's assessment can be found later in this report.	In line with IAG's Remuneration Policy, a Restricted Share Award of 150% of salary will be granted to the IAG CEO in 2026. Under the policy awards vest after three years subject to satisfaction of the discretionary performance underpin and are subject to a holding period of two years post vesting.
Shareholding requirement		
Provides long-term alignment with shareholders.	The CEO of IAG is required to build up and maintain a shareholding of 400% of base salary.	As at 31 December 2025, the IAG CEO had a shareholding of 798% of base salary.

Malus and clawback provisions apply to annual incentive and long-term incentive awards and the Committee has discretion to adjust formulaic outcomes to reflect corporate performance and broader stakeholder experience.

The Committee considers that the Directors' Remuneration policy operated as intended during 2025.

2025 performance and pay outcomes summary

Business performance

Key strategic highlights

- Record financial performance.
- Strengthened our balance sheet and reduced gross debt via bond repurchasing.
- Through our strong margin and balance sheet, we have been able to accelerate the return of capital to our shareholders.
- Our transformation programme is delivering better customer experiences and operational efficiencies.
- Continued to build a sustainable business (as we continue to renew our fleet and to invest in SAF).

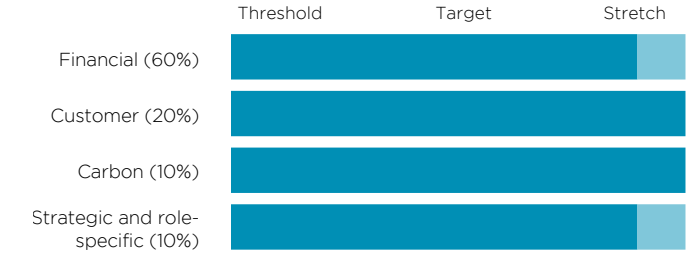
Key statistics

How we performed in 2025:

- Operating profit before exceptional items €5,024 million (+€581 million vly)
- Net debt €5,948 million and total liquidity €10,948 million (-€1,569 million and -€2,414 million vly)
- Leverage 0.8x (-0.3 vly)
- NPS[1] 28.0 (+7.0 vly)
- Carbon intensity 77.5 gCO_2/pkm (-0.7% vly)
- SAF use (tonnes CO_2 saved) exceeded 796,900 tonnes

Performance outcomes

Annual incentive plan



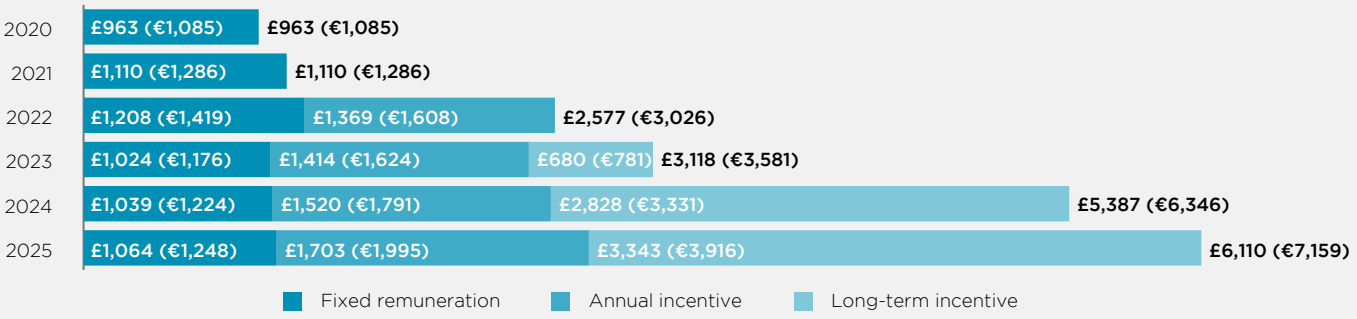
93.2%	–	93.2%
Formulaic outcome (% of maximum)	Committee judgement – no adjustments	Final outcome (% of maximum)

Long-term incentive plan

The Committee reviewed the Company's overall performance – including financial and non-financial measures, as well as any material risk or regulatory issues – to assess the performance underpin attached to the 2023 restricted share award. Following this assessment, the Committee concluded that the conditions of the underpin had been met, and the award will therefore vest in full in March 2026.

The Committee reviewed a framework to assess whether the underpin had been satisfied, taking into account the overall performance for the financial years 2023, 2024 and 2025.

26/2 CHANGE



2020: The current IAG CEO was appointed effective September 2020

2024: The value shown for long-term incentive has been restated this year using the share price at vesting in March 2025, which was £3.24. The vesting of the 2022 RSP award was provided in last year's report based on an estimated share price of £2.43, based on a three-month average share price from 1 October 2024 to 31 December 2024.

2025: The value shown for long-term incentive represents the estimated value of the total 2023 RSP award granted in March 2023, which will vest in full in March 2026. The estimate is based on a three-month average share price from 1 October 2025 to 31 December 2025 of £3.99.

1 For the purpose of the annual incentive award, the weighting of each airline towards the overall NPS score reflects the Group's areas of focus for 2025.

Remuneration report

Introduction

The Remuneration Committee is responsible for the preparation of this report, which was then approved by the Board of Directors.

The Company's current policy on directors' remuneration was approved by shareholders at the Annual Shareholders' Meeting held on 19 June 2025. The proposal was presented following consultation with largest shareholders and major proxy agencies.

As a Spanish incorporated company, IAG is subject to Spanish corporate law. The Spanish legal regime regarding directors' remuneration is substantially parallel to that of the UK as far as directors' remuneration disclosure and approval requirements are concerned.

The Company welcomes the flexibility granted by the Spanish CNMV in allowing companies to prepare reports in a free format. Therefore, IAG is presenting a consolidated report responding to both Spanish and UK disclosure requirements. This report will be accompanied by a duly completed form, which is required by the CNMV covering certain relevant data. This is prepared in accordance with the applicable requirements in Spain and is available on the Company's and the CNMV's respective websites.

It is the Company's intention once again to comply voluntarily with all reporting aspects of the UK legislation of 2018, The Companies (Miscellaneous Reporting) Regulations (SI 2018/860) and The Companies (Directors' Remuneration Policy and Directors' Remuneration report) Regulations 2019, and to follow UK standards of best practice.

In addition to the Remuneration Committee Chair's statement, this Directors' Remuneration report contains the Annual Report on Remuneration, which covers the information on directors' remuneration paid in the year under review.

Directors' Remuneration Policy

Executive directors: key elements of pay

The Company's remuneration approach is to provide total remuneration outcomes that reflect the delivery of the business strategy, are competitive, and take into account each individual's performance. The Committee receives regular updates on the pay and conditions of the Group's employees and takes these into account when considering executive directors' remuneration.

The current directors' Remuneration Policy

The current directors' Remuneration Policy is available on the company website IAG – Directors' Remuneration Policy (iairgroup.com).

Service contracts and exit payments policy

Executive directors

The following is a description of the key terms within the service contracts of executive directors.

The service contracts are available for inspection, on request, at the Company's registered office.

The contracts of executive directors are for an indefinite period.

There are no express provisions in executives' service contracts with the Company for compensation payable upon termination of those contracts, other than for payments in lieu of notice.

Executive director	Date of contract	Notice period
Luis Gallego	8 September 2020	6 months – from / 12 months – given

The period of notice required from the executive is six months; the period of notice required from the Company is 12 months. Where the Company makes a payment in lieu of notice, a payment becomes payable only if, in the Company's opinion, the executive has taken reasonable steps to find alternative paid work, and then only in monthly instalments. The payments will comprise base salary only. The Company may reduce the sum payable in respect of any month by any amount earned by the executive (including salary and benefits) referable to work done in that month (for example, as a result of alternative paid work referred to above).

In the event of an executive's redundancy, compensation, whether in respect of a statutory redundancy payment or a payment in lieu of notice or damages for loss of office, is capped at an amount equal to 12 months' base salary. The Company will honour the contractual entitlements of a terminated director; however, the Company may terminate an executive's service contract with immediate effect and without compensation on a number of grounds, including where the executive is incapacitated for 130 days in any 12-month period, becomes bankrupt, fails to perform his or her duties to a reasonable standard, acts dishonestly, is guilty of misconduct or persistent breach of his or her duties, brings the Company into disrepute, is convicted of a criminal offence, is disqualified as a director, refuses to agree to the transfer of his or her service contract where there is a transfer of the business in which he or she is working; or ceases to be eligible to work in Spain or the UK (as applicable).

The Committee reserves the right to make any other payments (including, for example, appropriate legal or outplacement fees) in connection with an executive director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of an executive director's office or employment.

Under any of the Company's share plans, save in respect of bonus deferral awards (which will normally vest in full following cessation for any reason), if a director leaves, the Board, after considering the recommendation of the Remuneration Committee, may exercise its discretion (within the rules of the schemes) to grant good-leaver status. This can be granted in certain circumstances including, for example (list not exhaustive), the director leaving for reasons of ill-health, injury or disability, redundancy, retirement or death. Executive directors leaving with good-leaver status will normally receive a pro rata amount of their Stretch Performance Incentive Plan (SPIP) shares subject to the performance condition(s) being met, and a pro rata amount of their RSP shares, subject to the underpin being met, in accordance with the plan rules. The proration is normally calculated according to what proportion of the vesting period the executive director spent in company service. Normal vesting dates, holding periods and post-cessation shareholding guidelines will normally continue to apply, other than in a limited number of exceptional circumstances in accordance with plan rules and/or at the discretion of the Board. If good-leaver status is not granted to an executive director, all outstanding awards made to them will normally lapse.

Executive directors leaving with good-leaver status are eligible to receive a pro rata annual incentive payment for the period of the year actually worked, subject to the regular performance assessment and normally paid in the normal manner following the year end.

In the event of an executive director's termination from the Company, they must not be employed by, or provide services to, a restricted business (i.e. an airline or travel business that competes with the Company) for a period of 12 months.

Non-executive directors

Non-executive directors (including the Chair) do not have service contracts. Their appointment is subject to the Board Regulations and the Company's Bylaws. They do not have the right to any compensation in the event of termination as directors. Board members shall hold office for a period of one year. The non-executive directors' letters of appointment are available for inspection, on request, at the Company's registered office.

Malus and clawback provisions

Malus and clawback provisions	Circumstances	The Board, following the advice of the Committee, has authority to reduce or cancel awards before they are satisfied (and/or impose additional conditions on awards), and to recover payments, if special circumstances exist. These special circumstances include (but are not limited to): • Fraud; • Material breach of any law, regulation or code of practice; • An error or a material misstatement of results leading to overpayment or over-allocation; • Misconduct; • Failure of risk management; • The occurrence of an exceptional event affecting the Company's value or reputation; • Payments based on results that are subsequently found to be materially financially inaccurate or misleading; • Serious reputational damage as a result of a participant's behaviour; • Corporate failure; and • Any other circumstances in which the Board considers it to be in the interests of shareholders for the award to lapse or be adjusted.
	Period	• For the cash element of the Annual Incentive Plan, clawback provisions apply for three years from the date of payment. • For the bonus deferral awards, there will be three years from the date of award in which shares can be withheld, i.e. the entire period from the date of the award until vesting. • For RSP and SPIP awards, clawback provisions apply for two years post vesting. • The clawback period for the cash element of the Annual Incentive Plan was chosen as it aligns with the vesting period for the deferred bonus awards. The clawback period for the RSP was chosen as it aligns with the post-vesting holding period. These periods are considered to allow an appropriate amount of time for any of the above circumstances to become known. • The proportion of an award to be withheld or recovered will be at the discretion of the Board, upon consideration of the Committee, taking into account all relevant matters.

Malus and clawback provisions were not invoked during 2025.

Report of the Remuneration Committee *continued*

Annual remuneration report

The Annual remuneration report sets out how the directors' remuneration policy (as approved by shareholders at the Annual Shareholders' Meeting on 19 June 2025) was put into practice in 2025 and how it will be implemented in 2026.

The Remuneration Committee

The Remuneration Committee is regulated by article 32 of the IAG Board Regulations and by its own Regulations last approved on 27 February 2025. A copy of these Regulations is available on the Company's website.

Beyond executive directors, the Committee reviews the remuneration arrangements for members of the IAG Management Committee (and considers remuneration matters related to other senior executives and the wider workforce across the Group).

Article 32 of the Board Regulations ensures that the Remuneration Committee is composed of not less than three independent non-executive directors, who have the dedication, capacity and experience necessary to carry out their function.

Heather Ann McSharry chairs the Committee and is also IAG's SID. None of the Committee members has any personal financial interest, other than as a shareholder, in the matters to be decided.

In accordance with the 2024 UK Corporate Governance Code, the Remuneration Committee also has responsibility for reviewing workforce remuneration and related policies and the alignment of incentives and rewards with our corporate culture.

Statement of voting

The table below shows the consultative vote on the 2024 annual directors' remuneration report and the directors' remuneration policy approval at the 2025 Annual Shareholders' Meeting:

	Number of votes cast	For	Against	Abstentions
2024 Annual directors' remuneration report	2,580,379,867	2,409,349,942	32,352,047	138,677,878
	(100)%	(93.37)%	(1.25)%	(5.37)%
2025 Directors' remuneration policy	2,580,379,867	2,163,892,699	283,139,974	133,347,194
	(100)%	(83.86)%	(10.97)%	(5.17)%

The Committee's activities during the year

In 2025, the Committee met five times (four scheduled meetings and one extraordinary meeting held in April) and discussed, among other things, the following matters:

Meeting	Key agenda items
January	• Review of IAG executive directors' Remuneration Policy • Management Committee pay benchmarking review and 2025 base salary review • IAG CEO 2025 base salary review • 2025 Restricted Share Plan grants • Stretch Performance Incentive Plan (SPIP) framework • Review of draft 2024 directors' remuneration report and remuneration topics on the Non-Financial Information Statement
February	• Review of the 2024 Annual Incentive Plan out-turn • Assessment of the vesting outcome of the 2022 RSP • Assessment of the vesting outcome of the Full Potential Incentive Plan (FPIP) (applicable for senior leaders below the Board) • 2025 Annual Incentive Plan • 2025 Management Committee role-specific objectives • SPIP awards for senior executives and update on the executive director long term incentive proposal • 2024 directors' remuneration report • Share ownership update: review of executive holdings, share awards authority and dilution limits • All employee share plan – Spain
April	• Market update on executive remuneration trends • Update on the consultation process on the directors' remuneration policy • Review of the directors' remuneration policy AGM proposal
May	• 2025 directors' remuneration policy proposal • Report of the Remuneration Committee on the proposed directors' remuneration policy proposal
November	• Market trends update • Workforce remuneration update • Remuneration strategy for 2026 • Update to the IAG executive shareholding policy • Update on 2025 Annual Incentive Plan and SPIP potential out-turns • All employee share plans – Ireland and UK

Advisers to the Committee

The Committee appointed Deloitte as its external adviser in September 2016. Deloitte reports directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2025 were £143,784 (€168,443), charged on a time and materials basis. Deloitte is a member of the Remuneration Consultants Group and a signatory to its voluntary UK Code of Conduct. As well as advising the Remuneration Committee, other Deloitte teams provided advisory services to other parts of the Group in 2025. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent.

In addition to Deloitte providing the Remuneration Committee with market updates on pay themes, the Committee also received market data and insights from other specialist consultants such as Aon, PwC and Willis Towers Watson in 2025.

Consideration of shareholder views

Before seeking shareholder approval, we engaged extensively with our largest shareholders and the major proxy agencies. This consultation included shareholders representing 43.4% of our share capital (including Qatar Airways) and 31% of our institutional shareholding.

We were pleased with the level of engagement and the quality of the discussions. Our shareholders recognised the role of management incentives in driving IAG's strong performance and supported a new stretch plan linked to our ambitious performance targets. The main topics discussed during this consultation were disclosed in the explanatory document accompanying the policy proposal. At the 2025 Annual General Meeting, the 2025 directors' remuneration policy and the 2024 directors' remuneration report received a strong endorsement.

Each year, the Committee discusses the issues and outcomes from the Annual Shareholders' Meeting and determines any appropriate follow-up action required as a result. The Company will continue to engage with shareholders and proxy agencies whenever there are any significant changes to our remuneration framework.

Single total figure of remuneration for the executive director

The table below sets out a breakdown of the single total figure of remuneration breakdown for the IAG CEO, who was the only executive director during 2025. An explanation of how the figures are calculated follows the table.

	CEO: Luis Gallego			
	£'000[1]		€'000[1]	
	2025	2024	**2025**	2024
Base salary	**914**	887	**1,071**	1,045
Benefits	**36**	41	**43**	49
Pension	**114**	111	**134**	131
Total fixed remuneration	**1,064**	1,039	**1,248**	1,224
Annual incentive	**1,703**	1,520	**1,995**	1,791
Cash	**1,362**	1,216	**1,596**	1,433
Deferred into shares for three years	**341**	304	**399**	358
Long-term incentive[2,3]	**3,343**	2,828	**3,916**	3,331
Total variable remuneration	**5,046**	4,348	**5,911**	5,122
Single figure of total remuneration[4]	**6,110**	5,387	**7,159**	6,346

1 Remuneration is paid to the executive director in pounds sterling and expressed in euros for information purposes only.

2 2025 long-term incentive: The value shown in this table represents the estimated value of the 2023 RSP award granted in March 2023, which will vest in full in March 2026. The estimate is based on a three-month average share price from 1 October 2025 to 31 December 2025 of £3.99.

3 2024 long-term incentive: The value for the vesting of the 2022 RSP award was provided in last year's report based on an estimated share price of £2.43, based on a three-month average share price from 1 October 2024 to 31 December 2024. This has been restated this year using the share price at vesting in March 2025, which was £3.24.

4 Note that the value shown in this table differs from the value shown in the CNMV Statistical Annex accompanying this report, as the reporting criteria established by the CNMV differ from those used in this table.

Report of the Remuneration Committee *continued*

Additional explanations in respect of the single total figure table for 2025

Only the current IAG CEO, Luis Gallego, served as an executive director in 2025. As the sole executive director, the IAG CEO has confirmed in writing that he has not received any other forms of remuneration other than those already disclosed in the table above.

Base salary

The values shown represent the actual salary paid to the IAG CEO for each performance year.

For 2025, an increase of 3% was awarded. This was no more than the average increase for the wider workforce.

Taxable benefits

Taxable benefits include the provision of a company car, a fuel allowance, executive support services and private health insurance.

Pension-related benefits

This includes the employer's contribution to a pension scheme and/or cash in lieu of a pension contribution.

Annual Incentive Plan

For the CEO's bonus in 2025, our scorecard was weighted to the following measures: 60% operating profit (before exceptional items), 20% customer NPS, 10% carbon efficiency and 10% personal and strategic objectives.

Under these scorecard measures, the bonus outcome was 93.2% of maximum. The performance conditions and outcomes that determined the award are described in detail later in the report.

As the IAG CEO has met the 400% shareholding guideline, 80% of the award will be paid out in cash with 20% deferred into shares for three years (if the guideline had not been met, 50% would have been deferred into shares for three years).

For 2024, the bonus outcome was 85.70% of maximum. As the IAG CEO met the shareholding guideline, 20% of the annual incentive was deferred into shares for three years; these will vest in March 2028.

Long-term incentive vesting

In 2021, the then-existing Performance Share Plan was replaced with an RSP. The third Restricted Share Plan (RSP) award was made to the IAG CEO in March 2023 and is due to vest in March 2026.

The Committee undertook an assessment of the performance underpin attached to the restricted share award made in 2023 and agreed that, based on this assessment, the conditions set out in the underpin had been satisfied. As a result, the awards will vest in full in March 2026.

More detail on the Committee's assessment can be found later in this report.

Share price appreciation and depreciation

The share price at grant for the 2023 RSP was £1.53 and the estimated share price at vest is £3.99, representing a growth of £2.46 per share. The overall value of the vesting of the 2023 RSP awards that is attributable to share price growth is, therefore, £2,063,720.

In light of the strong performance of the business and the delivery of the strategy and transformation plans, the Committee has not exercised any discretion regarding the remuneration in the above table as a result of share price appreciation during the period.

Life insurance

The Company provides life insurance and accidental death cover for executive directors. For the year ended 31 December 2025, the Company paid life insurance premium contributions of €17,748 (2024: €17,847).

Exchange rate for 2025

For the year to 31 December 2025, the £:€ exchange rate applied is 1.1715 (2024: 1.1780).

Variable pay outcomes

The table below illustrates the variable components of pay and time period of each element of the policy for executive directors.

Elements	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Incentive (malus and clawback provisions apply)	50% in cash[1]	50% in shares[1] – Three-year deferral period No further performance conditions			
Restricted Share Plan (malus and clawback provisions apply)	Annual award up to 150% of salary Three-year vesting period			Two-year holding period No further performance conditions	
Stretch Performance Incentive Plan (malus and clawback provisions apply)	Single grant of 300% of salary made only in 2025 Three-year performance period			Two-year holding period No further performance conditions	
Shareholding requirements	Executive directors' minimum shareholding requirement (including post-cessation requirements)				

1 Annual award up to 200% of salary. Where the IAG CEO has met the 400% shareholding guideline, then 80% of the award will be paid out in cash with 20% deferred into shares for three years.

2025 Variable pay outcomes

2025 Annual Incentive Plan

The IAG Annual Incentive Plan supports the business strategy by incentivising the delivery of identified priorities within the reporting period. The measures selected reflect the most important priorities for the Group for the year to deliver long-term sustainable returns. For 2025, the Board at the beginning of the year, following a recommendation by the Committee, set the following measures:

Weighting	KPI	Description
60% financial	IAG operating profit (before exceptional items)	For 2025, it was considered that operating profit continued to be the most appropriate financial KPI in aligning shareholder interest with the Company
20% customer	Group NPS by relevance	NPS is used to gauge the loyalty and experience of the Group's customer relationships. It is calculated based on survey responses to the likelihood to recommend, by subtracting the percentage of customers who are "detractors" from the percentage of customers who are "promoters". The weighting of each airline in the overall NPS score reflects the Group's areas of focus for 2025
10% IAG-specific carbon efficiency measure	Group gCO_2/pkm	This measure reflects our progress towards our Flightpath Net Zero 2050 commitment; it measures the fuel efficiency of our flight operations, taking account of our network, aircraft mix and passenger load factors
10% strategic and role-specific	Operational performance	Drive the operational performance of the airlines against agreed customer, operational, and financial targets
	Competitiveness	Define and implement medium-term strategic plan that strengthens IAG's position in key markets
	Transform IAG	Define and implement key projects that transform cost, customer experience and culture
	Sustainability	Delivery of SAF plan to underpin net zero ambition
	People	Build culture and capability to underpin the Group's long term success. Continue to drive bench-strength and diversity of leadership including transition of new airline CEOs

Report of the Remuneration Committee *continued*

IAG CEO Annual Incentive Plan – performance against targets

Under the Directors' Remuneration Policy, the IAG CEO has a maximum annual incentive opportunity of 200% of contractual salary. The table below details the approved 2025 performance measures and the Board's assessment of both Company and individual IAG CEO performance:

Category		Measure type	Weighting	Threshold: At which payments begin (20% payout)	Target: (50% payout)	Stretch: Max payout (100%)	Performance delivered	Payout % of maximum for each measure	Weighted payout %	CEO incentive outcome (£'000)
Financial measures	**2025**	Operating profit before exceptional items (€m)	60%	3,993	4,564	5,134	5,024	90.3%	54.2%	£990

Description of performance

In 2025, the Group saw robust demand across its core markets, resulting in passenger unit revenues retained at the same level as 2024, with higher passenger yields offsetting slightly reduced load factors. Capacity grew 2.4%, lower than originally planned, due mainly to shortages of engines for long-haul aircraft. Transformation continued to mitigate supplier cost increases and investment in products and operational resilience for customers. The Group also benefited from the positive foreign exchange impact of a weaker US dollar, together with lower average fuel prices. The result was a strong operating profit before exceptional items for the year of €5,024 million, versus a target of €4,564 million (and compares to €4,443 million in 2024).

Customer	**2025**	NPS[1]	20%	21.51	24.51	27.51	28.0	100.0%	20.0%	£365

Description of performance

The outcome for 2025 was 28.0 (+7.0 pts higher than 2024) vs a target of 24.51. Our airlines have invested in aircraft, IT and property. This contributed to excellent operational performance. Group On Time Performance improved in 2025, not only does improved punctuality drive significant productivity and efficiency benefits, but it is also the biggest driver of customer satisfaction, showing through in improved NPS, which was up +7.0pts and exceeded our stretch target. Our investments in customer service, lounges, on-board food and digital products have all also contributed to the increase.

1 For the purpose of the annual incentive award, the weighting of each airline towards the overall NPS score reflects the Group's areas of focus for 2025.

Carbon	**2025**	gCO_2/pkm	10%	80.0	78.1	77.6	77.5	100.0%	10.0%	£183

Description of performance

The outcome for 2025 was 77.5 vs a target of 78.1. IAG is targeting net zero emissions by 2050 across its Scope 1, 2, and 3 emissions. IAG's targets include an 11% improvement in fuel efficiency by 2025, a 20% reduction in net Scope 1 and 3 emissions by 2030, and 10% SAF use by 2030, all compared to a 2019 baseline. In 2025, IAG met its fuel efficiency target and delivered a 17% reduction in net Scope 1 emissions compared to 2019.

Key measures to reduce emissions are fleet modernisation, use of sustainable aviation fuels (SAF), participation in market-based measures including the UK and EU ETS and CORSIA, and carbon removals. The Group continues to carry out emission reduction initiatives working in collaboration with its key stakeholders, and advocates for supportive government policy to uphold the global competitiveness of all airlines.

Strategic and role-specific objectives		As described in the table on the previous page	10%	Low (0% to 40%)	Good to high (45% to 65%)	Exceptional (70% to 100%)	Exceptional	90.0%	9.0%	£164

Description of performance

The Committee and the Board considered the CEO's performance against the KPIs set out on the previous page and assessed his performance against each of those indicators. The IAG CEO has played a critical role in delivering the strong performance for the Group in 2025, as set out in the Strategic Report, and in navigating the Group through industry headwinds, ongoing geopolitical changes and conflicts and an evolving political landscape and policy environment.

Total			**100%**						**93.2%**	**£1,703**

For all measures, there is a straight-line sliding scale between the threshold level and the on-target level, and between the on-target level and the stretch-target level.

As at 31 December 2025, the CEO of IAG had a shareholding of 798% of basic salary, meeting the 400% shareholding guideline; therefore, 80% of the annual incentive award will be paid in cash with 20% deferred into shares for three years.

2025 CEO performance annual incentive award outcome

Formulaic scorecard outcome	Remuneration Committee judgement
93.2%	–
% of maximum	No adjustment

Final scorecard outcome as % of maximum	93.2%
	X
Maximum bonus opportunity (% of base pay)	200%
	X
Base pay (£'000)	£914
	=
2025 Annual Incentive Award (£'000 shown in single figure table)	£1,703 €1,995

2023 Restricted Share Plan award vesting

The RSP was introduced from 2021 to increase the alignment of both interests and outcomes between the Group's senior management and shareholders through the build-up and maintenance of senior management shareholdings and to drive an increased focus on the long-term, sustainable performance of the Company.

A three-year vesting period and further two-year holding period apply to RSP awards for executive directors, with vesting being dependent upon a satisfactory review of the discretionary underpin by the Remuneration Committee.

Malus and clawback provisions apply to RSP awards, enabling the reduction of awards right down to nil value to further ensure that corporate or individual failure is not rewarded under the plan.

The third Restricted Share Plan award was made to the IAG CEO in March 2023 and will vest in March 2026. The Committee undertook an assessment of the performance underpin that applies to the restricted share award and considers IAG's overall financial and non-financial performance.

As part of this process, the Committee was presented with a framework to assess whether the underpin had been satisfied, taking into account the overall performance for the financial years 2023, 2024 and 2025. The different elements considered included:

- The overall financial results for the period. The Committee's assessment took into account overall profitability, operating margins (including against comparable airlines), revenue, cash generation, return on capital and the Company's investment in fleet, customer and transformation. The Committee was satisfied that the conditions of the underpin in this regard had been satisfied.
- The Group's performance against key non-financial and operational performance measures, including progress towards IAG's sustainability ambitions and its broader social agenda (including diversity and inclusion). The Committee was satisfied that the conditions of the underpin in this regard had been satisfied.
- IAG's risk context. The Group's overall performance has been fundamentally in line with its approved risk appetite and internal control framework and no material issues have been identified.
- The Group's wider stakeholder experience in the period. This does not give rise to any material concerns.

Report of the Remuneration Committee *continued*

The purpose of the framework was to ensure that the RSP outcome can be justified and to guard against payment for failure. The Committee agreed that, based on its assessment, the conditions set out in the underpin had been satisfied. As a result, the 2023 RSP award will vest in full in March 2026. The award is subject to a two-year holding period.

2023 RSP (number of shares awarded)	835,751
	x
Estimated share price[1]	£3.99
	=
Award shown in the single figure table (£'000)[2]	£3,343 €3,916

1 Value shown represents the estimated value of the 2023 RSP award vesting in March 2026. The estimate is based on a three-month average share price from 1 October 2025 to 31 December 2025.

2 When reviewing the vesting outcome for the 2023 RSP, the Committee was mindful that the share price has increased 161% over the vesting period (estimated vesting share price versus share price at grant). The Committee gave careful consideration to the share price evolution, and to the delivery of the strategy and transformation. As such, no discretion was exercised in respect of share price appreciation.

Scheme interests awarded during the financial year 2025

The new Director's Remuneration Policy was approved at the 2025 Annual Shareholders' Meeting held on 19 June 2025, The key change was the introduction of a new long-term incentive framework for the CEO, which aligns with the model for IAG's senior leaders. This new Stretch Performance Incentive Plan (SPIP) is designed to drive our ambitious strategic growth plans and incentivise the delivery of stretching operating margin performance above IAG's medium-term ambition through to the end of 2027. A single SPIP grant of 300% of salary was made to the CEO in 2025, with no further grants to be made under the current Policy. The RSP, which has been in operation since 2021 and provides stability in our volatile and cyclical industry, continues to be granted on an annual basis.

Stretch Performance Incentive Plan awarded during the financial year 2025

Plan Features	Definitions
Description of the award	Awards made for IAG's senior leaders to continue to incentivise them to deliver market-leading performance for the next phase of our strategy
Executive director award face value	IAG CEO (Luis Gallego) – single award in 2025 of 300% of base salary
Grant date	June 2025 (following AGM approval)
Grant price	£3.04[1]
Performance period	Three years: January 2025 to December 2027
Vesting date Holding period	February 2028 Two years: February 2028 to February 2030
Performance measure and targets	• Operating margin (before exceptional items) will be the sole measure for the SPIP. Measured over a three-year period, stretching targets apply, aligned to the Group's strategic ambition. • The target range for the Group CEO's award is based on an aggregation of the three one-year targets set for participants below the Board. For these, the target range assumes a progressive improvement in operating margin over the three-year period, with the third year having the greater weighting and the most stretched target being over 16% for the Group. • A performance underpin whereby Group operating profit (before exceptional items) must not fall below 2019 levels of €3,285 million – if this is not met, the Remuneration Committee may scale back awards, including to nil.

1 Grant price aligned to SPIP awards made to participants below the Board. Average closing share price between 6 March 2025 and 12 March 2025.

Operating margin targets	Threshold	Target	Maximum
	13.91%	14.64%	15.96%
Payout (as % of maximum)[1]	20%	50%	100%

1 Straight-line vesting between points

Restricted Share Plan awarded during the financial year 2025

Plan Features	Definitions
Description of the award	Awards only made to consistently high-performing executives in key roles who have the potential to take on greater organisational responsibility and whom the Company wishes to retain for the long term
Executive director award face value	IAG CEO (Luis Gallego) – 150% of base salary
Grant date	March 2025
Grant price	£3.04[1]
Vesting period	Three years: March 2025 to February 2028
Holding period	Two years: February 2028 to February 2030
Discretionary underpin description	No performance measures are associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, assessed over the financial years 2025, 2026 and 2027 of the Company (i.e. 1 January 2025 to 31 December 2027). In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures, as well as any material risk or regulatory failures identified. Financial performance may include elements such as revenue, profitability, cash generation and return on capital and may be benchmarked against comparable airlines. Non-financial performance may include a range of operational and strategic measures critical to the Company's long-term sustainable success. This assessment will ensure any value delivered to executive directors is fair and appropriate in the context of the performance of the business and experience of our stakeholders and that corporate or individual failure is not rewarded. In the case of significant failure on the part of the Company or the individual, vesting may be reduced, including to nil. Full disclosure of the Remuneration Committee's considerations in assessing the underpin will be disclosed in the relevant Directors' Remuneration report.

1 Average closing share price between 6 March 2025 and 12 March 2025

Total pension entitlements

Luis Gallego is not a member of the Company's pension scheme, and the Company, therefore, did not pay any contributions in his time as an executive director during the reporting period (1 January 2025 to 31 December 2025). He received cash in lieu of contributions of £114,190. This value is equivalent to 12.5% of base salary paid during the financial year and is comparable to the rate applicable to the majority of the UK workforce.

Report of the Remuneration Committee *continued*

Statement of executive directors' shareholdings and share interests

In order that their interests are aligned with those of shareholders, executive directors are required to build up and maintain a minimum personal shareholding in the Company.

Under the executive shareholding policy, the IAG CEO is required to build up and maintain a shareholding of 400% of salary and other executive directors would be required to build up and maintain a shareholding of 200% of basic salary.

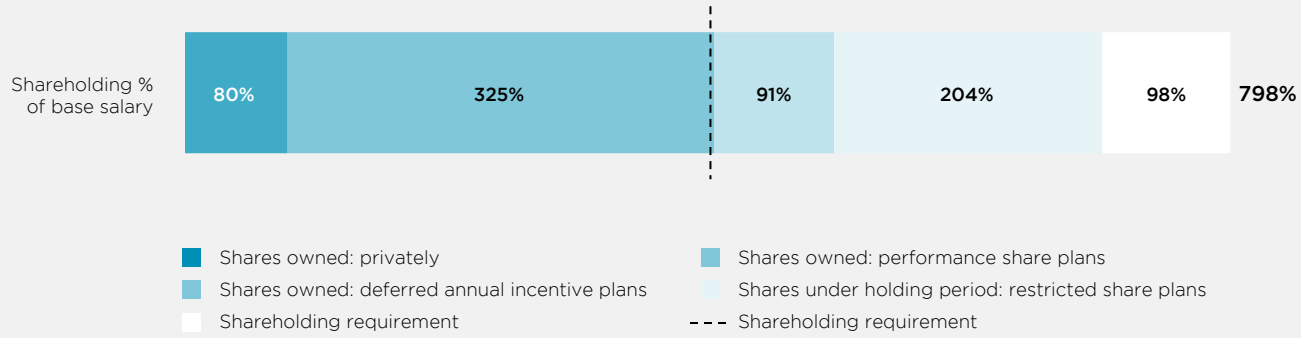
In addition, executive directors are required to retain all shares received via incentive plans until 100% of their shareholding requirement is attained.

The Committee has reviewed the IAG CEO's progress against the requirement and notes that he is compliant with the policy requirement.

CEO, Luis Gallego	Policy requirement	4.0 times salary
	Actual	7.98 times salary (2,585,209 shares)

Shares which qualify under the executive shareholding policy include shares already owned by the executive, vested and exercised shares, vested and unexercised shares including those in the Performance Share Plan holding period, vested shares in the RSP holding period and unvested deferred annual incentive shares.

The chart and table below summarise current executive directors' interests as of 31 December 2025:



Executive director	Shareholding requirement	Shares owned: privately	Shares owned: performance share plans	Shares owned: deferred annual incentive plans	Shares under holding period: restricted share plans	Unvested shares: deferred annual incentive plans	Total qualifying shares held[1]	Consequence of a +/- €0.5 share price change (€)
Luis Gallego	400 % of salary	403,834	684,908	277,619	682,541	536,306	2,585,209 (798% of salary)	1,292,604

1 In accordance with the policy, the share price used to calculate the percentage of salary guideline is either the share price on the date of award or on the date of vesting/exercise.

On departure from the Group, executive directors will be required to hold an amount of shares in line with their in-employment shareholding requirement (or the number of shares that they own at departure, if lower) for two years from the date they leave the Board. Shares will normally be retained in the nominee account administered by the Company to ensure this.

There have been no changes to the shareholdings set out above between 31 December 2025 and the date of this report.

External non-executive directorship

The Company's consent is required before an executive director can accept an external non-executive appointment and permission is only given in appropriate circumstances. The current executive director has no external non-executive appointments.

IAG CEO remuneration history

The table below shows the IAG CEO single total figure of remuneration for the latest ten-year rolling period:

		IAG CEO – total single figure of remuneration	Annual incentive payment as a percentage of the maximum	Long-term incentive vesting as a percentage of the maximum
2016	Willie Walsh	£2,462,000	33.33% of maximum	50.00% of maximum
2017		£3,954,000	92.92% of maximum	66.67% of maximum
2018		£3,030,000	61.85% of maximum	46.19% of maximum
2019		£3,198,000	51.97% of maximum	72.11% of maximum
2020	Willie Walsh	£662,000	No annual incentive payment	Zero vesting of long-term incentives
	Luis Gallego	£301,000	No annual incentive payment	Zero vesting of long-term incentives
2021	Luis Gallego	£1,110,000	No annual incentive payment	Zero vesting of long-term incentives
2022		£2,577,000	83.5% of maximum	Zero vesting of long-term incentives
2023[1]		£3,118,000	82.9% of maximum	–
2024[1]		£5,387,000	85.7% of maximum	–
2025[1]		£6,110,000	93.2% of maximum	–

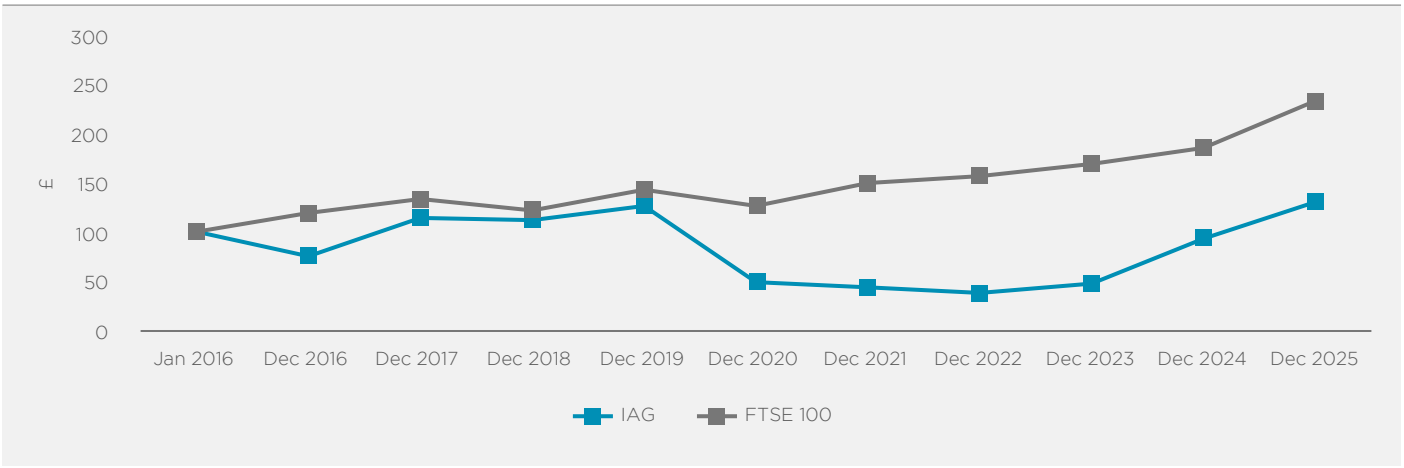
1 2023, 2024 and 2025 long-term incentives: From 2021, restricted share awards were granted to the IAG CEO that have no performance conditions and vest subject to the satisfaction of performance underpins. The values of the restricted share awards are included in the single total figure table in the relevant years.

The single total figure of remuneration includes basic salary, taxable benefits, pension-related benefits, Annual Incentive Award and any long-term incentive vesting.

IAG's total shareholder return performance compared to the FTSE 100

The chart below shows the value by 31 December 2025 of a hypothetical £100 invested in IAG shares on 1 January 2016 compared with the value of £100 invested in the FTSE 100 index over the same period. The other points plotted are the values at intervening financial year ends. A three-month average has been taken prior to the year ends.

The FTSE 100 was selected because it is a broad equity index of which the Company is a constituent, and the index is widely recognised.



The Group's share price performed strongly in 2025, increasing by 37% over the course of the year.

Report of the Remuneration Committee *continued*

Non-executive directors

Non-executive directors are paid a flat fee each year, as per the following table.

Role	2025 fee	2026 fee
Non-executive Chairman	€645,000	€645,000
Non-executive directors	€120,000	€120,000
Additional fee for Chair of the Audit and Compliance Committee and of the Remuneration Committee	€30,000	€30,000
Additional fee for Chair of the Nominations Committee[1] and of the Environment and Corporate Responsibility Committee	€20,000	€20,000
Additional fee for SID	€30,000	€30,000

1 The Chairman of the Board chairs the Nominations Committee. As such, he does not receive any additional fees for chairing this Committee.

The fees for non-executive directors were last reviewed in October 2023. The fee for the position of non-executive director remains unchanged for 2026, as it has been since 2011.

In 2024, the additional fee for chairing a Committee was increased to €30,000 for both the Chair of the Audit and Compliance Committee and Chair of the Remuneration Committee, reflecting the complexity and time commitment involved in these roles.

Single total figure of remuneration for each non-executive director

The total remuneration of each of the non-executive directors for the years ended 31 December 2025 and 31 December 2024 is set out in the table below.

	2025			2024		
Director (€'000)	Fees (€'000)	Taxable benefits (€'000)	**Total (€'000)**	Fees (€'000)	Taxable benefits (€'000)	Total (€'000)
Javier Ferrán	645	13	**658**	645	23	668
Heather Ann McSharry[1]	180	25	**205**	180	10	190
Giles Agutter[2]	–	–	**–**	59	–	59
Peggy Bruzelius[3]	56	–	**56**	120	1	121
Eva Castillo[1,4]	150	14	**164**	133	23	156
Margaret Ewing[1,4]	120	19	**139**	138	10	148
Maurice Lam	120	24	**144**	120	23	143
Bruno Matheu[5]	120	8	**128**	62	–	62
Simone Menne[6]	64	–	**64**	–	–	–
Robin Phillips	120	26	**146**	120	15	135
Päivi Rekonen[6]	64	4	**68**	–	–	–
Emilio Saracho[3]	56	33	**89**	120	13	133
Nicola Shaw	140	1	**141**	140	–	140
Total (€'000)	**1,835**	**167**	**2,002**	**1,837**	**118**	**1,955**

1 From 1 January 2024 received an increase in fee for chairing the Remuneration Committee or Audit and Compliance Committee (from €20,000 to €30,000)

2 Giles Agutter stepped down from the Board in June 2024, and his fees reflect a part-year of service. Received no fees in 2025.

3 Peggy Bruzelius and Emilio Saracho stepped down from the Board in June 2025, and their fees reflect a part-year of service.

4 Eva Castillo replaced Margaret Ewing as Chair of the Audit and Compliance Committee from 1 August 2024.

5 Bruno Matheu was appointed in June 2024, and his fees reflect a part-year of service.

6 Simone Menne and Päivi Rekonen were appointed in June 2025, and their fees reflect a part-year of service.

Additional explanations in respect of the single total figure table for each non-executive director

Each active non-executive director has confirmed in writing that they have not received any other forms in the nature of remuneration other than those already disclosed in the table above.

Taxable benefits

Taxable benefits for non-executive directors relate to personal travel benefits.

Exchange rates

For the year to 31 December 2025, the £:€ exchange rate applied is 1.1715 (2024: 1.1780).

Directors' interests in shares

	Total shares and voting rights	Percentage of capital
Javier Ferrán	774,750	0.016%
Luis Gallego	1,366,361	0.029%
Peggy Bruzelius[1]	–	–%
Eva Castillo	–	–%
Margaret Ewing	18,750	–%
Maurice Lam	–	–%
Bruno Matheu	–	–%
Heather Ann McSharry	55,000	0.001%
Simone Menne[2]	–	–%
Robin Phillips	–	–%
Päivi Rekonen[2]	–	–%
Emilio Saracho[1]	–	–%
Nicola Shaw	4,285	–%
Total	**2,219,146**	**0.047%**

1 Peggy Bruzelius and Emilio Saracho resigned from the Board effective 19 June 2025.

2 Simone Menne and Päivi Rekonen were appointed to the Board effective 19 June 2025.

There have been no changes to the shareholdings set out above between 31 December 2025 and the date of this report.

Payments to past directors

Travel benefits were received during 2025 by the following former non-executive directors:

Former non-executive directors	Value
Alberto Terol	€ 27,000
Patrick Cescau	€ 29,000
Maria Fernanda Mejía	€ 28,000
Kieran Poynter	€ 25,000
James Lawrence	€ 16,000

Report of the Remuneration Committee *continued*

Wider workforce in 2025

A key area of focus for the Committee over 2025 was understanding the broader workforce experience and reviewing the actions taken to support our wider workforce.

Workforce experience highlights

- Within IAG's unique operating model, employee reward is owned and managed within each operating company to enable them to deliver the right customer and employee experience.
- Our employees have been central to our transformation and key to delivering for our customers. Operating companies continue to support our people and ensure our pay models are sustainable, fair and aligned to the operating company's competitiveness.
- 84% of employees are covered by collective bargaining agreements, with more than 30 collective bargaining agreements in place across the Group.
- The Committee has received regular updates on workforce experience and, in particular, the steps the operating companies have taken to support colleagues, both in terms of support with cost-of-living challenges and their overall wellbeing.
- This includes regular updates on the investments our operating companies have made in improving the colleague experience and our employee benefit schemes. This includes enhanced flexible benefits offerings (e.g. enhanced Iberia staff travel and all employee share plan in Spain), mental health and physical health offerings and financial wellbeing support.
- The Committee's insight into the experience of our colleagues helps to ensure that our decisions regarding executive remuneration take into account the approach taken across our workforce and reflect the expectations of all our stakeholders.

Engaging with employees

Two members of the Remuneration Committee (among other Board members) participate as designated directors in the Board workforce engagement plan. This engagement includes remuneration and other workforce experience matters relevant to the Committee.

The key themes from the 2025 engagement were shared with the Board in order to understand colleague experiences and to identify any areas for improvement. Further details of the Board engagement with employees are set out in the Stakeholder engagement section of the Corporate governance report.

Workforce remuneration

Each operating company has sought to reach collective agreements that best support colleagues while ensuring the business and pay remain competitive. Agreements reached have included changes in allowances, one-off payments and contractual pay increases throughout the Group.

Each operating company is committed to creating a positive working environment and also to actively contribute to and support the overall wellbeing of every colleague through the provision of a comprehensive range of health, financial and lifestyle benefits.

The company complies with the disclosure of pay gap analysis and details are set out in the Sustainability statement section of the report.

Remuneration decisions made by the Committee align with our strategy, with our stakeholders' interest in our delivery of long-term sustainable value and with the interests of the wider workforce. Our approach is in line with the principles set out in our policy.

Alignment of executive director and workforce remuneration

The Committee has oversight of workforce remuneration and related policies across the Group and takes this knowledge into account when setting remuneration for the IAG CEO and senior management. The table below summarises the remuneration structure for the wider workforce.

	IAG CEO	Below Board level
Base salary	From 1 January 2025: £913,519 (€1,076,126) (an increase of 3% from 2024). This was no more than the average increase for the majority of the wider workforce. Salary increases as a percentage of salary are normally aligned with, or lower than, those of the wider workforce.	84% of our employees are covered by collective bargaining agreements. Salary increase budgets for employees are determined by each operating company on a country-by-country basis. Salary increases reflect position against market, performance, skills, contribution and development in role. If we compare the 2025 base salary increases of the IAG CEO against the UK workforce in 2025, of the 37,625 employees present in both 2024 and 2025, the median salary increase awarded was 4.5% of contractual base salary.
Taxable benefits	Benefit packages are broadly aligned with those of other employees who joined in the same country at the same time.	Benefits are set by operating companies at a competitive level and are appropriate given local market practice.
Pension	Pension contribution of 12.5% of salary in line with the rate applicable to the majority of the workforce in the country in which the individual is based.	Pension arrangements reflect local market practices and requirements.
Annual Incentive Awards	The maximum opportunity in the Annual Incentive Plan is 200% of salary. The majority of the annual incentive is based on financial measures. In 2025, 60% was based on operating profit before exceptional items, 20% on customer NPS, 10% on an IAG-specific carbon efficiency measure to further drive progress towards our Flightpath Net Zero 2050 commitment and 10% on strategic and personal objectives. As the IAG CEO has met the 400% shareholding guideline, 80% of the award will be paid out in cash with 20% deferred into shares for three years (if the guideline had not been met, 50% would have been deferred into shares for three years).	For eligible employees, incentive plans were in place against objectives designed to focus on financial, customer, carbon efficiency and personal targets. Opportunities vary by role and out-turns, and payments against these plans were managed at a local level.
Long-term incentives	Maximum RSP opportunity of 150% of base salary and subject to the satisfaction of performance underpins. Awards are also subject to a three-year vesting period followed by a two-year holding period. In 2025, the CEO was granted a single award of SPIP with a maximum opportunity of 300% of base salary. This award is subject to the satisfaction of stretching operating margin targets over a three year period as well as a profit underpin. Two-year holding period applies.	Restricted share awards are granted to senior managers across the Group to incentivise long-term shareholder value creation. Also by exception, other identified employees may participate where an award of long-term incentive is deemed critical to retention. Other senior leaders also participate in the SPIP arrangement aligned to our ambitious strategic plans.

Report of the Remuneration Committee *continued*

CEO pay ratio

The ratios set out in the table below compare the total remuneration of the CEO (as included in the single figure table) to the remuneration of a median UK employee as well as the UK employees at the lower and upper quartiles. The disclosure will build up over time to cover a rolling 10-year period.

Year	CEO single figure (£'000)	Method[1]	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2025	**6,110**	**Option A**	**107:1**	**89:1**	**58:1**
2024[2]	5,387	Option A	102:1	85:1	55:1
2023	3,118	Option A	63:1	51:1	33:1
2022	2,577	Option A	59:1	45:1	29:1
2021	1,110	Option A	29:1	21:1	14:1
2020	963	Option A	34:1	23:1	15:1
2019	3,198	Option A	109:1	72:1	49:1

The pay ratio figures in the above table are calculated using the following UK employee remuneration information:

Year	UK employee pay	25th percentile pay	Median pay	75th percentile pay
2025[3]	**Basic salary (£'000)**	**35.8**	**51.5**	**77.7**
	Total remuneration (£'000)	**57.3**	**69.0**	**105.9**
2024	Basic salary (£'000)	33.1	47.7	72.7
	Total remuneration (£'000)	52.6	63.6	97.7
2023	Basic salary (£'000)	30.2	43.5	66.8
	Total remuneration (£'000)	49.2	61.4	95.3

1 The ratio continues to be calculated on the most statistically accurate basis, Option A. UK employee pay is based on the payroll records of 41,801 employees who were in the Group for the whole of or some of 2025.

2 2024 ratios have been updated based on the restated CEO single figure for 2024 (as per the explanation in the single figure table).

3 To ensure the accuracy of these calculations, earnings data were collected directly from the UK payroll on a month-by-month basis. Any variable incentive elements in respect of 2025, payable to employees later in 2026, are modelled on an employee-by-employee basis against agreed frameworks. This approach enables fair and accurate comparison to the IAG CEO 2025 single total figure of remuneration.

The increase in UK employee remuneration in 2025 reflects:

- Operating companies are responsible for reward frameworks and terms and conditions, and seek to ensure that the work colleagues do is appropriately reflected in their remuneration and are aligned to local market, sustainable and competitive in attracting the best talent;
- Across our operating companies, we have put in place a number of programmes to support our people;
- Payments made to managers under the 2025 Annual Incentive Plan and under the RSP;
- Changes to the size and composition of the UK workforce between years, with pay for 42,066 employees being reported for 2024 and 41,801 for 2025.

The change in the IAG CEO's remuneration between 2024 and 2025, is due to:

- An increase of 3% in basic salary for 2025, which is no more than increase of the wider workforce (4% in 2024 and 4% increase in 2023 was the first increase since appointment, with no increase in 2021 and 2022, 10% reduction in 2021 and 20% reduction in 2020).
- The inclusion of an estimated value of the 2023 RSP award, which will vest in full in March 2026, and be released at the end of the normal two-year holding period.

The median pay ratio for 2025, and the recent trends in pay ratios, are consistent with IAG's remuneration framework and reflect the variable nature of the IAG CEO's total remuneration. The Committee is satisfied that the median pay ratio reported this year is consistent with our pay policies in the UK and in line with market, experience and skills.

Other details of the CEO pay ratio is set out in the Sustainability statement section of the report.

Change in directors' remuneration compared to employees'

The table below shows a comparison of the change in year-on-year remuneration for directors of the Group, to the equivalent change for UK employees from 2022 to 2025.

	2024 to 2025			2023 to 2024			2022 to 2023		
Director	Salary or fees	Taxable benefits	Annual incentive	Salary or fees	Taxable benefits	Annual incentive	Salary or fees	Taxable benefits	Annual incentive
Luis Gallego[1]	2%	(12%)	11 %	7%	(34%)	10%	2%	(78%)	1%
Javier Ferrán	–%	(43%)		–%	188%		–%	60%	
Heather Ann McSharry[2]	–%	150%		6%	233%		16%	(50%)	
Peggy Bruzelius[3]	(53%)	(100%)		–%	(75%)		–%	100%	
Eva Castillo[4]	13%	(39%)		11%	1050%		–%	–%	
Margaret Ewing[5]	(13%)	90%		(1%)	150%		–%	33%	
Maurice Lam	–%	4%		–%	156%		–%	(25%)	
Bruno Matheu[6]	94%	100%		100%	100%		–%	–%	
Simone Menne[7]	100%	100%		–%	–%		–%	–%	
Robin Phillips	–%	73%		–%	(17%)		–%	350%	
Päivi Rekonen[7]	100%	100%		–%	–%		–%	–%	
Emilio Saracho[3]	(53%)	154%		–%	18%		–%	–%	
Nicola Shaw	–%	100%		–%	(100%)		–%	(67%)	
All UK employees[8]	**8%**	**–%**	**(10) %**	**10%**	**–%**	**30%**	**6%**	**–%**	**93%**

1 An increase of 3% in basic salary for 2025 (no more than the average increase for the wider workforce)

2 The uplift in fees for Heather Ann McSharry between 2023 and 2024 reflects the increase in fee for chairing the Remuneration Committee. The increase between 2021 and 2022 reflects her appointment as SID and Remuneration Committee Chair from June 2022.

3 Peggy Bruzelius and Emilio Saracho stepped down from the Board on 19 June 2025, and their fees reflect a part year of service.

4 Eva Castillo was appointed Chair of the Audit and Compliance Committee from 1 August 2024. The uplift in fees between 2024 and 2023 reflects the increase in fee for chairing the Audit and Compliance Committee.

5 Margaret Ewing was Chair of the Audit and Compliance Committee until 1 August 2024.

6 Bruno Matheu was appointed on 26 June 2024.

7 Simone Menne and Päivi Rekonen were appointed on 19 June 2025.

8 The All UK employees 2024 and 2025 salary medians underlying the 8% uplift in median salary are taken from UK employee earnings published in the 2025 CEO pay ratio section.

Relative importance of spend on pay

The table below shows the total remuneration costs, operating profit before exceptional items, share buyback and dividends for the Company for the financial years ending 2024 and 2025.

€ million	**2025**	2024
Total employee costs, IAG[1]	**6,586**	6,356
Total remuneration, directors (including non-executive directors)[2]	**4.864**	5.290
IAG operating profit before exceptional items	**5,024**	4,443
Share buyback	**1,000**	350
Dividend declared	**220**	427
Dividend proposed	**228**	

1 Total employee costs are before exceptional items.

2 Note that the value shown in this table is consistent with the value reported in the CNMV Statistical Annex accompanying this report.

Report of the Remuneration Committee *continued*

Supplementary information – directors' shares

The following table details the conditional awards over ordinary shares granted under the RSP to executive directors:

Director	Date of grant	Number of conditional shares granted	Vesting date	Shares lapsed at vesting due to underpin	Holding period expiry date	Number of unvested conditional shares at 31 December 2025	Number of vested conditional shares at 31 December 2025
Luis Gallego	June 2021	414,954	June 2024	–	June 2026	–	414,954
	March 2022	581,907	March 2025	–	March 2027	–	581,907
	October 2022	290,953	March 2025	–	March 2027	–	290,953
	March 2023	835,751	March 2026	–	March 2028	835,751	–
	March 2024	874,437	March 2027	–	March 2029	874,437	–
	March 2025	450,128	February 2028	–	February 2030	450,128	–
Total conditional share awards (RSP)		**3,448,130**				**2,160,316**	**1,287,814**

RSP awards are subject to a discretionary underpin prior to vesting. This underpin review, performed by the Remuneration Committee, considers the Company's overall performance, including financial and non-financial performance measures, as well as any material risk or regulatory failures identified. In the event of a significant failure on the part of the Company or the executive director, malus and clawback provisions are available to the Remuneration Committee.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the RSP awards was 2025: £3.04 (2024: £1.52, 2023: £1.53, both awards in 2022: £1.41 and 2021: £1.98).

The following table details the conditional award over ordinary shares granted under the SPIP to executive directors:

Director	Date of grant	Number of conditional shares granted	Vesting date	Shares lapsed at vesting due to performance	Holding period expiry date	Number of unvested conditional shares at 31 December 2025	Number of vested conditional shares at 31 December 2025
Luis Gallego	June 2025	900,255	February 2028	–	February 2030	900,255	–
Total conditional share awards (SPIP)		**900,255**				**900,255**	**–**

Full award measured with reference to stretching Group operating margin targets, measured over a three-year period. In the event of a significant failure on the part of the Company or the executive director, malus and clawback provisions are available to the Remuneration Committee.

Grant price and vesting date aligned to SPIP awards made to participants below the Board.

Incentive Award Deferral Plan (IADP)

Under the current Policy, if the IAG CEO has met the 400% shareholding guideline, then 20% of any Annual Incentive Award for executive directors is made in deferred shares under a plan called the Executive Share Plan (otherwise 50% is deferred into shares). Under this plan, incentive award shares are deferred for three years from date of grant. The following table details the current executive director's holdings of conditional awards over ordinary shares of the Company granted under the IAG IADP. Awards are shown for the performance periods ended 31 December 2022, 31 December 2023 and 31 December 2024.

Executive director	Performance year award relates to[1]	Date of award	Number of shares at 1 January 2025	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of deferred shares at 31 December 2025
Luis Gallego	2022	March 2023	447,341	–	March 2026	–	–	447,341
	2023	March 2024	464,685	–	March 2027	–	–	464,685
	2024	March 2025	–	–	March 2028	–	99,873	99,873
Total			**912,026**	**-**		**–**	**99,873**	**1,011,899**

1 For the performance period ended 31 December 2025, the award is expected to be made in March 2026.

Under the Executive Share Plan rules, an IADP award will not lapse on leaving employment before the vesting date unless exceptional circumstances occur, such as gross misconduct, in which case the award would lapse in full. IADP awards are also subject to the Remuneration Policy's malus and clawback provisions.

The values attributed to the Company's ordinary shares in accordance with the plan rules for IADP awards (relating to the previous year's performance) were as follows: 2025 award: £3.04, 2024 award: £1.52 and 2023 award: £1.53.

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Consolidated Financial Statements

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Consolidated income statement

€ million	Note	Year to 31 December 2025	2024
Passenger revenue		**28,969**	28,274
Cargo revenue		**1,238**	1,234
Other revenue	5	**3,006**	2,592
Total revenue	5	**33,213**	32,100
Employee costs	8	**6,586**	6,356
Fuel costs and emissions charges	6	**7,083**	7,608
Handling, catering and other operating costs		**4,352**	4,135
Landing fees and en-route charges		**2,487**	2,405
Engineering and other aircraft costs		**2,850**	2,729
Property, IT and other costs	6	**1,085**	1,120
Selling costs		**1,127**	1,082
Depreciation, amortisation and impairment	6	**2,628**	2,364
Net loss/(gain) on sale of property, plant and equipment		**19**	(14)
Currency differences		**(28)**	32
Total expenditure on operations		**28,189**	27,817
Operating profit		**5,024**	4,283
Finance costs	9	**(861)**	(917)
Finance income	9	**279**	404
Net change in fair value of financial instruments	9	**(201)**	(237)
Net financing credit relating to pensions	9	**84**	63
Net currency retranslation credits/(charges)		**317**	(127)
Other non-operating (charges)/credits	9	**(137)**	94
Total net non-operating costs		**(519)**	(720)
Profit before tax		**4,505**	3,563
Tax	10	**(1,163)**	(831)
Profit after tax for the year		**3,342**	2,732
Attributable to:			
Equity holders of the parent		**3,342**	2,732
Non-controlling interest		**–**	–
		3,342	2,732
Basic earnings per share (€ cents)	11	**71.3**	55.7
Diluted earnings per share (€ cents)	11	**69.5**	55.5

Consolidated statement of other comprehensive income

€ million	Note	Year to 31 December 2025	2024
Items that may be reclassified subsequently to net profit			
Cash flow hedges:			
Fair value movements in equity	30d	**(516)**	53
Reclassified and reported in net profit	30d	**80**	69
Fair value movements on cost of hedging	33	**(11)**	24
Cost of hedging reclassified and reported in net profit	33	**46**	48
Currency translation differences	33	**(170)**	118
Items that will not be reclassified to net profit			
Fair value movements on other equity investments		**51**	(19)
Fair value movements on liabilities attributable to credit risk changes		**(12)**	(44)
Remeasurements of post-employment benefit obligations	34	**380**	206
Remeasurements of long-term employee-related provisions		**(10)**	(70)
Total other comprehensive (loss)/income for the year, net of tax		**(162)**	385
Profit after tax for the year		**3,342**	2,732
Total comprehensive income for the year		**3,180**	3,117
Total comprehensive income is attributable to:			
Equity holders of the parent		**3,180**	3,117
Non-controlling interest	33	**–**	–
		3,180	3,117

Items in the Consolidated statement of other comprehensive income above are disclosed net of tax.

Consolidated balance sheet

€ million	Note	31 December 2025	31 December 2024
Non-current assets			
Property, plant and equipment	13	**21,445**	21,132
Intangible assets	17	**3,770**	3,642
Investments accounted for using the equity method	18	**41**	44
Other equity investments	19	**298**	190
Employee benefit assets	34	**2,060**	1,711
Derivative financial instruments	30	**27**	229
Deferred tax assets	10	**675**	754
Carbon-related and other non-current assets	20	**1,527**	916
		29,843	28,618
Current assets			
Non-current assets held for sale	16	**–**	5
Inventories	21	**699**	617
Trade receivables	20	**1,344**	1,774
Carbon-related and other current assets	20	**2,328**	2,336
Current tax receivable	10	**242**	231
Derivative financial instruments	30	**74**	395
Current interest-bearing deposits	22	**898**	1,639
Cash and cash equivalents	22	**7,421**	8,189
		13,006	15,186
Total assets		**42,849**	43,804
Equity			
Issued share capital	31	**473**	497
Share premium	31	**6,924**	7,770
Treasury shares		**(593)**	(287)
Other reserves		**784**	(1,810)
Total shareholders' equity		**7,588**	6,170
Non-controlling interest	33	**6**	6
Total equity		**7,594**	6,176
Non-current liabilities			
Borrowings	26	**11,221**	13,870
Employee benefit obligations	34	**71**	135
Deferred tax liability	10	**701**	254
Provisions	27	**3,241**	3,302
Deferred revenue	24	**707**	203
Derivative financial instruments	30	**371**	102
Other long-term liabilities	25	**395**	401
		16,707	18,267
Current liabilities			
Borrowings	26	**3,046**	3,475
Trade and other payables	23	**5,721**	6,149
Deferred revenue	24	**8,032**	8,333
Derivative financial instruments	30	**604**	194
Current tax payable	10	**28**	11
Provisions	27	**1,117**	1,199
		18,548	19,361
Total liabilities		**35,255**	37,628
Total equity and liabilities		**42,849**	43,804

Consolidated cash flow statement

€ million	Note	Year to 31 December 2025	2024
Cash flows from operating activities			
Operating profit		**5,024**	4,283
Depreciation, amortisation and impairment	6	**2,628**	2,364
Net loss/(gain) on disposal of property, plant and equipment		**19**	(14)
Employer contributions to pension schemes		**(34)**	(35)
Pension scheme service costs	34	**11**	20
(Decrease)/increase in provisions (excluding carbon-related obligations)	35	**(56)**	282
Purchase of carbon-related assets net of the change in carbon-related obligations	35	**(118)**	62
Unrealised currency differences		**(46)**	27
Payment to HMRC to appeal IAG Loyalty VAT	10	**(442)**	–
Other movements	35	**(74)**	107
Interest paid		**(666)**	(764)
Interest received		**280**	367
Tax paid		**(488)**	(245)
Net cash flows from operating activities before movements in working capital		**6,038**	6,454
Decrease/(increase) in trade receivables		**309**	(189)
Increase in inventories		**(93)**	(115)
(Decrease)/increase in other receivables and current assets (excluding carbon-related assets)		**65**	(580)
(Decrease)/increase in trade payables		**(273)**	121
Increase in deferred revenue		**566**	336
(Decrease)/increase in other payables and current liabilities		**(24)**	345
Net movement in working capital		**550**	(82)
Net cash flows from operating activities		**6,588**	6,372
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	35	**(3,442)**	(2,816)
Sale of property, plant and equipment and intangible assets		**26**	584
Proceeds from sale of investments		**1**	–
Decrease/(increase) in other current interest-bearing deposits		**712**	(215)
Air Europa Holdings termination settlement payment		**–**	(50)
Other investing movements		**(66)**	(5)
Net cash flows from investing activities		**(2,769)**	(2,502)
Cash flows from financing activities			
Proceeds from borrowings	35	**1,160**	1,474
Repayment of borrowings	35	**(2,322)**	(410)
Repayment of lease liabilities	35	**(1,344)**	(1,737)
Settlement of derivative financial instruments	35	**(193)**	(151)
Acquisition of treasury shares		**(1,243)**	(202)
Dividend paid		**(471)**	(149)
Net cash flows from financing activities		**(4,413)**	(1,175)
Net (decrease)/increase in cash and cash equivalents		**(594)**	2,695
Net foreign exchange differences		**(174)**	53
Cash and cash equivalents at 1 January		**8,189**	5,441
Cash and cash equivalents at year end	22	**7,421**	8,189

Reconciliation to total cash, cash equivalents and other interest-bearing deposits		**2025**	2024
Cash and cash equivalents at year end	22	**7,421**	8,189
Interest-bearing deposits maturing after more than three months	22	**898**	1,639
Cash, cash equivalents and other interest-bearing deposits	22	**8,319**	9,828

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

Consolidated statement of changes in equity

For the year to 31 December 2025

€ million	Issued share capital (note 31)	Share premium (note 31)	Treasury shares (note 31)	Other reserves (note 33)	Retained earnings	**Total shareholders' equity**	Non-controlling interest (note 33)	**Total equity**
1 January 2025	497	7,770	(287)	(1,688)	(122)	**6,170**	6	**6,176**
Profit for the year	–	–	–	–	3,342	**3,342**	–	**3,342**
Other comprehensive income for the year								
Cash flow hedges reclassified and reported in net profit:								
Fuel costs and emissions charges	–	–	–	83	–	**83**	–	**83**
Currency differences	–	–	–	(3)	–	**(3)**	–	**(3)**
Finance costs	–	–	–	(1)	–	**(1)**	–	**(1)**
Ineffectiveness recognised in other non-operating costs	–	–	–	1	–	**1**	–	**1**
Net change in fair value of cash flow hedges	–	–	–	(516)	–	**(516)**	–	**(516)**
Net change in fair value of equity investments	–	–	–	51	–	**51**	–	**51**
Net change in fair value of cost of hedging	–	–	–	(11)	–	**(11)**	–	**(11)**
Cost of hedging reclassified and reported in net profit	–	–	–	46	–	**46**	–	**46**
Fair value movements on liabilities attributable to credit risk changes	–	–	–	(12)	–	**(12)**	–	**(12)**
Currency translation differences	–	–	–	(170)	–	**(170)**	–	**(170)**
Remeasurements of post-employment benefit obligations	–	–	–	–	380	**380**	–	**380**
Remeasurements of long-term employee-related provisions	–	–	–	–	(10)	**(10)**	–	**(10)**
Total comprehensive income for the year	–	–	–	(532)	3,712	**3,180**	–	**3,180**
Hedges transferred and reported in property, plant and equipment	–	–	–	13	–	**13**	–	**13**
Hedges transferred and reported in sales in advance of carriage	–	–	–	(20)	–	**(20)**	–	**(20)**
Hedges transferred and reported in inventory	–	–	–	(9)	–	**(9)**	–	**(9)**
Cost of share-based payments	–	–	–	–	63	**63**	–	**63**
Movement in treasury shares	–	–	82	–	(156)	**(74)**	–	**(74)**
Acquisition of treasury shares	–	–	(1,234)	–	–	**(1,234)**	–	**(1,234)**
Dividend	–	–	–	–	(500)	**(500)**	–	**(500)**
Cancellation of share capital	(24)	(846)	846	24	–	**–**	–	**–**
Dividend of a subsidiary	–	–	–	–	(1)	**(1)**	–	**(1)**
31 December 2025	**473**	**6,924**	**(593)**	**(2,212)**	**2,996**	**7,588**	**6**	**7,594**

Consolidated statement of changes in equity

For the year to 31 December 2024

€ million	Issued share capital (note 31)	Share premium (note 31)	Treasury shares (note 31)	Other reserves (note 33)	Retained earnings	Total shareholders' equity	Non-controlling interest (note 33)	Total equity
1 January 2024	497	7,770	(100)	(1,996)	(2,899)	3,272	6	3,278
Profit for the year	–	–	–	–	2,732	2,732	–	2,732
Other comprehensive income for the year								
Cash flow hedges reclassified and reported in net profit:								
Fuel costs and emissions charges	–	–	–	93	–	93	–	93
Currency differences	–	–	–	3	–	3	–	3
Finance costs	–	–	–	(11)	–	(11)	–	(11)
Ineffectiveness recognised in other non-operating costs	–	–	–	(16)	–	(16)	–	(16)
Net change in fair value of cash flow hedges	–	–	–	53	–	53	–	53
Net change in fair value of equity investments	–	–	–	(19)	–	(19)	–	(19)
Net change in fair value of cost of hedging	–	–	–	24	–	24	–	24
Cost of hedging reclassified and reported in net profit	–	–	–	48	–	48	–	48
Fair value movements on liabilities attributable to credit risk changes	–	–	–	(44)	–	(44)	–	(44)
Currency translation differences	–	–	–	118	–	118	–	118
Remeasurements of post-employment benefit obligations	–	–	–	–	206	206	–	206
Remeasurements of long-term employee-related provisions	–	–	–	–	(70)	(70)	–	(70)
Total comprehensive income for the year	–	–	–	249	2,868	3,117	–	3,117
Hedges transferred and reported in property, plant and equipment	–	–	–	(11)	–	(11)	–	(11)
Hedges transferred and reported in sales in advance of carriage	–	–	–	60	–	60	–	60
Hedges transferred and reported in inventory	–	–	–	10	–	10	–	10
Cost of share-based payments	–	–	–	–	90	90	–	90
Movement in treasury shares	–	–	24	–	(32)	(8)	–	(8)
Acquisition of treasury shares	–	–	(211)	–	–	(211)	–	(211)
Dividend	–	–	–	–	(147)	(147)	–	(147)
Dividend of a subsidiary	–	–	–	–	(2)	(2)	–	(2)
31 December 2024	497	7,770	(287)	(1,688)	(122)	6,170	6	6,176

Notes to the consolidated financial statements

For the year to 31 December 2025

1 Background and general information

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

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

2 Significant accounting policies

Basis of preparation

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

The Group's financial statements for the year to 31 December 2025 were authorised for issue and approved by the Board of Directors on 26 February 2026.

Going concern

At 31 December 2025, the Group had total liquidity of €10,948 million (31 December 2024: total liquidity of €13,362 million), comprising cash, cash equivalents and interest-bearing deposits of €8,319 million, and €2,629 million of committed and undrawn general and overdraft facilities. At 31 December 2025, the Group had no financial covenants associated with its loans and borrowings.

In its assessment of going concern, the Group has modelled two scenarios referred to below as the Base Case and the Downside Case over the period of at least 12 months from the date of the approval of these consolidated financial statements (the 'going concern period'). The Group's three-year business plan, used in the creation of the Base Case, was prepared for and approved by the Board in December 2025. The business plan takes into account the Board's and management's views on capacity, based on the potential impact of the wider economic and geopolitical environments on the Group's businesses across the going concern period. The key inputs and assumptions underlying the Base Case through to 31 March 2027 include:

- The Group has assumed that the committed and undrawn general and overdraft facilities of €2,629 million will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with €2,568 million being available to the Group at 31 March 2027;
- Of the capital commitments detailed in note 15, €2,048 million is due to be paid over the period to 31 March 2027;
- The Group has assumed none of the expected aircraft deliveries over the going concern period are financed; and
- The shareholder returns detailed in note 37.

The Downside Case applies stress to the Base Case to model adverse commercial and operational impacts over the going concern period, represented by: reduced levels of capacity operated in each month, including reductions of 25% for three months over the going concern period; reduced passenger unit revenue per available seat kilometre (ASK); increases in the price of jet fuel by 20% above that assumed in the Base Case; and increased operational costs. In the Downside Case, over the going concern period, capacity would be 10% down when compared to the Base Case. The Downside Case assumes that British Airways and Iberia would be required to partially draw down their portions of the available US dollar Revolving Credit Facility. The Directors consider the Downside Case to be a severe but plausible scenario.

Having reviewed the Base Case and the Downside Case, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence for a period of at least 12 months from the date of approval of the consolidated financial statements and hence continue to adopt the going concern basis in preparing the consolidated financial statements at 31 December 2025.

Consolidation

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

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

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

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

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

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

Unconsolidated structured entities

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

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

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

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

Joint Business Agreements

The Group has established various contractual joint arrangements with carriers outside the Group, commonly referred to as Joint Business Agreements, that enable the Group and those carriers involved to cooperate on flights between particular destinations and the sharing of the resultant revenues. These Joint Business Agreements are not structured through separate legal entities. Each such arrangement includes a reference year to which the carriers party to that arrangement determine their share of the total revenues generated on the aforementioned flights within a fiscal year. The resultant impact of the revenue shared is presented net within Passenger revenue in the Income statement.

Segmental reporting

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

Foreign currency translation

a Functional and presentation currency

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

b Transactions and balances

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

c Group companies

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

Property, plant and equipment

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

Notes to the consolidated financial statements *continued*

a Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits and pre-delivery instalment payments (referred to as progress payments). Fleet assets owned or right-of-use (ROU) assets are disaggregated into separate components and depreciated at rates calculated to write down the cost of each component to the estimated residual value at the end of their planned operational lives (which is the shorter of their useful life or lease term) on a straight-line basis. Depreciation rates are specific to aircraft type, based on the Group's fleet plans, within overall parameters of between 23 and 24 years and up to 5% residual value for short-haul aircraft and between 23 and 31 years (depending on aircraft) and up to 5% residual value for long-haul aircraft.

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

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

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

b Other property, plant and equipment

Owned property, with the exception of freehold land, is depreciated over its expected useful life over periods not exceeding 50 years on a straight-line basis. ROU assets arising from leasehold properties are depreciated over the lease term on a straight-line basis. Equipment is depreciated over periods ranging from four to 20 years on a straight-line basis.

c Capitalisation of interest on assets under construction

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

d Liquidated damages

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

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

e Leases

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

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

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

Lease liabilities

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

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

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

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

Right-of-use assets

At the lease commencement date, an ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; and any initial direct costs.

In addition, at the lease commencement date, the ROU asset will incorporate those restoration and handback costs that are considered unavoidable, such as the removal of airline-specific branding and configuration, to return the asset to its original condition, for which a corresponding amount is recognised within Provisions. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Amounts excluded from recognition as ROU assets and lease liabilities

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

The Group is exposed to potential future increases in variable lease payments based on an index or rate which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the ROU asset. Such variable lease payments are expensed to the Income statement as incurred.

Extension options are included in a number of aircraft, property and equipment leases across the Group and are reflected in the lease liability where the Group is reasonably certain that it will exercise the option.

Sale and leaseback transactions

The Group regularly uses sale and leaseback transactions to finance the acquisition of aircraft. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. The principal criterion for assessing whether a sale has occurred or not is whether the contract contains the option, at the discretion of the Group, to repurchase the aircraft during or at the end of the lease term. If such a repurchase option exists in the contract, irrespective of whether the Group intends to exercise the option or not, the sale is deemed not to have occurred. Where there is no repurchase option in such a transaction, then a sale is deemed to have occurred. The following defines the accounting for such transactions:

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

Cash flow presentation – lease liabilities

Payments associated with lease liabilities are presented as follows in the Consolidated cash flow statement:

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

Cash flow presentation – asset financed liabilities

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

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

Lessor accounting

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

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

Notes to the consolidated financial statements *continued*

f Maintenance, repairs and overhaul

Owned aircraft

Major maintenance, repairs and overhaul expenditure, including replacement spares and labour costs for airframes and engines, is capitalised and amortised over the expected life between major maintenance, repair and overhaul events or to the end of the useful life of the asset. When each major event is performed, the associated cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement asset and any remaining carrying amount of the cost of the previous maintenance event is de-recognised.

On initial recognition of an aircraft, a component of such costs is attributed to the embedded heavy maintenance component of the assets, such as the engines. The embedded heavy maintenance component is depreciated over the period to the next major maintenance event.

All other replacement spares and other costs relating to maintenance of owned fleet assets are charged to the Income statement on consumption or as incurred, respectively, recognised within Engineering and other aircraft costs.

Leased aircraft

Under each lease agreement, the Group is contractually committed to either return the airframe, engines and certain other assets in a specified condition or to compensate the lessor based on the conditionality of the aforementioned assets at the point of return to the lessor.

Accordingly, the Group records a provision for major maintenance, repair and overhaul events, including for airframes and engines, that occur through usage or through the passage of time, which is recognised as such activity occurs through to the next such maintenance event. A corresponding expense is recorded in the Income statement within Engineering and other aircraft costs over the relevant period as the provision is accumulated. Any subsequent changes in estimation are recognised in the Income statement. When the maintenance, repair or overhaul event occurs, the associated provision is de-recognised.

Restoration and handback obligations that arise on the inception of the lease, and that are not dependent on the usage of the asset or on the passage of time, are recognised as a provision for the full expected cost of discharging those obligations with a corresponding amount recognised as a separate component of the ROU asset. The associated ROU asset is depreciated over the lease term. Any subsequent change in estimation relating to such costs is reflected in both the provision and the ROU asset, with the adjustment to the ROU asset depreciated over the remaining lease term.

All other replacement spares and other costs relating to maintenance of leased fleet assets are charged to the Income statement on consumption or as incurred, respectively, within Engineering and other aircraft costs.

Power by the hour contracts

Certain of the Group's maintenance contracts, for both owned and leased aircraft, transfer the risk and legal obligation for undertaking the maintenance activity to third-party service providers, with the Group paying the service providers based on usage of the asset. The associated usage of the asset gives rise to a charge, as flight hours are incurred and dependent on the number of take offs and landings, in the Income statement within Engineering and other aircraft costs.

Intangible assets

a Goodwill

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

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

b Brands

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

c Customer loyalty programmes

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

d Landing rights

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

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

e Contract-based intangibles

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

f Software

The cost to purchase or develop computer software that is separable from an item of related hardware is capitalised separately and amortised on a straight-line basis, generally over a period not exceeding five years, with certain specific software developments amortised over a period of up to 10 years.

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

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

g Carbon-related assets and obligations

Held for own use

As an operating company emits CO_2 equivalent, it builds up either an ETS obligation, a CORSIA obligation or a voluntary carbon offset obligation to the relevant authorities. Where an operating company purchases ETS emission allowances, CORSIA emission units and voluntary carbon offset units, these amounts are recognised at cost and recorded within Carbon-related and other assets.

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

The Group's emissions obligations, recognised as Carbon-related obligations within Provisions, are extinguished when the associated emission certificates are surrendered or retired to the relevant authorities. For ETS obligations, the timing of surrender of the allowances is typically within 12 months of the balance sheet date. For CORSIA obligations, the timing of retirement of the allowances is once every three years, with the first such retiring event for the 2024 to 2026 compliance period expected in 2028 (although entities can agree with their relevant authorities to retire emission units earlier).

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

Impairment of non-financial assets

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

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

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

b Intangible assets

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

Investments in associates and joint ventures

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

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

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

Financial instruments

a Financial assets and liabilities

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

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset that is not SPPI is classified and measured at fair value through profit or loss. This assessment is performed on an instrument by instrument basis.

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

Long-term borrowings

Long-term borrowings are recorded at amortised cost.

Convertible debt

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

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

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

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

Other equity investments

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

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

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

Interest-bearing deposits

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

Impairment of financial assets

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

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

b Cash and cash equivalents

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

c Derivative and non-derivative financial instruments and hedging activities

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

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

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

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

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

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

d Cash flow hedges

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

Hedge effectiveness

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

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

Sources of ineffectiveness include the following:

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

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

Reclassification and transfer adjustments

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

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

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

e Fair value hedges

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

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

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

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

Employee benefit plans

a Pension obligations

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

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension benefits are dependent on the pension scheme rules and relevant pensions legislation including applicable case law.

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

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

b Severance obligations

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

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

c Flight crew provisions

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

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

Taxation

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

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

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

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

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

International tax reform: Pillar Two implementation

On 23 May 2023, the IASB issued the amendments to IAS 12 – International tax reform: Pillar Two model reforms effective for periods beginning on or after 1 January 2023. The amendments to IAS 12 provide temporary mandatory relief from the recognition of deferred tax balances arising from the implementation of the Pillar Two legislation. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Inventories

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

Share-based payments

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

Treasury shares

When the share capital of the Company is repurchased, the amount of the consideration paid, including directly attributable transaction costs, is recognised as a deduction from equity within the treasury share reserve. When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting gain or loss on the transaction is presented as an adjustment to Retained earnings with no gain or loss recorded in the Income statement. When treasury shares are cancelled, the nominal value of the shares is deducted from share capital, and any difference between the cost of repurchase and nominal value is charged or credited to share premium or reserves.

Notes to the consolidated financial statements *continued*

Provisions

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

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

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

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

Revenue recognition

Passenger revenue

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

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

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

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

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

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

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

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

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

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

Cargo revenue

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

Other revenue

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

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

Customer loyalty programmes

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

Avios issuance

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

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

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

Companion vouchers

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

Brand and marketing activities

For both air and non-air partners, the Group licenses the Avios and the airline brands for certain activities, such as the creation of co-branded credit cards. In addition, the Group has certain contractual arrangements whereby it commits to provide marketing services to the members of the loyalty schemes on behalf of those partners. Under IFRS 15, for the provision of both brand and marketing services, the partner receives benefits incremental to the issuance of Avios. The Group estimates the standalone selling price of the brand and marketing performance obligations, using valuation techniques, by reference to the amount that a third party would be prepared to pay in an arm's length transaction for access to comparable brands for the period over which they use the brand. For brand services, as the Group considers that the partner has the right to use the brand, revenue is recognised as the brand service is provided and not over time. For marketing performance obligations, revenue is recognised as the marketing activities occur.

Upfront payments

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

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

Other considerations

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

Exceptional items

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

The financial performance of the Group is monitored by the Management Committee and the Board using metrics that exclude exceptional items to enable comparison to prior reporting periods as well as to other selected companies, and also for making strategic, financial and operational decisions.

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

Further information is given in the Alternative performance measures section.

Government grants

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

Critical accounting estimates, assumptions and judgements

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

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

- Revenue recognition (note 24): breakage assumptions applied to passenger revenue, customer loyalty programmes and unredeemed vouchers;
- Restoration and handback provisions (note 27): key assumptions underlying the carrying value of the provisions; and
- Employee benefit obligations (note 34): Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) key actuarial assumptions.

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

- Income taxes (note 10): determining whether payments made to HMRC in relation to the IAG Loyalty VAT accounting are recoverable;
- Leases (note 14): determining the lease term of contracts with renewal and termination options; and
- Restoration and handback provisions (note 27): determination of accounting policy for leased aircraft.

New standards, amendments and interpretations

The following amendments and interpretations apply for the first time in 2025, but do not have a material impact on the consolidated financial statements of the Group:

- Lack of exchangeability – amendments to IAS 21 effective for periods beginning on or after 1 January 2025.

The IASB and the IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments and interpretations with an effective date after the year end of these financial statements. The Group has assessed the impact of these standards, amendments and interpretations, and it is not expected that these will have a material effect on the reported income or net assets of the Group. The Group plans to adopt the following standards, interpretations and amendments on the date they become mandatory:

- Classification and measurement of financial instruments – amendments to IFRS 9 and IFRS 7 effective for periods beginning on or after 1 January 2026.

IFRS 18 Presentation and disclosure in financial statements

IFRS 18 becomes effective for periods beginning on or after 1 January 2027 and replaces IAS 1 Presentation of financial statements. IFRS 18 is applicable retrospectively. The new standard introduces the following:

- A requirement to classify all income and expenses within the Income statement into one of five categories: operating, investing, financing, income taxes and discontinued operations, for which the first three are new. There is no change to the existing recognition and measurement criteria within IFRS, and accordingly, there will be no change to profit after tax;
- The disclosure of all Income statement non-GAAP measures used to monitor the financial performance of the Group, referred to as Management-defined performance measures (MPMs), are disclosed within a single note to the financial statements;
- Additional guidance on the aggregation and disaggregation of information in the financial statements;
- In the Cash flow statement, interest received and interest paid, currently presented within cash flows from operating activities, will be reclassified to cash flows from investing activities and cash flows from financing activities, respectively.

The Group is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. The initial expected material impacts on the Group's consolidated financial statements are as follows:

- In the Income statement, foreign exchange differences will be classified in the category where the related income and expense form the item giving rise to the foreign exchange difference;
- In the Income statement, ineffectiveness arising from hedge relationships as well as realised and unrealised gains/losses on derivatives not qualifying for hedge accounting will be classified in the category where the related underlying transaction is recorded;
- In the cash flow statement, interest received and interest paid will be classified within cash flows from investing activities and cash flows from financing activities, respectively; and
- The introduction of MPMs and their interaction with existing Alternative performance measures (APMs).

3 Significant changes and transactions in the current reporting period

The financial performance and position of the Group was affected by the following significant events and transactions in the year to 31 December 2025:

- On 17 January 2025, the Group paid €305 million to redeem, at a net premium, €300 million of the notional value of the unsecured €700 million fixed rate bonds 2029. On 12 September 2025, the Group paid a further €292 million to redeem, at a net premium, €281 million of the notional value of the remaining €400 million at that time. On 29 September 2025, the Group paid a further €119 million to redeem the remaining outstanding notional value of the bonds. In redeeming the bonds, the Group paid accrued interest for the bonds of €16 million;
- On 17 January 2025, the Group paid €269 million to redeem, at a net discount, €277 million of the notional value of the unsecured €500 million fixed rate bonds 2027. On 12 September 2025, the Group paid a further €89 million to redeem, at a net discount, €90 million of the notional value of the remaining €223 million at that time. In redeeming the bonds, the Group paid accrued interest for the bonds of €3 million;
- On 27 February 2025, the Board of Directors proposed a final dividend of €0.06 per share, amounting to €280 million, which was approved at the Annual General Meeting on 19 June 2025;
- During March 2025, the Group exercised options for 12 Airbus A350 aircraft and six Boeing 777-9 aircraft. These orders are part of the Group's ongoing investment in new, modern aircraft to drive operational efficiency, reduce emissions, and enhance onboard products for customers. The aircraft will be delivered between 2028 and 2030;
- On 25 March 2025, the Group redeemed upon maturity the senior unsecured €500 million fixed rate bonds;
- On 9 May 2025, the Group entered into agreements with Boeing to purchase 32 787-10 aircraft and with Airbus to purchase 21 A330-900neo aircraft. The aircraft will be delivered between 2028 and 2033 and will be used for the Group's medium-term long-haul fleet requirements. The fleet order was subsequently approved by shareholders on 19 June 2025;
- On 11 September 2025, the Group issued €500 million of senior unsecured bonds due 2030 and bearing a fixed rate of interest of 3.352%;
- On 17 September 2025, the Group, as an investor, announced that the **one**world alliance and Breakthrough Energy Ventures had launched an investment fund to advance and commercialise Sustainable Aviation Fuel (SAF) technologies. As part of the arrangement, the Group committed to provide €21 million ($25 million) to the investment fund. At 31 December 2025, following contributions made subsequent to the aforementioned announcement, the remaining commitment was €17 million ($20 million);
- On 6 November 2025, the Board of Directors declared an interim dividend of €0.048 per share, amounting to €220 million, which was subsequently paid by 31 December 2025; and
- On 17 November 2025, British Airways, paid €349 million ($403 million) to early redeem Asset financed liabilities relating to 10 aircraft initially financed in 2020. In redeeming the Asset financed liabilities, British Airways recorded a loss of €13 million, recorded within Finance costs in the Income statement, associated with the transaction costs incurred.

4 Impact of climate change on financial reporting

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

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

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

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

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

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

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

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

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

a Long-term fleet plans and useful economic lives

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

With the current aircraft fleet and the future committed delivery of 217 fuel-efficient aircraft as detailed in note 15, the Group considers the existing and future fleet assets align with the long-term fleet plans to achieve its Flightpath Net Zero climate strategy. All aircraft in the fleet, and those due to be delivered in the future, have the capability to utilise SAF in their operations without impediment. Accordingly, no impairment has arisen in the current or prior year, nor have the useful lives and residual values of aircraft been amended, as a result of the Group's decarbonisation plans.

b Impairment testing of the Group's cash-generating units

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

The Group adjusts the final year (being the third year) of these probability-weighted cash flows to incorporate the impacts of climate change from the Group's Flightpath Net Zero climate strategy that are expected to occur over the medium term, being to 2035 (2024: through to 2030). These adjustments are limited to those that: (i) the Group can reliably estimate at the balance sheet date, with those costs subsequent to 2035 having such a high degree of uncertainty that they cannot be reliably estimated; (ii) only relate to the Group's existing asset base in its current condition; and (iii) incorporate legislation and regulation that is expected to be required to achieve the Group's Flightpath Net Zero climate strategy, and which is sufficiently progressed at the balance sheet date.

As a result, the Group's impairment modelling incorporates the following aspects of the Group's Flightpath Net Zero climate strategy through to 2035, after which time the level of uncertainty regarding timing and costing becomes insufficiently reliable to estimate: (i) an increase in the level of SAF consumption in the overall fuel mix; (ii) forecast cost of carbon, including SAF, ETS allowances and CORSIA units (all derived from externally sourced or derived information); (iii) the removal of existing free ETS allowances issued by EU member states, Switzerland and the UK; and (iv) assumptions regarding the ability of the Group to recover these incremental costs through increased ticket pricing.

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

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

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

c Valuation of employee benefit scheme assets

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

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

d Recoverability of deferred tax assets

In determining the recoverable amounts of the Group's deferred tax assets, the Group applies future cash flow projections for a period of up to 10 years derived from the approved three-year business plans. The Group applies a medium-term growth rate subsequent to the three-year business plans, specific to each operating company. In considering the impact of the Group's Flightpath Net Zero climate strategy, management adjusts this medium-term growth rate, where applicable, to incorporate the assumed impacts on both revenue and costs to the Group.

e Provision recognition

Under Flightpath Net Zero, the Group has committed to reducing its net emissions to zero by 2050, and accordingly the Group has considered whether such a commitment gives rise to a provision at the balance sheet date. In order to recognise a provision, an entity must meet the following criteria: (i) the entity has a present obligation as result of a past event; (ii) it is probable that an economic outflow of resources will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

While the Group considers there will be an economic outflow of resources to meet its Flightpath Net Zero commitment, these commitments relate to the emissions arising in future reporting periods irrespective of when those commitments were announced. Accordingly, the Group does not consider that the Flightpath Net Zero commitments give rise to a present obligation as a result of a past event and no separate provisions have been recorded in relation to these commitments.

f The price of carbon

EU, Swiss and UK Emissions Trading Systems/Schemes

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

Carbon Offsetting and Reduction Scheme for International Aviation

In October 2016 the International Civil Aviation Organization adopted CORSIA, which aims to offset growth-related CO_2 emissions in international air traffic from 1 January 2021, with the pilot phase running through to 31 December 2023. The first phase of the CORSIA implementation commenced on 1 January 2024 and will run through to 31 December 2026, after which the second phase will run through to 31 December 2035, measured in three-year reporting periods. The first phase of CORSIA is voluntary, and currently 126 States have agreed to participate.

The first phase of CORSIA utilises total CO_2 emissions from international civil aviation over a baseline of 85% of the 2019 level of emissions (the Baseline Year) for all participating States. The offsetting requirements apply to CORSIA eligible flights, being all international flights between participating States, with the following flights excluded: (i) domestic flights; (ii) international flights between States where at least one State has not volunteered to participate in the first phase; and (iii) those flights subject to various ETS arrangements, to avoid duplication of emission charges. In addition, for those flights utilising SAF, the CORSIA offsetting requirement is reduced, but not eliminated, depending on the lifecycle carbon reductions of the SAF compared to conventional fossil jet kerosene.

The calculation and verification of the offsetting requirements in the first phase shall be determined by the sectoral approach annually, with companies retiring their obligations in 2028 (although retirements can occur earlier subject to agreement with national authorities). Under the sectoral approach, each of the Group's operating companies will be required to offset an amount of CO_2 emissions equivalent to the emissions generated on CORSIA eligible flights, multiplied by the Sector's Growth Factor. The Sector's Growth Factor is calculated based on total global aviation CO_2 emissions arising on international air routes between all participating States in a given year divided by the total sectoral CO_2 emissions in the Baseline Year for the same routes.

Voluntary offset schemes

The Group utilises certain voluntary offset schemes to offset certain CO_2 emissions. The Group purchases offset certificates arising from a broad range of accredited projects. Periodically, the Group will retire these offset certificates from the registry.

Notes to the consolidated financial statements *continued*

Impact on financial reporting

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

For the year to, and at 31 December 2025, the Group has recorded the following within the financial statements:

Carbon-related assets (presented as part of Carbon-related and other assets in note 20) include the following amounts:

	2025				2024			
€ million	**ETS assets**	**CORSIA assets**	**Voluntary offsets**	**Total**	ETS assets	CORSIA assets	Voluntary offsets	Total
Balance at 1 January	**598**	**–**	**–**	**598**	577	–	–	577
Purchase of carbon assets	**496**	**–**	**–**	**496**	242	–	–	242
Extinguished/retired during the year	**(320)**	**–**	**–**	**(320)**	(233)	–	–	(233)
Exchange differences	**(18)**	**–**	**–**	**(18)**	12	–	–	12
Balance at 31 December	**756**	**–**	**–**	**756**	598	–	–	598
Analysis:								
Current	**321**	**–**	**–**	**321**	323	–	–	323
Non-current	**435**	**–**	**–**	**435**	275	–	–	275
	756	**–**	**–**	**756**	598	–	–	598

Carbon-related obligations (presented as part of Provisions in note 27) include the following amounts:

	2025				2024			
€ million	**ETS obligations**	**CORSIA obligations**	**Voluntary offsets**	**Total**	ETS obligations	CORSIA obligations	Voluntary offsets	Total
Balance at 1 January	**307**	**9**	**–**	**316**	244	–	3	247
Obligations recognised in the Income statement[1]	**328**	**61**	**–**	**389**	304	9	1	314
Release of unused amounts in the Income statement[1]	**(11)**	**–**	**–**	**(11)**	(12)	–	(1)	(13)
Extinguished/retired during the year	**(320)**	**–**	**–**	**(320)**	(233)	–	(3)	(236)
Exchange differences	**(6)**	**–**	**–**	**(6)**	4	–	–	4
Balance at 31 December	**298**	**70**	**–**	**368**	307	9	–	316
Analysis:								
Current	**298**	**–**	**–**	**298**	307	–	–	307
Non-current	**–**	**70**	**–**	**70**	–	9	–	9
	298	**70**	**–**	**368**	307	9	–	316

1 For the year to 31 December 2025, the total amount in the Income statement within Fuel costs and emission charges that related to emission allowances was €378 million (2024: €301 million). Refer to note 6.

See note 35 for details of the amounts recognised in the Cash flow statement for the years to 31 December 2025 and 31 December 2024.

At 31 December 2025 and 31 December 2024, the Group had acquired and committed to acquire, at fixed prices, the following percentages of its total emissions allowances forecast to be purchased over the three-year business plan periods:

Percentage of forecast emission allowances required	**2025**	2024
Within 12 months	**100%**	100%
1-2 years	**82%**	67%
2-3 years	**36%**	19%

5 Segment information

a Business segments

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

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

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

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

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

For the year to 31 December 2025

	2025						
€ million	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty	Other Group companies[1]	**Total**
Revenue							
Passenger revenue	15,639	6,070	3,234	2,426	1,181	419	**28,969**
Cargo revenue	913	267	–	50	–	8	**1,238**
Other revenue	127	1,350	29	29	1,471	–	**3,006**
External revenue	16,679	7,687	3,263	2,505	2,652	427	**33,213**
Inter-segment revenue	507	398	1	24	389	553	**1,872**
Segment revenue	17,186	8,085	3,264	2,529	3,041	980	**35,085**
Employee costs	(3,679)	(1,486)	(460)	(551)	(120)	(290)	**(6,586)**
Fuel costs and emission charges	(3,986)	(1,476)	(856)	(628)	–	(137)	**(7,083)**
Depreciation and amortisation charge	(1,455)	(545)	(308)	(201)	(33)	(86)	**(2,628)**
Operating profit/(loss)	**2,597**	**1,313**	**393**	**282**	**548**	**(109)**	**5,024**
Exceptional items	–	–	–	–	–	–	**–**
Operating profit/(loss) before exceptional items	**2,597**	**1,313**	**393**	**282**	**548**	**(109)**	**5,024**
Net non-operating costs							**(519)**
Profit before tax							**4,505**
Total assets	25,654	10,254	3,494	2,667	4,775	(3,995)	**42,849**
Total liabilities	(18,337)	(8,939)	(3,447)	(2,122)	(4,458)	2,048	**(35,255)**

1 Includes eliminations on total assets of €17,269 million and total liabilities of €5,329 million.

Notes to the consolidated financial statements *continued*

For the year to 31 December 2024

	2024						
€ million	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty	Other Group companies[1]	Total
Revenue							
Passenger revenue	15,426	5,807	3,240	2,291	1,099	411	28,274
Cargo revenue	921	250	–	55	–	8	1,234
Other revenue	110	1,034	19	16	1,413	–	2,592
External revenue	16,457	7,091	3,259	2,362	2,512	419	32,100
Inter-segment revenue	530	451	2	14	350	485	1,832
Segment revenue	16,987	7,542	3,261	2,376	2,862	904	33,932
Employee costs	(3,386)	(1,618)	(427)	(508)	(104)	(313)	(6,356)
Fuel costs and emission charges	(4,328)	(1,611)	(895)	(638)	–	(136)	(7,608)
Depreciation and amortisation charge	(1,338)	(476)	(279)	(169)	(23)	(79)	(2,364)
Operating profit/(loss)	2,422	867	400	205	495	(106)	4,283
Exceptional items[2]	–	(160)	–	–	–	–	(160)
Operating profit/(loss) before exceptional items	2,422	1,027	400	205	495	(106)	4,443
Net non-operating costs							(720)
Profit before tax							3,563
Total assets	26,138	10,220	3,731	2,431	4,164	(2,880)	43,804
Total liabilities	(20,328)	(9,319)	(3,850)	(2,170)	(3,861)	1,900	(37,628)

1 Includes eliminations on total assets of €16,960 million and total liabilities of €5,676 million.

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

b Other revenue

	Year to 31 December	
€ million	**2025**	2024
Holiday and hotel services	**1,010**	990
Maintenance and overhaul services	**1,045**	820
Brand and marketing services	**451**	436
Ground-handling services	**191**	159
Other	**309**	187
	3,006	2,592

c Geographical analysis

Revenue by area of original sale

	Year to 31 December	
€ million	**2025**	2024
UK	**11,793**	11,291
Spain	**6,370**	5,562
USA	**5,464**	5,406
Rest of world	**9,586**	9,841
	33,213	32,100

Assets by area
31 December 2025

€ million	Property, plant and equipment	Intangible assets
UK	**13,932**	**1,889**
Spain	**5,911**	**1,249**
USA	**96**	**21**
Rest of world	**1,506**	**611**
	21,445	**3,770**

31 December 2024

€ million	Property, plant and equipment	Intangible assets
UK	14,021	1,807
Spain	5,617	1,210
USA	97	18
Rest of world	1,397	607
	21,132	3,642

6 Operating expenses

a Expenses by nature

Operating result is arrived at after charging
Depreciation, amortisation and impairment of non-current assets:

€ million	2025	2024
Depreciation charge on right-of-use assets	**1,113**	1,134
Depreciation charge on owned assets	**1,173**	972
Amortisation and impairment of intangible assets	**316**	239
Depreciation charge on other leasehold assets	**26**	19
	2,628	2,364

Cost of inventories:

€ million	2025	2024[1]
Cost of inventories recognised as an expense	**1,536**	1,318
	1,536	1,318

1 The 2024 figures include a restatement to increase Cost of inventories recognised as an expense in the Income statement by €106 million. There is no change to any of the 2024 Income statement line items as a result of this restatement.

b Fuel costs and emission charges

€ million	2025	2024
Fuel costs	**6,525**	7,116
Hedging losses	**180**	191
Emission charges	**378**	301
	7,083	7,608

c Property, IT and other costs

€ million	2025	2024
IT costs	**536**	478
Property costs	**284**	290
Insurance costs, professional fees and other costs	**265**	352
	1,085	1,120

7 Auditor's remuneration

The fees for the years to 31 December 2025 and 31 December 2024, for audit and non-audit services provided by the external auditor of the Group's consolidated financial statements and of certain individual financial statements of the consolidated companies, KPMG Auditores S.L., and by companies belonging to KPMG's network, were as follows:

€'000	**2025**	2024
Fees payable for the audit of the Group and individual accounts	**6,990**	6,979
Fees payable for other services:		
Audit of the Group's subsidiaries pursuant to legislation	**1,166**	1,284
Other services pursuant to legislation	**155**	205
Other audit and assurance services	**2,163**	1,795
	10,474	10,263

Fees payable to the Group's external auditor for the audit of the Group's pension scheme during the year total €265 thousand (2024: €268 thousand).

8 Employee costs and numbers

€ million	**2025**	2024
Wages and salaries	**4,467**	4,380
Social security costs	**772**	692
Costs related to pension scheme benefits	**308**	312
Share-based payment charge	**58**	72
Other employee costs[1]	**981**	900
Total employee costs	**6,586**	6,356

1 Other employee costs include allowances and accommodation for crew.

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

	2025			2024		
		31 December 2025			31 December 2024	
	Average number of employees	**Number of employees[1]**	**Percentage of women**	Average number of employees	Number of employees[1]	Percentage of women
In the air:						
Cabin crew	**25,304**	**25,225**	**70%**	24,421	24,615	70%
Pilots	**8,951**	**9,107**	**7%**	8,516	8,742	7%
On the ground:						
Airports	**16,717**	**16,501**	**38%**	16,725	16,396	38%
Corporate	**16,978**	**16,906**	**48%**	16,313	16,936	48%
Maintenance	**7,680**	**7,809**	**9%**	7,288	7,454	8%
Senior leaders	**241**	**238**	**35%**	235	235	36%
	75,871	**75,786**	**44%**	73,498	74,378	44%

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

9 Finance costs, income and other non-operating credits

a Finance costs

€ million	2025	2024
Interest expense on:		
Bank borrowings	**(4)**	(10)
Asset financed liabilities	**(206)**	(198)
Lease liabilities	**(416)**	(485)
Bonds	**(36)**	(62)
Provisions unwinding of discount	**(150)**	(130)
Other borrowings	**(33)**	(50)
Capitalised interest on progress payments	**27**	33
Other finance costs	**(43)**	(15)
	(861)	(917)

b Finance income

€ million	2025	2024
Interest on other interest-bearing deposits, cash and cash equivalents	**274**	404
Other finance income	**5**	–
	279	404

c Net change in fair value of financial instruments

€ million	2025	2024
Net change in the fair value of convertible bonds	**(201)**	(237)
	(201)	(237)

d Net financing credit relating to pensions

€ million	2025	2024
Net financing credit relating to pensions	**84**	63
	84	63

e Other non-operating (charges)/credits

€ million	2025	2024
Gain on sale of investments	**1**	–
Credit related to equity investments (note 19)	**13**	7
Share of profits in investments accounted for using the equity method (note 18)	**3**	–
Realised (losses)/gains on derivatives not qualifying for hedge accounting	**(27)**	42
Unrealised (losses)/gains on derivatives not qualifying for hedge accounting	**(128)**	95
Net change in the fair value associated with fair value hedges (note 30)	**1**	–
Air Europa Holdings termination settlement expense	**–**	(50)
	(137)	94

10 Tax

a Tax (charges)/credits

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

	2025				2024			
€ million	**Income statement**	**Other comprehensive income**	**Recognised directly in equity**	**Total**	Income statement	Other comprehensive income	Recognised directly in equity	Total
Current tax								
Movement in respect of prior years	1	–	–	**1**	183	–	–	183
Movement in respect of current year	(501)	14	4	**(483)**	(384)	7	–	(377)
Total current tax	(500)	14	4	**(482)**	(201)	7	–	(194)
Deferred tax								
Movement in respect of prior years	(6)	1	1	**(4)**	(33)	(2)	–	(35)
Movement in respect of current year	(657)	110	4	**(543)**	(597)	(70)	4	(663)
Rate change/rate differences	–	–	–	**–**	–	–	–	–
Total deferred tax	(663)	111	5	**(547)**	(630)	(72)	4	(698)
Total tax	(1,163)	125	9	**(1,029)**	(831)	(65)	4	(892)

The current tax credit in Other comprehensive income relates to movements relating to employee benefit plans of €14 million (2024: credit of €7 million).

Tax recognised in equity of a €4 million credit (2024: €14 million charge) relates to cash flow hedges, in addition to a €5 million credit (2024: €18 million credit) relating to share-based schemes.

Within tax in Other comprehensive income is a tax credit of €139 million (2024: tax charge of €64 million) that may be reclassified to the Income statement and a tax charge of €14 million (2024: tax charge of €1 million) that will not.

b Current tax asset

€ million	**2025**	2024
Balance at 1 January	**220**	157
Income statement	**(500)**	(201)
Other comprehensive income	**14**	7
Recognised directly in equity	**4**	–
Cash	**488**	245
Exchange and other movements	**(12)**	12
Balance at 31 December	**214**	220
Current tax asset	**242**	231
Current tax liability	**(28)**	(11)
Balance at 31 December	**214**	220

c Deferred tax (liability)/asset

€ million	Fixed assets	Right-of-use assets	Lease liabilities	Employee leaving indemnities and others	Employee benefit plans	Fair value gains/ losses[1]	Share-based payment schemes	Tax loss carried forward and tax credits	Other temporary differences[2]	**Total**
Balance at 1 January 2025	(1,389)	113	8	279	34	45	56	1,335	19	**500**
Income statement	(351)	(85)	–	6	(1)	–	(15)	(314)	97	**(663)**
Other comprehensive income	–	–	–	3	(11)	139	–	(21)	1	**111**
Recognised directly in equity	–	–	–	–	–	4	1	–	–	**5**
Exchange movements and other	82	–	–	–	(1)	(18)	(2)	(31)	(9)	**21**
Balance at 31 December 2025	**(1,658)**	**28**	**8**	**288**	**21**	**170**	**40**	**969**	**108**	**(26)**
Balance at 1 January 2024	(1,013)	24	7	214	45	121	26	1,721	53	1,198
Income statement	(395)	91	1	41	(3)	–	11	(326)	(50)	(630)
Other comprehensive income	–	–	–	23	(12)	(64)	–	(20)	1	(72)
Recognised directly in equity	–	–	–	–	–	(14)	18	–	–	4
Exchange movements and other	19	(2)	–	1	4	2	1	(40)	15	–
Balance at 31 December 2024	(1,389)	113	8	279	34	45	56	1,335	19	500

1 Fair value gains/losses include both the Cash flow hedge reserve and the Cost of hedging reserve, of which the movement in relation to Other comprehensive income recognised in the Cash flow hedge reserve for 2025 was €151 million (2024: €40 million, see note 30d).

2 Other temporary differences include a deferred tax asset in relation to corporate interest of €64 million (2024: €36 million). There were no deferred tax liabilities in relation to unremitted earnings (2024: €5 million).

€ million	**2025**	2024
Deferred tax asset	**675**	754
Deferred tax liability	**(701)**	(254)
Balance at 31 December	**(26)**	500

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

d Reconciliation of the total tax charge in the Income statement

The tax (charge)/credit is calculated at the domestic tax rates applicable to profits/(losses) in the country in which the profits/(losses) arise. The differences between the expected tax charge (2024: charge) and the actual tax charge (2024: charge) on the profit for the year to 31 December 2025 (2024: profit) are explained below:

€ million	**2025**	2024
Profit before tax	**4,505**	3,563
Weighted average tax charge of the Group[1]	**(1,092)**	(873)
Unrecognised losses and deductible temporary differences arising in the year	**(20)**	(47)
Fair value movement on convertible bonds	**3**	11
Share of associates' profits and losses[2]	**17**	(3)
Prior year tax assets recognised	**19**	10
Effect of lower tax rate in the Canary Islands	**13**	8
Intragroup dividends	**(59)**	(26)
Movement in respect of prior years	**(4)**	15
Revocation of Royal Decree-Law 3/2016 in Spain	**–**	135
Changes in accounting standards/tax legislation	**–**	(35)
Employee benefit plans accounted for net of withholding tax	**17**	13
Non-deductible expenses	**(51)**	(26)
Other items[2]	**(6)**	(13)
Tax charge in the Income statement	**(1,163)**	(831)

1 The expected tax charge is calculated by aggregating the expected tax charges arising in each company in the Group and changes each year as tax rates and profit mix change. The 2025 corporate tax rates for the Group's main countries of operation are Spain 25% (2024: 25%), the UK 25% (2024: 25%) and Ireland 12.5% (2024: 12.5%).

2 The 2024 reconciliation of the total tax charge has been re-presented to conform with the current year, where the Share of associates' profits and losses has been disaggregated from Other items. There is no net change in the overall tax charge for 2024.

Notes to the consolidated financial statements *continued*

e Payroll-related taxes and UK Air Passenger Duty

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

€ million	2025	2024
Payroll-related taxes	**749**	698
UK Air Passenger Duty	**1,099**	1,084
	1,848	1,782

f Factors that may affect future tax charges

Unrecognised deductible temporary differences and losses

€ million	2025	2024
Income tax losses		
Spanish corporate income tax losses	**273**	253
OpenSkies SASU trading losses	**405**	405
Other trading losses	**10**	7
	688	665
Other losses and temporary differences		
Spanish deductible temporary differences[1]	**313**	361
UK capital losses	**337**	357
Irish capital losses	**17**	17
	667	735

1 Included in Spanish deductible temporary differences is an amount of €111 million (2024: €93 million) that originated as a tax loss and, in accordance with the Nineteenth Amendment of Law 27/2014, can be deducted in 10 equal annual instalments.

None of the unrecognised temporary differences have an expiry date.

Unrecognised temporary differences – investment in subsidiaries and associates

There are temporary differences of €3,665 million (2024: €1,495 million) associated with investments in subsidiaries and associates for which deferred tax liabilities have not been recognised.

Pillar Two minimum effective tax rate reform

In 2021, the Organisation for Economic Co-operation and Development (OECD) released the Two Pillar solution to address the tax challenges arising from the digitalisation of the economy. This reform to the international tax system addresses the geographical allocation of profits for the purposes of taxation and is designed to ensure that multinational enterprises are subject to a minimum 15% effective tax rate.

The predominant jurisdiction in which the Group operates with an effective tax rate of less than 15% is Ireland through Aer Lingus. In 2025, Aer Lingus recorded a current tax expense of €42 million (2024: €24 million) relating to its Irish operations, which included a Domestic Top-up Tax of €4 million (2024: €2 million).

Engagement with tax authorities

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

g Tax-related contingent liabilities

Significant accounting judgement applied – Determining whether payments made to HMRC in relation to the IAG Loyalty VAT accounting are recoverable

At 31 December 2025 the Group recognised, as a Non-current other asset, €507 million in respect of VAT it expects to recover from HMRC in the UK.

The Group applies judgement in the determination as to whether it considers the outcome of the judicial process between IAG Loyalty and HMRC, with regard to the IAG Loyalty VAT accounting, is more probable than not to result in a favourable outcome to the Group, and accordingly whether to record the aforementioned payments as an asset.

In forming its judgement, the Group has reviewed the decision letter issued by HMRC and the correspondence with HMRC on this matter, including having considered the historical tax ruling issued by HMRC to the Group on this matter.

The Directors are satisfied that it is probable that a favourable outcome will eventuate, and accordingly the Group continues to consider at 31 December 2025, and through to the date of this report, that the €507 million asset recognised as a result of the payment to HMRC is recoverable.

The Group has certain contingent liabilities that could be reliably estimated, across all taxes, but excluding the IAG Loyalty VAT matter detailed below, at 31 December 2025 amounting to €134 million (31 December 2024: €128 million). While the Group does not consider it more likely than not that there will be material losses on these matters, given the inherent uncertainty associated with tax litigation and tax audits, there can be no guarantee that material losses will not eventuate. As the Group considers that its chances of success in each of these matters is more probable than not, it is not appropriate to make a provision for these amounts. Included in the tax-related contingent liabilities are the following:

Merger gain

Following tax audits covering the period 2011 to 2014, the Spanish tax authorities issued a corporate income tax assessment to the Company regarding the merger in 2011 between British Airways and Iberia ('the Merger'). The maximum exposure in this case is €107 million (31 December 2024: €104 million), being the amount in the tax assessment with an estimate of the interest accrued on that assessment through to 31 December 2025.

The Company appealed the assessment to the *Tribunal Económico-Administrativo Central* (TEAC) (Central Administrative Tax Tribunal). On 23 October 2019, the TEAC ruled in favour of the Spanish tax authorities. The Company subsequently appealed this ruling to the *Audiencia Nacional* (National High Court) on 20 December 2019, and, on 24 July 2020, filed submissions in support of its case. To assist it in its deliberations as to whether a gain arose from the Merger, on 15 September 2023 the *Audiencia Nacional* commissioned an independent accounting expert to provide a report on the appropriate basis of accounting. As at 31 December 2025 and through to the date of these financial statements, the *Audiencia Nacional* has not ruled on whether a gain arose from the Merger. The Company does not expect a judgment at the *Audiencia Nacional* on this case until the first half of 2026 at the earliest.

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

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

Within the context of the aforementioned tax audits, the Spanish tax authorities concluded on the value of Iberia's business within the Merger. This valuation was contested by the Company in a separate case, where no tax liability is due. The Company believes there are technical merits for a higher value, something that would indirectly reduce the quantum of the Merger gain assessed in the dispute described above. On 18 January 2024, the *Audiencia Nacional* served notice on its judgment issued on 13 December 2023, whereby it ruled in favour of the Spanish tax authorities in respect of the valuation of Iberia's business within the Merger. On 28 February 2024, the Company submitted a request for an appeal of the judgment to the Supreme Court in Spain, which was duly accepted and the resultant appeal was filed on 8 October 2025. There is no specific timeframe for the Supreme Court to issue its judgment.

IAG Loyalty VAT

Background to the matter

As reported in the 2024 Annual Report and Accounts, His Majesty's Revenue and Customs (HMRC) in the UK had been considering: (i) the appropriate VAT accounting to be applied by Avios Group (AGL) Limited, a controlled undertaking of the Group trading as IAG Loyalty; and (ii) the validity of a historical ruling ('the Ruling') issued by HMRC to the Group.

On 29 October 2024, HMRC issued the Group its decision letter with its view of the appropriate VAT accounting to be applied by IAG Loyalty. HMRC's decision letter asserted that the charges made by IAG Loyalty are for developing, administering and maintaining a loyalty scheme with the result that VAT arises at 20% on the issuance of Avios irrespective of the redemption product. By implication, HMRC's decision letter confirmed its view that IAG Loyalty was not entitled to rely on the Ruling during the relevant assessed periods. The decision letter differs to the VAT accounting approach applied by IAG Loyalty, which was based on both the Ruling issued by HMRC and existing case law precedent. Historically, IAG Loyalty has accounted for VAT depending on the nature of the redemption products for which Avios are redeemed, the vast majority of which are flights which are zero-rated.

The Group, having reviewed HMRC's decision letter with its legal and tax advisers, strongly disagrees with HMRC's view. The Group considers that not accounting for VAT on the issuance of Avios, but for VAT to be accounted for depending on the nature of the redemption products for which Avios are redeemed, remains appropriate. Accordingly, on 14 February 2025, the Group appealed the case to the First-tier Tribunal (Tax) in the UK with a hearing scheduled for the fourth quarter of 2026 and a decision of the First-tier Tribunal (Tax) expected during 2027.

In addition, the Group, having reviewed its position with its legal and tax advisers, considers that it has a legitimate expectation that it should have been able to rely upon the Ruling. Accordingly, during 2025, the Group applied to the High Court in the UK for a judicial review of whether IAG Loyalty had a legitimate expectation that it could rely upon the Ruling and whether HMRC acted lawfully in asserting that the Ruling was defunct with retrospective effect. The application also sought to stay the hearing pending the outcome of the appeal to the First-tier Tribunal (Tax). On 6 January 2026 the High Court in the UK approved the application to stay the hearing until after the conclusion of the First-tier Tribunal (Tax) proceedings and any subsequent appeals.

Notes to the consolidated financial statements *continued*

Accounting for the matter

In January 2019, the IFRS Interpretations Committee (IFRIC) issued an agenda decision, which states that deposits made to tax authorities for taxes, other than income tax, for which the entity and the tax authorities are in dispute and in respect of which the entity considers it more likely than not that the matter will be resolved in its favour, should be recorded as an asset. The Group, having reviewed HMRC's decision with its legal and tax advisers, considers it more likely than not that a favourable outcome from the judicial process will eventuate. Accordingly, payments made to HMRC relating to this dispute for periods prior to its decision letter on 29 October 2024 are classified as an asset on the Balance sheet.

For payments made to HMRC for periods subsequent to its decision letter on 29 October 2024, the IFRIC agenda decision does not apply, and while the Group considers it more likely than not that the matter will be resolved in its favour, it is not possible to assert that such payments are virtually certain of being refundable to the Group and accordingly no asset on the Balance sheet is recognised.

Impact on the financial statements

The table below reflects the payments made to and the refund from HMRC during 2025 relating to periods prior to it issuing its decision letter on 29 October 2024, for which an Other non-current asset has been recorded in the Balance sheet:

Million	€	£
Balance at 1 January 2025[1]	**88**	73
Cash payments to HMRC for periods immediately prior to its decision, paid in 2025[2]	**39**	33
Cash payment to HMRC for remaining historical periods prior to its decision letter[3]	**668**	557
Cash refunds from HMRC[4]	**(265)**	(220)
Exchange movements	**(23)**	–
Balance at 31 December 2025[5,6]	**507**	443

1 During the course of 2024 and prior to HMRC issuing its decision letter, in order to avoid incurring potential interest and penalties, the Group commenced accounting and paying to HMRC, without admission of liability, VAT on the issuance of Avios. This has resulted in payments, that the Group does not consider it can recover from its partners, totalling €88 million (£73 million) having been made in 2024.

2 During 2025, the Group paid €39 million (£33 million) of VAT for the months immediately prior to HMRC's decision letter, which formed part of VAT returns paid during 2025.

3 On 14 February 2025, the Group appealed this matter to the First-tier Tribunal (Tax) in the UK. To advance the case to the First-tier Tribunal (Tax), without admission of liability, the Group paid to HMRC €668 million (£557 million).

4 During 2025, certain of the Group's subsidiaries recovered €265 million (£220 million) as input VAT.

5 While at 31 December 2025 no amounts relating to interest have been paid, in the event of an ultimate adverse judgment against the Group, the Group has estimated interest on these assessments to 31 December 2025 to total €121 million (£106 million). The Group considers it appropriate not to record any provision for these amounts but to disclose them as a contingent liability.

6 In the event of an adverse outcome for the Group upon completion of the judicial process, the €507 million asset would be recoverable through the settlement of any VAT liability arising from that outcome. The recognition of any VAT liability arising from the judicial process would result in a charge to the Income statement. The Group considers it appropriate not to record any provision for these amounts but to disclose them as a contingent liability.

Payments made to HMRC in relation to periods prior to its decision, after deducting refunds and excluding any interest arising, amounting to €507 million (£443 million) have been recorded as an Other non-current asset in the Balance sheet.

Subsequent to HMRC issuing its decision and through to 31 December 2025, the Group has made payments to HMRC of €89 million (£78 million), excluding those amounts the Group's other subsidiaries, principally British Airways, expect to recover as input VAT. While the Group considers it more likely than not that the matter will be resolved in its favour, it is not possible to assert that such payments are virtually certain of being refundable to the Group and accordingly no asset on the Balance sheet is recognised at 31 December 2025, but such amounts are disclosed as a contingent asset. In addition, as a result of the aforementioned accounting, a proportion of the ongoing payments made to HMRC reduce the amounts that would have previously been recognised within Deferred revenue in the Balance sheet upon issuance of the Avios and subsequently within both Passenger revenue and Other revenue in the Income statement when the Avios are redeemed.

11 Earnings per share

€ million	2025	2024
Earnings attributable to equity holders of the parent for basic earnings per share	**3,342**	2,732
Income statement impact of convertible bonds	**158**	185
Diluted earnings attributable to equity holders of the parent for diluted earnings per share	**3,500**	2,917

	2025 Number '000	2024 Number '000
Weighted average number of ordinary shares in issue used for basic earnings per share[1]	**4,690,069**	4,903,453
Assumed conversion on convertible bonds	**250,534**	245,944
Dilutive employee share schemes outstanding	**91,377**	110,261
Weighted average number of ordinary shares used for diluted earnings per share	**5,031,980**	5,259,658

€ cents	2025	2024
Basic earnings per share	**71.3**	55.7
Diluted earnings per share	**69.5**	55.5

1 Includes 187 million as the weighted average impact for 312 million treasury shares purchased in the share buyback programme (note 31a).

The assumed conversion of the €825 million convertible bonds 2028 and outstanding employee share schemes have a dilutive impact on the earnings per share for the years to 31 December 2025 and 31 December 2024 due to the reported profit after tax for the respective years.

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

12 Dividends

€ million	2025	2024
Cash dividend declared		
Interim cash dividend declared for 2025 of €0.048 per share (2024: €0.03 per share)	**220**	147
Final dividend for 2024 of €0.06 per share (2023: €nil)	**280**	–
Proposed cash dividend		
Final dividend for 2025 of €0.05 per share	**228**	

The proposed dividend will be distributed from net profit for the year to 31 December 2025.

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and, subject to such approval, are recognised as a liability on that date.

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

During 2025, following the finalisation of the triennial valuation, as at 31 March 2024, of British Airways' main UK defined benefit pension scheme (NAPS), all previously existing requirements relating to pension contributions arising from dividend payments have been removed. Accordingly, at 31 December 2025 the Group had no restrictions on the payment of dividends from the Group's main operating companies to the Company.

13 Property, plant and equipment

€ million	Fleet	Property	Equipment	**Total**
Cost				
Balance at 1 January 2024	30,371	3,086	1,532	34,989
Additions	2,779	67	240	3,086
Modification of leases	286	110	–	396
Disposals	(871)	(39)	(85)	(995)
Reclassifications	(1)	3	(1)	1
Transfers to Non-current assets held for sale (note 16)	(28)	–	–	(28)
Exchange movements	915	120	52	1,087
Balance at 31 December 2024	33,451	3,347	1,738	38,536
Additions	2,603	159	302	**3,064**
Modification of leases	241	157	–	**398**
Disposals	(244)	(11)	(59)	**(314)**
Exchange movements	(1,281)	(168)	(76)	**(1,525)**
Balance at 31 December 2025	**34,770**	**3,484**	**1,905**	**40,159**
Depreciation and impairment				
Balance at 1 January 2024	12,851	1,310	1,052	15,213
Depreciation charge for the year	1,891	152	82	2,125
Disposals	(304)	(35)	(81)	(420)
Modification of leases	(2)	(4)	–	(6)
Reclassifications	(23)	3	(3)	(23)
Exchange movements	423	52	40	515
Balance at 31 December 2024	14,836	1,478	1,090	17,404
Depreciation charge for the year[1]	2,063	150	99	**2,312**
Disposals	(217)	(10)	(43)	**(270)**
Exchange movements	(608)	(73)	(51)	**(732)**
Balance at 31 December 2025	**16,074**	**1,545**	**1,095**	**18,714**

1 During 2025, the Group extended the useful lives of certain aircraft to align with current fleet planning. Had these useful lives not been extended, the depreciation charge for 2025 would have been €18 million higher.

Net book values				
31 December 2025	**18,696**	**1,939**	**810**	**21,445**
31 December 2024	18,615	1,869	648	21,132

€ million	Fleet	Property	Equipment	**Total**
Analysis at 31 December 2025				
Owned	11,137	882	569	**12,588**
Right-of-use assets (note 14)	5,996	952	10	**6,958**
Assets under construction (including progress payments)[1]	1,559	105	231	**1,895**
Assets not in current use	4	–	–	**4**
Property, plant and equipment	**18,696**	**1,939**	**810**	**21,445**
Analysis at 31 December 2024				
Owned[1]	10,139	886	441	11,466
Right-of-use assets (note 14)	7,111	901	6	8,018
Assets under construction (including progress payments)[1]	1,278	78	189	1,545
Assets not in current use	87	4	12	103
Property, plant and equipment	18,615	1,869	648	21,132

1 Included in the fleet assets under construction are progress payments of €995 million (2024: €870 million).

The net book value of property comprises:

€ million	2025	2024
Freehold	**508**	485
Right-of-use assets (note 14)	**952**	901
Long-leasehold improvements with a contractual life in excess of 50 years	**365**	337
Short-leasehold improvements with a contractual life of less than 50 years	**114**	146
Property	**1,939**	1,869

At 31 December 2025, bank and other loans of the Group are secured on owned fleet assets with a net book value of €5,476 million (2024: €5,958 million).

14 Leases

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

a Amounts recognised in the Balance sheet – right-of-use assets

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

€ million	Fleet	Property	Equipment	**Total**
Cost				
Balance at 1 January 2024	13,983	1,140	43	15,166
Additions	622	11	–	633
Modifications of leases	286	110	–	396
Disposals	(131)	(21)	–	(152)
Reclassifications[1]	(1,240)	–	(32)	(1,272)
Exchange movements	301	46	1	348
31 December 2024	13,821	1,286	12	15,119
Additions	93	32	7	**132**
Modification of leases	241	157	–	**398**
Disposals	(145)	(9)	(2)	**(156)**
Reclassifications[1]	(582)	–	–	**(582)**
Exchange movements	(368)	(66)	(1)	**(435)**
31 December 2025	**13,060**	**1,400**	**16**	**14,476**
Depreciation and impairment				
Balance at 1 January 2024	6,302	302	28	6,632
Depreciation charge for the year	1,036	96	2	1,134
Disposals	(128)	(21)	–	(149)
Modification of leases	(2)	(4)	–	(6)
Reclassifications[1]	(644)	–	(24)	(668)
Exchange movements	146	12	–	158
31 December 2024	6,710	385	6	7,101
Depreciation charge for the year	1,021	90	2	**1,113**
Disposals	(121)	(9)	(2)	**(132)**
Reclassifications[1]	(354)	–	–	**(354)**
Exchange movements	(192)	(18)	–	**(210)**
31 December 2025	**7,064**	**448**	**6**	**7,518**
Net book value				
31 December 2025	**5,996**	**952**	**10**	**6,958**
31 December 2024	7,111	901	6	8,018

1 Amounts with a net book value of €228 million (2024: €604 million) were reclassified from ROU assets to owned Property, plant and equipment at the cessation of the respective leases. The assets reclassified relate to leases with purchase options that were grandfathered as ROU assets upon transition to IFRS 16, for which the Group had been depreciating over the expected useful life of the aircraft, incorporating the purchase option.

Notes to the consolidated financial statements *continued*

b Amounts recognised in the Balance sheet – lease liabilities and asset financed liabilities

The following table provides supplemental information regarding the Group's total contractual lease obligations, split between operating and finance leases that are reported within Lease liabilities and those contractual lease arrangements reported as Asset financed liabilities that do not meet the definition of a lease liability under IFRS. While the distinction between operating and finance leases is not applied for lessees under IFRS, the table below disaggregates operating and financing leases based on their contractual definitions and is consistent with the definitions applied for lessors under IFRS. The Group believes that this disaggregation of Lease liabilities is useful to the users of the financial statements in understanding the financing structure the Group has entered into.

€ million	Operating leases	Finance leases	**Total lease liabilities[1]**	Asset financed liabilities	**Total**
1 January 2025	6,906	1,740	**8,646**	5,788	**14,434**
Additions	141	–	**141**	662	**803**
Modifications	396	6	**402**	–	**402**
Repayments	(1,345)	(411)	**(1,756)**	(874)	**(2,630)**
Interest expense	367	49	**416**	206	**622**
Exchange movements	(740)	(114)	**(854)**	(488)	**(1,342)**
31 December 2025	**5,725**	**1,270**	**6,995**	**5,294**	**12,289**
Depreciation expense	922	191	**1,113**	283	**1,396**
Interest expense	367	49	**416**	206	**622**
Total amounts recorded in the Income statement	**1,289**	**240**	**1,529**	**489**	**2,018**
Repayment of principal within financing activities	974	370	**1,344**	696	**2,040**
Repayment of interest within operating activities	366	40	**406**	178	**584**
Total repayments in the Cash flow statement[2,3]	**1,340**	**410**	**1,750**	**874**	**2,624**

€ million	Operating leases	Finance leases	Total lease liabilities[1]	Asset financed liabilities	Total
1 January 2024	6,460	2,507	8,967	4,427	13,394
Additions	587	–	587	1,473	2,060
Modifications	390	11	401	–	401
Repayments	(1,325)	(887)	(2,212)	(525)	(2,737)
Interest expense	406	79	485	198	683
Disposals	(4)	–	(4)	–	(4)
Exchange movements	392	30	422	215	637
31 December 2024	6,906	1,740	8,646	5,788	14,434
Depreciation expense	922	212	1,134	238	1,372
Interest expense	406	79	485	198	683
Total amounts recorded in the Income statement	1,328	291	1,619	436	2,055
Repayment of principal within financing activities	923	814	1,737	347	2,084
Repayment of interest within operating activities	404	68	472	177	649
Total repayments in the Cash flow statement[2,3]	1,327	882	2,209	524	2,733

1 Upon transition to IFRS 16 on 1 January 2019, all finance leases were grandfathered as lease liabilities.

2 Includes the repayment of both principal and interest.

3 Excludes cash flows associated with low-value leases and variable lease payments, which the Group does not recognise within lease liabilities.

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

€ million	**2025**	2024
Current	**1,397**	1,477
Non-current	**5,598**	7,169

c Amounts recognised in the Income statement

€ million	2025	2024
Amounts not included in the measurement of lease liabilities		
Variable lease payments	**–**	2
Expenses relating to short-term leases	**104**	60
Amounts expensed as a result of the recognition of ROU assets and lease liabilities		
Interest expense on lease liabilities	**416**	485
(Gains)/losses arising from sale and leaseback transactions	**–**	–
Depreciation charge for the year	**1,113**	1,134

d Amounts recognised in the Cash flow statement

The following table details the amounts recognised in the Cash flow statement for the years to 31 December 2025 and 31 December 2024.

€ million	2025	2024
Cash flows arising from transactions giving rise to lease liabilities		
Total cash outflows arising from lease liabilities – aircraft	**(1,620)**	(2,101)
Total cash outflows arising from lease liabilities – other	**(130)**	(108)
Total cash inflows arising from sale and leaseback transactions – aircraft	**–**	567
Cash flows arising from transactions that do not give rise to the recognition of lease liabilities		
Total cash outflows arising from short-term leases, low-value assets and variable lease payments	**(105)**	(62)
Total cash inflows arising from the recognition of asset financed liabilities	**662**	1,473
Total cash outflows arising from asset financed liabilities	**(874)**	(524)

The Group is exposed to future cash outflows (on an undiscounted basis) at 31 December 2025, for which an amount of €nil (2024: €89 million) has been recognised in relation to leases not yet commenced to which the Group is committed.

e Maturity profile of lease liabilities and asset financed liabilities

The following table analyses the Group's outflows in respect of operating leases, finance leases and asset financed liabilities into relevant maturity groupings based on the remaining period at 31 December to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

€ million	Operating leases	Finance leases	**Total lease liabilities**	Asset financed liabilities	**Total**
Within 1 year	1,084	398	**1,482**	478	**1,960**
1-2 years	1,019	322	**1,341**	481	**1,822**
2-3 years	890	301	**1,191**	489	**1,680**
3-4 years	662	144	**806**	678	**1,484**
4-5 years	599	163	**762**	571	**1,333**
More than 5 years	4,308	20	**4,328**	3,526	**7,854**
31 December 2025	**8,562**	**1,348**	**9,910**	**6,223**	**16,133**

€ million	Operating leases	Finance leases	Total lease liabilities	Asset financed liabilities	Total
Within 1 year	1,183	423	1,606	528	2,134
1-2 years	1,139	411	1,550	524	2,074
2-3 years	1,059	332	1,391	529	1,920
3-4 years	911	327	1,238	552	1,790
4-5 years	679	160	839	714	1,553
More than 5 years	4,589	194	4,783	3,901	8,684
31 December 2024	9,560	1,847	11,407	6,748	18,155

f Extension options

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

The Group is exposed to future cash outflows (on an undiscounted basis) at 31 December 2025, for which no amount has been recognised, for potential extension options of €1,068 million (2024: €1,115 million) due to it not being reasonably certain that these leases will be extended.

g Lessor accounting

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

Finance leases

The Group recognised rental income from finance leases in 2025 of €nil (2024: €4 million). Rental income is recorded within Property, IT and other within the Income statement.

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

€ million	**2025**	2024
Within 1 year	**7**	4
1-2 years	**2**	4
2-5 years	**6**	–
Total undiscounted lease receipts	**15**	8
Less finance income	**–**	(4)
Net investment in finance leases	**15**	4

15 Capital expenditure commitments

Capital expenditure authorised and contracted but not provided for in the accounts, including outstanding aircraft commitments, at 31 December 2025 amounted to €20,248 million (31 December 2024: €12,634 million). The outstanding aircraft commitments including the expected delivery timeframes, totalling €19,034 million (2024: €11,436 million), are as follows:

Aircraft future deliveries at 31 December	**2025**[1]	2024[1]
Airbus A320 (from 2026 to 2029)	**38**	47
Airbus A321 (from 2026 to 2030)	**30**	35
Airbus A321XLR (in 2026)	**2**	11
Airbus A330-900 (from 2028 to 2033)	**21**	–
Airbus A350-900 (from 2027 to 2029)	**8**	3
Airbus A350-1000 (from 2028 to 2029)	**6**	–
Boeing 737-8200 (from 2026 to 2028)	**25**	25
Boeing 737-10 (from 2028 to 2030)	**25**	25
Boeing 777-9 (from 2027 to 2030)	**24**	18
Boeing 787-10 (from 2026 to 2033)	**38**	7
Total	**217**	171

1 Capital commitments exclude options to purchase additional aircraft.

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

The Group has certain rights to defer aircraft deliveries and to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights had been exercised as at 31 December 2025.

16 Non-current assets held for sale

At 31 December 2025, there were no non-current assets held for sale.

At 31 December 2024, the non-current assets held for sale of €5 million represented one Airbus A320 aircraft. No gain or loss was recognised on classification as a non-current asset held for sale. This aircraft was reported within the Aer Lingus segment and exited the business during 2025.

17 Intangible assets and impairment review

a Intangible assets

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights[1]	Software	Other	Total
Cost							
Balance at 1 January 2024	596	451	253	1,593	2,163	74	5,130
Additions	–	–	–	–	493	1	494
Disposals	–	–	–	–	(69)	–	(69)
Reclassifications	–	–	–	–	(1)	–	(1)
Exchange movements	2	–	–	37	66	–	105
Balance at 31 December 2024	598	451	253	1,630	2,652	75	5,659
Additions	–	–	–	–	535	–	535
Disposals	–	–	–	–	(91)	–	(91)
Exchange movements	(3)	–	–	(49)	(101)	(1)	(154)
31 December 2025	**595**	**451**	**253**	**1,581**	**2,995**	**74**	**5,949**
Amortisation and impairment							
Balance at 1 January 2024	249	–	–	153	1,326	70	1,798
Amortisation charge for the year	–	–	–	6	225	1	232
Impairment charge for the year	–	–	–	–	7	–	7
Disposals	–	–	–	–	(63)	(1)	(64)
Exchange movements	–	–	–	2	42	–	44
Balance at 31 December 2024	249	–	–	161	1,537	70	2,017
Amortisation charge for the year	–	–	–	6	309	1	316
Disposals	–	–	–	–	(90)	–	(90)
Exchange movements	–	–	–	(3)	(61)	–	(64)
31 December 2025	**249**	**–**	**–**	**164**	**1,695**	**71**	**2,179**
Net book values							
31 December 2025	**346**	**451**	**253**	**1,417**	**1,300**	**3**	**3,770**
31 December 2024	349	451	253	1,469	1,115	5	3,642

1 The net book value includes non-UK and non-EU based landing rights of €51 million (2024: €57 million) that have a definite life. The remaining average life of these landing rights is 10 years.

Notes to the consolidated financial statements *continued*

b Impairment review

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

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights	**Total**
2025					
Iberia					
1 January and 31 December 2025	–	306	–	423	**729**
British Airways					
1 January 2025	49	–	–	833	**882**
Exchange movements	(3)	–	–	(46)	**(49)**
31 December 2025	46	–	–	787	**833**
Vueling					
1 January and 31 December 2025	28	35	–	94	**157**
Aer Lingus					
1 January and 31 December 2025	272	110	–	62	**444**
IAG Loyalty					
1 January and 31 December 2025	–	–	253	–	**253**
31 December 2025	**346**	**451**	**253**	**1,366**	**2,416**

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights	Total
2024					
Iberia					
1 January and 31 December 2024	–	306	–	423	729
British Airways					
1 January 2024	47	–	–	798	845
Exchange movements	2	–	–	35	37
31 December 2024	49	–	–	833	882
Vueling					
1 January and 31 December 2024	28	35	–	94	157
Aer Lingus					
1 January and 31 December 2024	272	110	–	62	444
IAG Loyalty					
1 January and 31 December 2024	–	–	253	–	253
31 December 2024	349	451	253	1,412	2,465

Basis for calculating recoverable amounts

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

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

Key assumptions

The value in use calculations for each CGU reflect the wider economic and geopolitical environments, including updated projected cash flows for activity from 2026 through to the end of 2028. For each of the Group's CGUs, the key assumptions used in the value in use calculations are as follows:

	2025				
Per cent	**British Airways**	**Iberia**	**Vueling**	**Aer Lingus**	**IAG Loyalty**
Operating margin[1]	**12-17**	**13-16**	**7-12**	**8-14**	**19-21**
Average ASK growth per annum[1]	**1-9**	**3-6**	**(2)-5**	**0-6**	**n/a**
Long-term growth rate	**1.9**	**1.7**	**0.8**	**1.7**	**1.6**
Pre-tax discount rate	**11.8**	**12.3**	**14.8**	**11.0**	**16.3**

	2024				
Per cent	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty
Operating margin[1]	12-16	11-13	8-10	8-13	20-21
Average ASK growth per annum[1]	0-8	2-7	1-8	2-3	n/a
Long-term growth rate	1.8	1.4	1.0	1.3	1.6
Pre-tax discount rate	11.3	11.6	13.7	10.7	15.5

1 Operating margin and average ASK growth per annum are stated as the weighted average derived from the multi-scenario discounted cash flow model.

Jet fuel price ($ per MT)	Within 12 months	1-2 years	2-3 years	3 years and thereafter
2025	**694**	**680**	**682**	**685**
2024	704	715	717	717

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

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

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

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

As detailed above, the Group adjusts the final year of the three-year business plans to incorporate the medium-term impacts of climate change from the Group's Flightpath Net Zero climate strategy through to 2035 (2024: through to 2030). These adjustments include the following key assumptions: (i) an assumed price of €7,000 per metric tonne of SAF; (ii) for costs of carbon, prices of €194, €194, €141 and €51 for EU ETS allowances, Swiss ETS allowances, UK ETS allowances and CORSIA allowances, respectively, per tonne of CO_2 equivalents emitted; and (iii) the removal of all free ETS and CORSIA allowances.

Summary of results

At 31 December 2025 and 31 December 2024 management reviewed the recoverable amount of each of the CGUs and concluded the recoverable amounts exceeded the carrying values.

For the British Airways, Iberia, Vueling, Aer Lingus and IAG Loyalty CGUs, the recoverable amounts are estimated to exceed the carrying amounts by €11,374 million, €4,559 million, €1,272 million, €868 million and €3,032 million (2024: €17,647 million, €6,130 million, €2,300 million, €1,490 million and €3,751 million), respectively.

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

18 Investments

a Investments in subsidiaries

The Group's subsidiaries at 31 December 2025 are listed in the Group investments section.

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

The total non-controlling interest at 31 December 2025 is €6 million (2024: €6 million).

b Investments in associates and joint ventures

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

€ million	**2025**	2024
Total assets	**156**	166
Total liabilities	**(137)**	(127)
Revenue	**89**	96
Profit for the year	**3**	–

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

€ million	**2025**	2024
At beginning of year	**44**	47
Additions	**–**	1
Share of retained profits	**3**	–
Dividends received	**(5)**	(5)
Exchange movements	**(1)**	1
	41	44

At 31 December 2025 there are no restrictions on the ability of associates or joint ventures to transfer funds to the parent, and there are no related contingent liabilities.

At both 31 December 2025 and 31 December 2024, the investment in Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. exceeded 50% ownership by the Group (50.5%). The entity is treated as a joint venture as decisions regarding its strategy and operations require the unanimous consent of the parties who share control, including IAG.

19 Other equity investments

Other equity investments include the following:

€ million	2025	2024
Unlisted securities	**298**	190
	298	190

The credit relating to Other equity investments was €13 million (2024: credit of €7 million).

Investment in Air Europa Holdings

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

On 12 September 2025, the Group entered into an agreement with Globalia, that subsequent to Air Europa Holdings undertaking a share capital increase, the Group would acquire a further 93,377 shares of Air Europa Holdings for €55 million in order to maintain its 20% holding in the share capital of Air Europa Holdings.

Concurrent with the Group entering into an agreement with Globalia to acquire a further 93,377 shares in Air Europa Holdings, Globalia entered into an agreement to sell a minority interest in Air Europa Holdings to a third party. Accordingly, the Group determined the fair value of the investment in Air Europa Holdings at 31 December 2025 using the price arising from the aforementioned transaction, adjusted for observable market movements (31 December 2024: market comparison approach). There were no significant unobservable inputs applied in the valuation.

At 31 December 2025, the fair value of the investment in Air Europa Holdings was €223 million, representing an increase of €84 million from the €139 million recorded at 31 December 2024, with the fair value movement of €29 million having been recorded within Other comprehensive income.

20 Trade and other receivables

€ million	2025	2024
Amounts falling due within one year		
Trade receivables	**1,448**	1,885
Provision for expected credit loss	**(104)**	(111)
Net trade receivables	**1,344**	1,774
Prepayments	**951**	887
Accrued income[1]	**423**	511
Carbon-related assets[2]	**321**	323
Other non-trade receivables	**633**	615
Carbon-related and other current assets	**2,328**	2,336
Amounts falling due after one year		
Prepayments	**531**	515
Accrued income[1]	**8**	10
Carbon-related assets[2]	**435**	275
Other non-trade receivables[3]	**553**	116
Carbon-related and other assets due after one year	**1,527**	916

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

2 The disaggregation of Carbon-related assets by underlying scheme is presented in note 4f.

3 Other non-trade receivables predominantly includes an amount of €507 million (2024: €88 million) associated with the IAG Loyalty VAT matter referred to in note 10g.

Notes to the consolidated financial statements *continued*

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

€ million	2025	2024
At beginning of year	**111**	114
Provided during the year	**6**	6
Released during the year	**(4)**	(4)
Receivables written off during the year	**(6)**	(7)
Exchange movements	**(3)**	2
	104	111

Trade receivables are generally non-interest-bearing and on 30-day terms (2024: 30 days).

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

31 December 2025

€ million	Current	<30 days	30-180 days	180-365 days	>365 days
Trade receivables	**819**	**366**	**99**	**54**	**110**
Expected credit loss rate (%)	**0.1%**	**0.1%**	**4.0%**	**7.4%**	**87.3%**
Provision for expected credit loss	**–**	**–**	**4**	**4**	**96**

31 December 2024

€ million	Current	<30 days	30-180 days	180-365 days	>365 days
Trade receivables	1,224	188	284	49	140
Expected credit loss rate (%)	0.1%	0.1%	0.7%	6.1%	75.7%
Provision for expected credit loss	–	–	2	3	106

21 Inventories

€ million	2025	2024
Engineering expendables	**577**	534
Catering consumables	**45**	44
Other inventories	**77**	39
	699	617

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

a Cash

€ million	2025	2024
Cash at bank and in hand	**3,013**	2,975
Short-term deposits maturing within three months	**4,408**	5,214
Cash and cash equivalents	**7,421**	8,189
Current interest-bearing deposits maturing after three months	**898**	1,639
Cash, cash equivalents and other interest-bearing deposits	**8,319**	9,828

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

At 31 December 2025, the Group had no outstanding bank overdrafts (2024: €nil).

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

At 31 December 2025, Aer Lingus held €29 million of restricted cash (2024: €29 million) in interest-bearing deposits maturing after more than three months to be used for employee-related obligations.

b Net debt

Movements in net debt were as follows:

€ million	Balance at 1 January 2025	Cash flows	Exchange movements	New leases and modifications	Fair value movements[1]	Other items[1]	**Balance at 31 December 2025**
Bank and other loans, convertible bonds and asset financed liabilities	8,699	(1,162)	(491)	–	213	13	**7,272**
Lease liabilities	8,646	(1,344)	(854)	543	–	4	**6,995**
Cash and cash equivalents	(8,189)	594	174	–	–	–	**(7,421)**
Current interest-bearing deposits	(1,639)	712	29	–	–	–	**(898)**
	7,517	**(1,200)**	**(1,142)**	**543**	**213**	**17**	**5,948**

€ million	Balance at 1 January 2024	Cash flows	Exchange movements	New leases and modifications	Fair value movements[1]	Other items[1]	Balance at 31 December 2024
Bank and other loans, convertible bonds and asset financed liabilities	7,115	1,064	217	–	280	23	8,699
Lease liabilities	8,967	(1,737)	422	988	–	6	8,646
Cash and cash equivalents	(5,441)	(2,695)	(53)	–	–	–	(8,189)
Current interest-bearing deposits	(1,396)	(215)	(28)	–	–	–	(1,639)
	9,245	(3,583)	558	988	280	29	7,517

1 During the year to 31 December 2025, the Group has presented the fair value movements on the convertible bonds separately within Fair value movements, which were previously included within Other items. Accordingly figures for the comparative year to 31 December 2024 have been reclassified to conform with the current year presentation. Further information on the convertible bonds 2028 is given in note 26b.

23 Trade and other payables

€ million	**2025**	2024
Trade creditors	**2,905**	3,350
Other creditors	**1,466**	1,481
Other taxation and social security	**348**	280
Accruals	**792**	847
Deferred income relating to non-flight activity	**210**	191
	5,721	6,149

Average payment days to suppliers – Spanish Group companies

Days	**2025**	2024
Average payment days for payment to suppliers	**23**	25
Ratio of transactions paid	**22**	26
Ratio of transactions outstanding for payment	**23**	19

€ million	**2025**	2024
Total payments made	**10,581**	9,606
Total payments outstanding	**301**	152

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

	2025	2024
Total payments made (€ million)	**9,803**	8,523
Percentage share of total payments to suppliers	**93%**	89%
Number of invoices paid (thousand)	**246**	218
Percentage share of total number of invoices paid	**81%**	77%

24 Deferred revenue

Significant accounting estimates applied – Revenue recognition: breakage assumptions applied to passenger revenue, customer loyalty programmes and unredeemed vouchers

At 31 December 2025 the Group recognised €8,739 million (2024: €8,536 million) in respect of deferred revenue of which €3,348 million (2024: €2,888 million) related to customer loyalty programmes.

Passenger revenue

Passenger revenue is recognised when the transportation service is provided. At the time of intended transportation, revenue is also recognised in respect of estimated unused tickets breakage and is estimated based on the terms and conditions of the tickets and historical experience. The Group considers that there is no reasonably possible change to unused ticket assumptions that would have a material impact on passenger revenue recorded in the year. A 2 percentage point increase in the level of unused ticket breakage of the sales in advance of carriage balance (excluding vouchers) at 31 December 2025 would result in an adjustment to Deferred revenue of €98 million (2024: €101 million), with an offsetting adjustment to increase revenue and operating profit recognised in the year.

Customer loyalty schemes

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

The Group estimates the number of Avios not expected to be redeemed using statistical modelling based on historical experience and expected future trends in customer behaviour. The Group considers historical redemption activity representative of long-term behavioural trends. A five percentage point increase in the assumption of Avios not expected to be redeemed would result in an adjustment to Deferred revenue of €103 million (2024: €99 million), with an offsetting adjustment to increase revenue and operating profit recognised in the year.

Unredeemed vouchers liability

At 31 December 2025, the Group recognised €483 million in respect of unredeemed vouchers, including associated taxes (2024: €587 million) within Deferred revenue. Of the €483 million, €10 million (2024: €100 million) relates to vouchers issued due to COVID-19 pandemic flight cancellations, referred to as 'disrupted flights', and €473 million (2024: €487 million) relates to non-disrupted voucher issuance, such as certain flexible fare options, non-air partner companion vouchers and gift vouchers.

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

Where a voucher has been issued to a customer in the event of a flight cancellation, the Group estimates, based on historical experience, the level of such vouchers not expected to be used prior to expiry and recognises revenue accordingly.

A five percentage point increase in the assumption of the number of vouchers outstanding at 31 December 2025 and not expected to be redeemed prior to expiry would result in a reduction to Deferred revenue of €24 million (2024: €29 million), with an offsetting adjustment to increase Passenger revenue and Operating profit recognised in the year.

€ million	Customer loyalty programmes	Sales in advance of carriage	**Total**
Balance at 1 January 2025	2,888	5,648	**8,536**
Cash received from customers[1]	592	26,929	**27,521**
Revenue recognised in the Income statement[2, 3]	(1,389)	(27,243)	**(28,632)**
Financing charge recognised in the Income statement	19	–	**19**
Loyalty points issued to customers[4]	1,406	223	**1,629**
Transfers between categories	(10)	10	**–**
Exchange movements	(158)	(176)	**(334)**
Balance at 31 December 2025	**3,348**	**5,391**	**8,739**
Analysis:			
Current	2,641	5,391	**8,032**
Non-current	707	–	**707**
	3,348	**5,391**	**8,739**

€ million	Customer loyalty programmes	Sales in advance of carriage	Total
Balance at 1 January 2024	2,712	5,311	8,023
Cash received from customers[1]	–	26,241	26,241
Revenue recognised in the Income statement[2, 3]	(1,397)	(26,248)	(27,645)
Financing charge recognised in the Income statement	13	–	13
Loyalty points issued to customers[4]	1,453	207	1,660
Exchange movements	107	137	244
Balance at 31 December 2024	2,888	5,648	8,536
Analysis:			
Current	2,685	5,648	8,333
Non-current	203	–	203
	2,888	5,648	8,536

1 Cash received from customers is net of refunds.

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

3 Included within revenue recognised in the Income statement during 2025 is an amount of €5,407 million previously held as deferred revenue at 1 January 2025 (recognised during 2024 and previously held as deferred revenue at 1 January 2024: €4,924 million).

4 Included within loyalty points issued to customers at 31 December 2025 is an amount of €223 million (31 December 2024: €207 million) classified within Sales in advance of carriage representing the cash component of the consideration paid by customers, where such consideration comprises both cash and the redemption of Avios.

The unsatisfied performance obligation under the Group's customer loyalty programmes that is classified as non-current was €707 million at 31 December 2025 (31 December 2024: €203 million), all of which is expected to be recognised as revenue within one to 10 years from the balance sheet date.

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

The remaining performance obligations under long-term maintenance and overhaul contracts provided by the Group's MRO operations, as at 31 December 2025, amounted to €5,906 million on an undiscounted basis, of which €573 million is contracted to be fulfilled within the next 12 months.

25 Other long-term liabilities

€ million	**2025**	2024
Non-current other creditors	**337**	343
Accruals and deferred income	**58**	58
	395	401

26 Long-term borrowings

a Total borrowings

	2025			2024		
€ million	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Bank and other loans	**57**	**692**	**749**	601	1,294	1,895
Convertible bonds	**1,229**	**–**	**1,229**	1,016	–	1,016
Asset financed liabilities	**363**	**4,931**	**5,294**	381	5,407	5,788
Lease liabilities	**1,397**	**5,598**	**6,995**	1,477	7,169	8,646
Interest-bearing long-term borrowings	**3,046**	**11,221**	**14,267**	3,475	13,870	17,345

Long-term borrowings of the Group amounting to €5,334 million (31 December 2024: €5,853 million) are secured on owned fleet assets with a net book value of €5,476 million (31 December 2024: €5,958 million). All asset financed liabilities, which are included in long-term borrowings, are secured on the associated aircraft or other property, plant and equipment.

Notes to the consolidated financial statements *continued*

b Bank loans, other loans and convertible bonds

€ million	2025	2024
€825 million fixed rate 1.125% convertible bonds 2028[1]	**1,229**	1,016
€500 million fixed rate 3.352% unsecured bonds 2030[2]	**502**	–
€500 million fixed rate 1.50% bonds 2027[3]	**133**	501
Fixed rate secured bonds[4]	**56**	56
Floating rate euro mortgage loans secured on aircraft[5]	**41**	66
Fixed rate unsecured euro loans with the Spanish State (Department of Industry)[6]	**9**	9
Fixed rate unsecured US dollar mortgage loan[7]	**8**	35
€700 million fixed rate 3.75% unsecured bonds 2029[8]	**–**	718
€500 million fixed rate 2.75% unsecured bonds 2025[9]	**–**	510
Total bank loans, other loans and convertible bonds	**1,978**	2,911
Less: current instalments due on bank loans, other loans and convertible bonds	**(1,286)**	(1,617)
Total non-current bank loans, other loans and convertible bonds	**692**	1,294

1 See details of the 2028 convertible bonds below.

2 On 11 September 2025, the Group issued senior unsecured bonds for an aggregate principal amount of €500 million due 2030. The bonds bear a fixed rate of interest of 3.352% per annum, payable in arrears. The bonds were issued at 100% of their principal amount and, unless previously redeemed or purchased and cancelled, will be redeemed at 100% of their principal amount on their maturity date.

3 On 17 January 2025, the Group paid €269 million to redeem, at a net discount, €277 million of the notional value of the unsecured €500 million fixed rate bonds 2027. On 12 September 2025, the Group paid a further €89 million to redeem, at a net discount, €90 million of the notional values of the remaining €223 million at that time. The net discount paid on redemption of the bonds of €9 million has been recorded as a credit within Finance costs. In redeeming the bonds, the Group paid accrued interest of €3 million.

4 Fixed rate secured bonds with 3.75% coupon repayable in 2027.

5 Floating rate euro mortgage loans are secured on specific aircraft assets of the Group and bear interest of between 3.54% and 3.56%. The loans are repayable in 2027.

6 Fixed rate unsecured euro loans with the Spanish State (Department of Industry) bear nil interest and are repayable in 2034.

7 Fixed rate unsecured US dollar mortgage loan bearing interest of 1.38%. The loan is repayable in 2026.

8 On 17 January 2025, the Group paid €305 million to redeem, at a net premium, €300 million of the notional value of the unsecured €700 million fixed rate bonds 2029. On 12 September 2025, the Group paid a further €292 million to redeem, at a net premium, €281 million of the notional value of the remaining €400 million at that time. On 29 September 2025, the Group paid a further €119 million to redeem the remaining outstanding notional value of the bonds. At 31 December 2025 no amounts on the bonds remained outstanding. The net premium paid on redemption of the bonds of €16 million has been recorded as a charge within Finance costs. In redeeming the bonds, the Group paid accrued interest for the bonds of €16 million.

9 On 25 March 2025, the Group redeemed upon maturity the senior unsecured €500 million fixed rate bonds.

Details of the 2028 convertible bonds

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

The convertible bonds provide bondholders with dividend protection and included a total of 244,850,715 options at inception and, following the 2024 interim and final dividends, and the 2025 interim dividend, include 255,117,818 options at 31 December 2025 to convert into ordinary shares of IAG. The Group also holds an option to redeem the convertible bonds, in full or in part, in cash in the event that bondholders exercise their right to convert the bonds into ordinary shares of IAG. The bondholders' conversion right is currently exercisable.

The convertible bonds are recorded at their fair value, which at 31 December 2025 was €1,229 million (2024: €1,016 million), representing an increase of €213 million since 1 January 2025. Of this increase, the charge recorded in Other comprehensive income arising from credit risk of the convertible bonds was €12 million and the charge recorded within Finance costs in the Income statement attributable to changes in market conditions was €201 million.

Undrawn facilities

On 14 June 2024, the Group entered into a five-year $3.0 billion, sustainability-linked, secured Revolving Credit Facility, with two one-year extension options available subject to the approval of lenders, and accessible by British Airways, Iberia and Aer Lingus, each of which has separate limits. At 31 December 2025 no amounts had been drawn under the facility. While the Group does not forecast drawing down on the Revolving Credit Facility, should it do so the resultant debt would be secured, in the respective operating companies, against: (i) specific landing rights; or (ii) aircraft; or (iii) a combination of both.

Details of further undrawn facilities are given in note 29f.

Transactions with unconsolidated entities

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

- The British Airways Pass Through Certificates, Series 2019-1, were entered into in the third quarter of 2019, recognising Asset financed liabilities of €725 million for eight aircraft that mature between 2029 and 2034;
- The British Airways Pass Through Certificates, Series 2020-1, were entered into in the fourth quarter of 2020, recognising Asset financed liabilities of €472 million for nine aircraft that mature between 2028 and 2032;
- The British Airways Pass Through Certificates, Series 2021-1, were entered into in the third quarter of 2021, recognising Asset financed liabilities of €204 million for seven aircraft that mature between 2031 and 2035;
- The Iberia Pass Through Certificates, Series 2022-1, were entered into in April 2022, recognising Asset financed liabilities of €680 million for five aircraft that mature between 2032 and 2036;
- The British Airways Pass Through Certificates, Series 2022-1, were entered into in October 2022, recognising Asset financed liabilities of €159 million for four aircraft that mature between 2032 and 2036; and
- There have been no asset financing transactions with unconsolidated entities during the years to 31 December 2025 and 31 December 2024.

As at 31 December 2025, Asset financed liabilities include cumulative amounts of €2,114 million (2024: €2,956 million) and the associated assets recorded within Property, plant and equipment include cumulative amounts of €1,075 million (2024: €2,076 million) associated with transactions with unconsolidated structured entities having issued EETCs.

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

Million	**2025**	2024
Loans		
Bank:		
US dollar	**$9**	$38
Euro	**€50**	€75
	€58	€110
Fixed rate bonds:		
Euro	**€691**	€1,785
	€691	€1,785
Convertible bonds		
Euro	**€1,229**	€1,016
	€1,229	€1,016
Asset financed liabilities		
US dollar	**$3,658**	$3,977
Euro	**€1,993**	€1,730
Japanese yen	**¥35,375**	¥35,051
	€5,294	€5,788
Lease liabilities		
US dollar	**$6,224**	$6,873
Euro	**€558**	€799
Japanese yen	**¥39,813**	¥58,881
Pound sterling	**£790**	£696
	€6,995	€8,646
Total interest-bearing borrowings	**€14,267**	€17,345

27 Provisions

Significant accounting estimate applied – Restoration and handback provisions: key assumptions underlying the carrying value of the provisions

At 31 December 2025, the Group recognised €2,866 million in respect of maintenance, restoration and handback provisions, principally in respect of leased aircraft (31 December 2024: €3,014 million).

The Group has a number of contracts with service providers to replace or repair engine parts and for other maintenance checks. These agreements are complex and generally cover a number of years. Provisions for maintenance, restoration and handback are made based on the best estimate of the likely committed cash outflow. In determining this best estimate, the Group applies significant judgement as to the level of forecast costs expected to be incurred when the major maintenance event occurs. Other assumptions not considered to be significant include aircraft utilisation, expected maintenance intervals and the aircraft's condition. The associated forecast costs are discounted to their present value. While the Group considers that there are no reasonably possible changes to any of the individual assumptions that would have a material impact on the provisions, a combination of changes in several assumptions may. The Group considers that a reasonably possible change in the inflation rate and discount rate assumptions of a 100 basis point increase would give rise to an increase of €85 million (2024: €62 million) and a decrease of €77 million (2024: €70 million), respectively, in the provisions balance when applied in isolation to one another.

Significant accounting judgement applied – Restoration and handback provisions: determination of accounting policy for leased aircraft

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

€ million	Restoration and handback provisions	Restructuring provisions	Employee leaving indemnities and other employee related provisions	Legal claims and contractual disputes provisions	Carbon-related obligations[1]	Other provisions	Total
Net book value 1 January 2025	3,014	201	842	75	316	53	**4,501**
Provisions recorded during the year	626	27	39	28	390	29	**1,139**
Reclassifications	32	–	–	(2)	–	–	**30**
Utilised during the year	(572)	(45)	(53)	(20)	–	(29)	**(719)**
Extinguished during the year	–	–	–	–	(320)	–	**(320)**
Release of unused amounts	(58)	(1)	(34)	(16)	(12)	(4)	**(125)**
Unwinding of discount	122	4	24	–	–	–	**150**
Remeasurements	15	(2)	14	–	–	–	**27**
Exchange differences	(313)	(1)	(1)	(3)	(6)	(1)	**(325)**
Net book value 31 December 2025	**2,866**	**183**	**831**	**62**	**368**	**48**	**4,358**
Analysis:							
Current	618	83	95	19	298	4	**1,117**
Non-current	2,248	100	736	43	70	44	**3,241**
	2,866	**183**	**831**	**62**	**368**	**48**	**4,358**

1 The disaggregation of Carbon-related obligations by underlying scheme is presented in note 4f.

Restoration and handback provisions

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

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

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

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

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

Restructuring provisions

The restructuring provision includes provisions for voluntary redundancies, including the collective redundancy programme for Iberia's Transformation Plan implemented prior to 2023 and Iberia's ground-handling restructuring programme implemented in 2024, which provides for payments to affected employees until they reach the statutory retirement age. The amounts provided for have been determined by actuarial valuations made by independent actuaries and were based on the same assumptions as those made to determine the provisions for obligations to flight crew below, with the exception of the discount rates, which were 2.5% and 2.4%, respectively. The payments related to these provisions are expected to continue through to 2032.

At 31 December 2025, €183 million of this provision related to collective redundancy programmes (2024: €199 million).

Employee leaving indemnities and other employee related provisions

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

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

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

The provision was reassessed at 31 December 2025 with the use of independent actuaries using the projected unit credit method, based on a discount rate consistent with the iBoxx index of 3.88% for active employees and 2.55% for inactive employees (2024: iBoxx index of 3.24% and 2.80%, respectively), the PER_Col_2020.1er.orden. mortality tables, and assuming contractual salary increases of up to 2.0% per annum for each of 2026 and 2027 and then 2.0% per annum thereafter derived from increases in the Consumer Price Index (CPI). At 31 December 2025, there were a total of 5,418 flight crew (31 December 2024: 5,594) eligible for making such elections when they reach the age of 60. At 31 December 2025, there were 846 employees who had not reached the age of retirement, and eligible to elect for early retirement ('special leave') and who had elected to become inactive (31 December 2024: 638). In addition, at 31 December 2025, there were 20 employees having reached the age of retirement and had elected to become inactive (31 December 2024: 23).

At 31 December 2025, the average length of employment of the eligible flight crew was 16 years (31 December 2024: 16 years). This is mainly a long-term provision. Remeasurements in the valuation of this provision are recorded in Other comprehensive income. The amount relating to this provision was €778 million at 31 December 2025 (2024: €780 million).

Legal claims and contractual disputes provisions

Legal claims and contractual disputes provisions include:

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

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

Carbon-related obligations

Carbon-related obligations relate to the Emissions Trading Systems/Schemes and the CORSIA for CO_2 equivalent emitted on flights within the EU, Switzerland, the UK and globally. Those obligations related to Emissions Trading Systems/Schemes are due to be extinguished in the year subsequent to the balance sheet date through settlement with the relevant authorities. Those obligations related to the CORSIA are expected to be retired in 2028. See notes 2 and 4 for further information.

28 Contingent liabilities

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions, which at 31 December 2025, where they could be reliably estimated, amounted to €44 million (31 December 2024: €42 million). The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and, accordingly, no provisions have been recorded.

Included in contingent liabilities is the following:

Vueling commercial hand luggage policy

During 2024, the *Ministerio de Consumo* (Ministry of Consumer Affairs) in Spain issued Vueling with a Sanctioning Resolution, covering the 26-month period to 31 December 2023, asserting that the Vueling commercial hand luggage policy infringes consumers' rights under Article 47.1 of the Royal Legislative Decree 1/2007 in Spain and Regulation (EC) No 1008/2008 of the European Parliament on the common rules for the operation of air services. In addition, the Sanctioning Resolution fined Vueling €39 million and sought rectification of the alleged infringements.

On 29 January 2025, Vueling filed a Contentious Administrative appeal in relation to the Sanctioning Resolution. Concurrently, Vueling filed a precautionary measure to suspend the sanction until such time as a final judgment is issued. On 1 July 2025,

the appeal to suspend the sanctioning until a final judgment was notified and approved by the *Tribunal Superior de Justicia* (High Court of Justice) of Madrid.

On 8 October 2025, the European Commission commenced infringement proceedings against the Spanish Government on the basis that the fines issued to Vueling and other airlines breached EU law on air services. The European Commission gave the Spanish Government two months to either send a detailed reply or retract the fines. As at 31 December 2025 and through to the date of this report, the Group is not aware of the current status of interaction between the Spanish Government and the European Commission in regard to this matter.

The Group, with its advisers, has reviewed the infringement proceedings notice from the European Commission, the List of Charges, the Sanctioning Resolution and the correspondence from the *Ministerio de Consumo* and considers it has strong arguments to support its commercial hand luggage policy and does not consider it probable that an adverse outcome will result in the future. As such, the Group does not consider it appropriate to record any provision.

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

29 Financial risk management objectives and policies

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

a Fuel price risk

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

The following table demonstrates the sensitivity of the Group's principal exposure to a reasonably possible change in the fuel price, based on current market volatility and with all other variables held constant on the profit before tax and equity[1]. The sensitivity analysis has been performed on fuel derivatives (both those designated in hedge relationships and those not designated in hedge relationships) at the balance sheet date only and is not reflective of the impact had the sensitised rates been applied through the duration of the years to 31 December 2025 and 2024.

2025			2024		
Increase/(decrease) in fuel price %	**Effect on profit before tax € million**	**Effect on equity € million**	Increase/(decrease) in fuel price %	Effect on profit before tax € million	Effect on equity € million
40	**–**	**1,648**	40	–	2,079
(40)	**–**	**(1,517)**	(40)	–	(1,865)

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

At 31 December 2025, the fair value of fuel net liability derivative instruments was €314 million (2024: net liability of €189 million), representing a movement of €125 million since 1 January 2025. Of the carrying amount of the net liability at 31 December 2025, all (2024: all) of the associated derivatives were designated within hedge relationships.

b Foreign currency risk

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

The following table demonstrates the sensitivity of the Group's principal foreign exchange exposure to a reasonably possible change in the US dollar, pound sterling and Japanese yen exchange rates, based on current market volatility and with all other variables held constant on the profit before tax and equity[1]. The sensitivity analysis has been performed on interest-bearing liabilities, lease liabilities and derivatives (both those designated in hedge relationships and those not designated in hedge relationships) denominated in foreign currencies at the balance sheet date only and is not reflective of the impact had the sensitised rates been applied through the duration of the years to 31 December 2025 and 2024.

	Strengthening/ (weakening) in US dollar rate %	Effect on profit before tax € million	Effect on equity € million	Strengthening/ (weakening) in pound sterling rate %	Effect on profit before tax € million	Effect on equity € million	Strengthening/ (weakening) in Japanese yen rate %	Effect on profit before tax € million	Effect on equity € million
2025	**15**	**408**	**882**	**15**	**6**	**351**	**15**	**(1)**	**(11)**
	(15)	**(403)**	**(935)**	**(15)**	**(5)**	**(351)**	**(15)**	**1**	**11**
2024	20	404	975	20	(13)	394	20	(1)	(21)
	(20)	(404)	(969)	(20)	13	(394)	(20)	1	21

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

At 31 December 2025, the fair value of foreign currency net liability derivative instruments was €567 million (2024: net asset of €505 million), representing a movement of €1,072 million since 1 January 2025. These comprise both derivatives designated in hedge relationships and those derivatives that are not designated in a hedge relationship at inception. Of the carrying amount of the net liability at 31 December 2025, €217 million (2024: net asset of €191 million) of the associated derivatives were designated within hedge relationships. Those derivatives not designated in a hedge relationship on inception have their mark-to-market movements recorded directly in the Income statement and recognised within Other non-operating (charges)/credits and Net currency retranslation credits/(charges).

c Interest rate risk

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

The following table demonstrates the sensitivity of the Group's interest rate exposure to a reasonably possible change in euro interest rates, based on expectations regarding forward rate movements, on the profit before tax and equity[1]. The sensitivity analysis has been performed on interest rate derivatives (both those designated in hedge relationships and those not designated in hedge relationships) at the balance sheet date only and is not reflective of the impact had the sensitised rates been applied through the duration of the years to 31 December 2025 and 2024.

2025			2024		
Strengthening/ (weakening) in euro interest rate Basis points	**Effect on profit before tax € million**	**Effect on equity € million**	Strengthening/ (weakening) in euro interest rate Basis points	Effect on profit before tax € million	Effect on equity € million
100	**(16)**	**7**	100	(17)	9
(100)	**16**	**(5)**	(100)	17	(7)

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

At 31 December 2025, the fair value of interest rate net asset derivative instruments was €7 million (2024: net asset of €12 million), representing a movement of €5 million since 1 January 2025. Of the carrying amount of the net asset at 31 December 2025, all (2024: all) of the associated derivatives were designated within hedge relationships.

d Credit risk

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

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

e Counterparty risk

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

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

At 31 December 2025 and 2024 the Group's credit risk position, allocated by region, in respect of treasury managed cash and derivatives was as follows:

	Mark-to-market of treasury controlled financial instruments allocated by geography	
Region	**2025**	2024
United Kingdom	**41%**	39%
Spain	**1%**	2%
Ireland	**24%**	25%
Rest of eurozone	**24%**	27%
Rest of world	**10%**	7%

Notes to the consolidated financial statements *continued*

f Liquidity risk

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

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

	2025	
Million	**Currency**	**€ equivalent**
Committed general facilities[1]		
Euro facilities expiring between March and April 2025	**€60**	**60**
US dollar facilities expiring June 2029[2]	**$3,000**	**2,556**
		2,616

	2024	
Million	Currency	€ equivalent
Committed general facilities[1]		
Euro facilities expiring between March and April 2025	€120	120
Euro facility expiring March 2025[2]	€350	350
US dollar facilities expiring June 2029[2]	$3,000	2,874
		3,344
Committed aircraft facilities		
US dollar facilities expiring between May and June 2025[3]	$140	134
		134

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

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

3 At 31 December 2025, the Group had no committed aircraft facilities for specific committed aircraft deliveries (2024: maturing between May and June 2025).

In addition, at 31 December 2025, the Group had undrawn overdraft facilities of €13 million (2024: €56 million).

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

€ million	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	**Total 2025**
Interest-bearing loans and borrowings:						
Asset financing liabilities	(239)	(239)	(481)	(1,737)	(3,525)	**(6,221)**
Lease liabilities	(775)	(707)	(1,342)	(2,759)	(4,329)	**(9,912)**
Fixed rate borrowings	(17)	(25)	(220)	(1,383)	–	**(1,645)**
Floating rate borrowings	(13)	(13)	(16)	–	–	**(42)**
Trade and other payables	(5,721)	–	(395)	–	–	**(6,116)**
Derivative financial instruments (assets):						
Interest rate derivatives	3	2	2	1	–	**8**
Foreign exchange contracts	36	14	16	4	–	**70**
Fuel derivatives	12	7	5	–	–	**24**
Derivative financial instruments (liabilities):						
Interest rate derivatives	(1)	–	–	–	–	**(1)**
Foreign exchange contracts	(223)	(216)	(186)	(28)	–	**(653)**
Fuel derivatives	(88)	(87)	(134)	(35)	–	**(344)**
31 December 2025	**(7,026)**	**(1,264)**	**(2,751)**	**(5,937)**	**(7,854)**	**(24,832)**

€ million	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total 2024
Interest-bearing loans and borrowings:						
Asset financing liabilities	(266)	(262)	(524)	(1,795)	(3,901)	(6,748)
Lease liabilities	(801)	(805)	(1,550)	(3,468)	(4,783)	(11,407)
Fixed rate borrowings	(576)	(14)	(56)	(2,186)	–	(2,832)
Floating rate borrowings	(14)	(13)	(26)	(16)	–	(69)
Trade and other payables	(6,149)	–	(401)	–	–	(6,550)
Derivative financial instruments (assets):						
Interest rate derivatives	6	3	4	1	–	14
Foreign exchange contracts	203	174	201	20	–	598
Fuel derivatives	5	9	13	1	–	28
Derivative financial instruments (liabilities):						
Interest rate derivatives	(1)	–	(1)	–	–	(2)
Foreign exchange contracts	(56)	(12)	(13)	–	–	(81)
Fuel derivatives	(64)	(64)	(61)	(36)	–	(225)
31 December 2024	(7,713)	(984)	(2,414)	(7,479)	(8,684)	(27,274)

Notes to the consolidated financial statements *continued*

g Offsetting financial assets and liabilities

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

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

31 December 2025

€ million	Gross value of financial instruments	Gross amounts set off in the Balance sheet[1]	Net amounts of financial instruments in the Balance sheet	Related amounts not offset in the Balance sheet[1]	**Net amount**
Financial assets					
Derivative financial assets	149	(48)	101	(17)	**84**
Financial liabilities					
Derivative financial liabilities	1,023	(48)	975	(17)	**958**

31 December 2024

€ million	Gross value of financial instruments	Gross amounts set off in the Balance sheet[1]	Net amounts of financial instruments in the Balance sheet	Related amounts not offset in the Balance sheet[1]	Net amount
Financial assets					
Derivative financial assets	679	(55)	624	(6)	618
Financial liabilities					
Derivative financial liabilities	351	(55)	296	(6)	290

1 The Group has pledged cash and cash equivalents as collateral against certain of its derivative financial liabilities. As at 31 December 2025, the Group recognised €48 million of collateral (2024: €55 million) offset in the Balance sheet and €17 million (2024: €6 million) not offset in the Balance sheet.

h Capital risk management

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

The Group monitors capital on the basis of both the Gross debt to EBITDA before exceptional items ratio and the Net debt to EBITDA before exceptional items ratio. For the year to 31 December 2025, Gross debt to EBITDA before exceptional items was 1.9 times (2024: 2.5 times) and Net debt to EBITDA before exceptional items was 0.8 times (2024: 1.1 times). The definition and calculation for these performance measures are included in the Alternative performance measures section.

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

30 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments at 31 December 2025 and 31 December 2024 by nature and classification for measurement purposes is as follows:

31 December 2025

	Financial assets				
€ million	Amortised cost	Fair value through Other comprehensive income	Fair value through Income statement	Non-financial assets	**Total carrying amount by balance sheet item**
Non-current assets					
Other equity investments	–	298	–	–	**298**
Derivative financial instruments	–	–	27	–	**27**
Other non-current assets	209	–	22	1,296	**1,527**
Current assets					
Trade receivables	1,344	–	–	–	**1,344**
Other current assets	482	–	–	1,846	**2,328**
Derivative financial instruments	–	–	74	–	**74**
Other current interest-bearing deposits	898	–	–	–	**898**
Cash and cash equivalents	7,421	–	–	–	**7,421**

€ million	Financial liabilities: Amortised cost	Financial liabilities: Fair value through Income statement	Non-financial liabilities	**Total carrying amount by balance sheet item**
Non-current liabilities				
Lease liabilities	5,598	–	–	**5,598**
Interest-bearing long-term borrowings	5,623	–	–	**5,623**
Derivative financial instruments	–	371	–	**371**
Other long-term liabilities	80	–	315	**395**
Current liabilities				
Lease liabilities	1,397	–	–	**1,397**
Current portion of long-term borrowings	420	1,229	–	**1,649**
Trade and other payables	4,191	–	1,530	**5,721**
Derivative financial instruments	–	604	–	**604**

31 December 2024

€ million	Financial assets: Amortised cost	Financial assets: Fair value through Other comprehensive income	Financial assets: Fair value through Income statement	Non-financial assets	Total carrying amount by balance sheet item
Non-current assets					
Other equity investments	–	190	–	–	190
Derivative financial instruments	–	–	229	–	229
Other non-current assets	225	–	4	687	916
Current assets					
Trade receivables	1,774	–	–	–	1,774
Other current assets	699	–	–	1,637	2,336
Derivative financial instruments	–	–	395	–	395
Other current interest-bearing deposits	1,639	–	–	–	1,639
Cash and cash equivalents	8,189	–	–	–	8,189

€ million	Financial liabilities: Amortised cost	Financial liabilities: Fair value through Income statement	Non-financial liabilities	Total carrying amount by balance sheet item
Non-current liabilities				
Lease liabilities	7,169	–	–	7,169
Interest-bearing long-term borrowings	6,701	–	–	6,701
Derivative financial instruments	–	102	–	102
Other long-term liabilities	171	–	230	401
Current liabilities				
Lease liabilities	1,477	–	–	1,477
Current portion of long-term borrowings	982	1,016	–	1,998
Trade and other payables	4,746	–	1,403	6,149
Derivative financial instruments	–	194	–	194

Notes to the consolidated financial statements *continued*

b Fair value of financial assets and financial liabilities

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

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

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

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

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

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

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

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

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2025 are as follows:

	Fair value				Carrying value
€ million	Level 1	Level 2	Level 3	Total	**Total**
Financial assets					
Other equity investments	2	–	297	299	**298**
Other non-current financial assets	–	22	22	44	**40**
Derivative financial assets:					
Interest rate swaps[1]	–	8	–	8	**8**
Foreign exchange contracts[1]	–	69	–	69	**69**
Fuel derivatives[1]	–	24	–	24	**24**
Financial liabilities					
Interest-bearing loans and borrowings:					
Asset financed liabilities	–	5,179	–	5,179	**5,294**
Fixed rate borrowings	1,916	17	–	1,933	**1,937**
Floating rate borrowings	–	41	–	41	**41**
Derivative financial liabilities:					
Interest rate derivatives[2]	–	1	–	1	**1**
Foreign exchange contracts[2]	–	636	–	636	**636**
Fuel derivatives[2]	–	338	–	338	**338**

1 Current portion of derivative financial assets is €74 million.

2 Current portion of derivative financial liabilities is €604 million.

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2024 are set out below:

	Fair value				Carrying value
€ million	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Other equity investments	1	–	189	190	190
Other non-current financial assets	–	22	4	26	23
Derivative financial assets:					
Interest rate swaps[1]	–	14	–	14	14
Foreign exchange contracts[1]	–	583	–	583	583
Fuel derivatives[1]	–	27	–	27	27
Financial liabilities					
Interest-bearing loans and borrowings:					
Asset financed liabilities	–	5,400	–	5,400	5,788
Fixed rate borrowings	2,762	45	–	2,807	2,845
Floating rate borrowings	–	66	–	66	66
Derivative financial liabilities:					
Interest rate derivatives[2]	–	2	–	2	2
Foreign exchange contracts[2]	–	78	–	78	78
Fuel derivatives[2]	–	216	–	216	216

1 Current portion of derivative financial assets is €395 million.

2 Current portion of derivative financial liabilities is €194 million.

There have been no transfers between the levels of fair value hierarchy during the year.

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

c Level 3 financial assets reconciliation

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

€ million	**2025**	2024
Opening balance for the year	**189**	187
Additions	**58**	20
Net gains/(losses) recognised in Other comprehensive income	**51**	(19)
Exchange movement	**(1)**	1
Closing balance for the year	**297**	189

d Hedges

i Cash flow hedges

At 31 December 2025, the Group's principal risk management activities that were hedging future forecast transactions were:

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

Notes to the consolidated financial statements *continued*

ii Losses in respect of cash flow hedges included within equity

The amounts included in equity are summarised below:

€ million	2025	2024
Loan repayments to hedge future revenue	**35**	(42)
Foreign exchange contracts to hedge future revenue and expenditure[1]	**322**	(169)
Crude, gas oil and jet kerosene derivative contracts[1]	**250**	229
Derivatives used to hedge interest rates[1]	**14**	11
Instruments for which hedge accounting no longer applies[1, 2]	**32**	40
	653	69
Related deferred tax credit	**(167)**	(17)
Total amount included within equity	**486**	52

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

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

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

Notional principal amounts € million	Average hedge rate	Hedge range	Within 1 year	1-2 years	2-5 years	5+ years	**Total 31 December 2025**
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to pounds sterling[1]	1.30	1.20 to 1.37	3,277	1,656	610	–	**5,543**
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to euros[1]	1.15	1.03 to 1.26	1,667	1,371	830	–	**3,868**
Foreign exchange contracts to hedge future revenue and expenditure from euros to pounds sterling[1]	1.20	1.08 to 1.42	521	537	529	768	**2,355**
Fuel commodity price contracts to hedge future US dollar fuel expenditure[2]	600	457 to 1,100	2,785	1,175	666	–	**4,626**
Interest rate contracts to hedge future interest expenditure[3,4]	1.21	(0.06) to 3.90	1,443	591	9	–	

Notional principal amounts € million	Average hedge rate	Hedge range	Within 1 year	1-2 years	2-5 years	5+ years	Total 31 December 2024
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to pounds sterling[1]	1.26	1.16 to 1.34	3,716	1,352	206	–	5,274
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to euros[1]	1.11	1.04 to 1.19	1,907	959	295	–	3,161
Foreign exchange contracts to hedge future revenue and expenditure from euros to pounds sterling[1]	1.25	1.11 to 1.42	561	386	452	731	2,130
Fuel commodity price contracts to hedge future US dollar fuel expenditure[2]	670	489 to 1,200	4,219	1,735	883	–	6,837
Interest rate contracts to hedge future interest expenditure[3,4]	1.87	(0.06) to 3.90	2,052	509	149	–	

1 Expenditure includes both operating and capital expenditure.

2 Notional amounts of fuel commodity price hedging instruments at 31 December 2025 represent 10.0 million metric tonnes of jet fuel equivalent (31 December 2024: 10.0 million metric tonnes), and the hedge range is expressed as the US dollar price per metric tonne, which for those products typically priced in barrels, has been determined using a conversion factor of 7.88.

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

4 The notional amount of interest rate contracts at 31 December 2025 was €835 million (31 December 2024: €1,742 million). Amounts included reflect the notional amortising amounts outstanding at the end of each period and align with the profiles of the underlying hedged items.

iv Movements recorded in the cash flow hedge reserve

A schedule of the movements recorded in the cash flow hedge reserve is set out below:

For the year to 31 December 2025 € million	Amounts recognised in the Income statement Ineffectiveness[1]	Reclassified to the Income statement	Total recognised movements	Fair value movements recognised in Other comprehensive income[2]	Amounts transferred to the Balance sheet
Foreign exchange contracts to hedge future revenue and expenditure	**–**	**(58)**	**(58)**	**539**	**19**
Crude, gas oil and jet kerosene derivative contracts	**(1)**	**(52)**	**(53)**	**71**	**10**
Derivatives used to hedge interest rates	**–**	**2**	**2**	**1**	**–**
Loan repayments to hedge future revenue	**–**	**–**	**–**	**85**	**(8)**
Instruments for which hedge accounting no longer applies	**–**	**–**	**–**	**–**	**(5)**
	(1)	**(108)**	**(109)**	**696**	**16**
Related deferred tax			**29**	**(180)**	**(3)**
Total movements recorded in the cash flow hedge reserve			**(80)**	**516**	**13**

For the year to 31 December 2024 € million	Amounts recognised in the Income statement Ineffectiveness[1]	Reclassified to the Income statement	Total recognised movements	Fair value movements recognised in Other comprehensive income[2]	Amounts transferred to the Balance sheet
Foreign exchange contracts to hedge future revenue and expenditure	1	(102)	(101)	(185)	21
Crude, gas oil and jet kerosene derivative contracts	1	(26)	(25)	190	(7)
Derivatives used to hedge interest rates	–	17	17	(5)	–
Loan repayments to hedge future revenue	19	–	19	(72)	(10)
Instruments for which hedge accounting no longer applies	–	–	–	–	(87)
	21	(111)	(90)	(72)	(83)
Related deferred tax			21	19	20
Total movements recorded in the cash flow hedge reserve			(69)	(53)	(63)

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

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

v Fair value hedges

At 31 December 2025, the Group's principal risk management activities associated with fair value hedging were related to interest rate contracts hedging the fair value risk on fixed rate lease liabilities. Remeasurement gains and losses on both the derivatives and the host financial liability are recognised in the Income statement within Other non-operating (charges)/credits.

The carrying values of the hedged items and hedging instruments of the Group's fair value hedges at 31 December 2025 are as follows:

€ million	**2025**	2024
Carrying value of lease liabilities to which fair value hedging has been applied (hedged items)[1]	**(42)**	(54)
Carrying amount of the interest rate derivatives (hedging instruments)	**(1)**	(2)
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	**(3)**	(3)
Change in value used for calculating hedge ineffectiveness	**5**	4

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

31 Share capital, share premium and treasury shares

Allotted, called up and fully paid	Number of shares '000s	Ordinary share capital € million	Share premium € million
31 December 2024: Ordinary shares of €0.10 each	4,971,476	497	7,770
Cancellation of ordinary shares of €0.10 each	(244,275)	(24)	(846)
31 December 2025: Ordinary shares of €0.10 each	**4,727,201**	**473**	**6,924**

1 Following approval at the Annual General Meeting of the Company on 19 June 2025 for the cancellation of up to 426,206,309 ordinary shares, on 11 September 2025 the Company cancelled 244,274,863 treasury shares acquired through the buyback programmes. The cancellation had the total effect of reducing share capital by €24 million and share premium by €846 million. The remaining 115,531,620 treasury shares acquired through the buyback programmes will be cancelled in 2026.

a Treasury shares

	2025			2024		
	Number of treasury shares (million)	**Weighted average price per share (€)**	**Treasury shares (€ million)**	Number of treasury shares (million)	Weighted average price per share (€)	Treasury shares (€ million)
Balance at 1 January	**117.6**	**2.44**	**287**	55.8	1.79	100
Shares purchased – buyback programmes	**312.0**	**3.82**	**1,192**	47.9	3.26	156
Shares purchased – other	**9.4**	**4.47**	**42**	27.0	2.04	55
Shares cancelled	**(244.3)**	**3.46**	**(846)**	–	–	–
Shares issued on vesting of employee share schemes	**(32.5)**	**2.54**	**(82)**	(13.1)	(1.83)	(24)
Balance at 31 December[1]	**162.2**	**3.65**	**593**	117.6	2.44	287

1 At 31 December 2025 the Group held 162.2 million treasury shares (2024: 117.6 million), which represented 3.43% (2024: 2.37%) of the issued share capital of the Company.

32 Share-based payments

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

a IAG Performance Share Plan

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

b IAG Restricted Share Plan

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

c IAG Full Potential Incentive Plan

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

d IAG Stretch Performance Incentive Plan

In 2025, the Group launched the Stretch Performance Incentive Plan, which was granted to senior leaders across IAG. The plan is designed to support the delivery of stretch operating margin performance that exceeds the Group's medium-term ambition and plan targets through to the end of 2027. The awards have been made as conditional awards, vesting in 2028 and dependent on the achievement of stretch performance targets for 2025 to 2027 and the approval of the Board. The targets have been set at a level that requires significant outperformance of IAG's historical performance, and that of its peers.

e IAG Incentive Award Deferral Plan

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

f Share-based payment schemes summary

Number of awards '000s	Outstanding at 1 January 2025	Granted number	Lapsed number	Vested number	**Outstanding at 31 December 2025**	Exercisable at 31 December 2025
Performance Share Plan	4,191	–	90	3,202	**899**	899
Restricted Share Plan	70,506	14,464	1,044	20,123	**63,803**	–
Full Potential Incentive Plan	29,031	–	1,892	27,139	**–**	–
Stretch Performance Incentive Plan	–	20,354	120	–	**20,234**	–
Incentive Award Deferral Plan	912	100	–	–	**1,012**	–
	104,640	**34,918**	**3,146**	**50,464**	**85,948**	899

The weighted average share price at the date of exercise of options exercised during the year to 31 December 2025 was £3.24 (2024: £1.66). The weighted average contractual life for awards outstanding at 31 December 2025 was 1.4 years (2024: 1.1 years).

The Group recognised a share-based payment charge of €58 million for the year to 31 December 2025 (2024: €72 million).

33 Other reserves and non-controlling interests

For the year to 31 December 2025

	Other reserves						
€ million	Unrealised gains and losses[1]	Cost of hedging reserve[2]	Currency translation[3]	Merger reserve[4]	Capital reserves[5]	**Total other reserves**	Non-controlling interest
1 January 2025	(56)	(50)	18	(2,467)	867	**(1,688)**	6
Other comprehensive (loss)/income for the year							
Cash flow hedges reclassified and reported in net profit:							
Fuel costs and emission charges	83	–	–	–	–	**83**	–
Currency differences	(3)	–	–	–	–	**(3)**	–
Finance costs	(1)	–	–	–	–	**(1)**	–
Ineffectiveness recognised in other non-operating costs	1	–	–	–	–	**1**	–
Net change in fair value of cash flow hedges	(516)	–	–	–	–	**(516)**	–
Net change in fair value of other equity investments	51	–	–	–	–	**51**	–
Net change in fair value of cost of hedging	–	(11)	–	–	–	**(11)**	–
Cost of hedging reclassified and reported in net profit	–	46	–	–	–	**46**	–
Fair value movements on liabilities attributable to credit risk changes	(12)	–	–	–	–	**(12)**	–
Currency translation differences	–	–	(170)	–	–	**(170)**	–
Hedges transferred and reported in property, plant and equipment	16	(3)	–	–	–	**13**	–
Hedges transferred and reported in sales in advance of carriage	(20)	–	–	–	–	**(20)**	–
Hedges transferred and reported in inventory	(9)	–	–	–	–	**(9)**	–
Cancellation of share capital	–	–	–	–	24	**24**	–
31 December 2025	**(466)**	**(18)**	**(152)**	**(2,467)**	**891**	**(2,212)**	**6**

Notes to the consolidated financial statements *continued*

€ million	Other reserves						Non-controlling interest
	Unrealised gains and losses[1]	Cost of hedging reserve[2]	Currency translation[3]	Merger reserve[4]	Redeemed capital reserve[5]	Total other reserves	
1 January 2024	(178)	(118)	(100)	(2,467)	867	(1,996)	6
Other comprehensive (loss)/income for the year							
Cash flow hedges reclassified and reported in net profit:							
Fuel costs and emission charges	93	–	–	–	–	93	–
Currency differences	3	–	–	–	–	3	–
Finance costs	(11)	–	–	–	–	(11)	–
Ineffectiveness recognised in other non-operating costs	(16)	–	–	–	–	(16)	–
Net change in fair value of cash flow hedges	53	–	–	–	–	53	–
Net change in fair value of other equity investments	(19)	–	–	–	–	(19)	–
Net change in fair value of cost of hedging	–	24	–	–	–	24	–
Cost of hedging reclassified and reported in net profit	–	48	–	–	–	48	–
Fair value movements on liabilities attributable to credit risk changes	(44)	–	–	–	–	(44)	–
Currency translation differences	–	–	118	–	–	118	–
Hedges transferred and reported in property, plant and equipment	(6)	(5)	–	–	–	(11)	–
Hedges transferred and reported in sales in advance of carriage	59	1	–	–	–	60	–
Hedges transferred and reported in inventory	10	–	–	–	–	10	–
31 December 2024	(56)	(50)	18	(2,467)	867	(1,688)	6

1 The unrealised gains and losses reserve records fair value changes in equity investments and the portion of the amounts of hedging instruments in cash flow hedges that are determined to be effective hedges. The amounts at 31 December 2025 that relate to the fair value changes in equity instruments and to the cash flow hedge reserve were a €170 million credit and €653 million charge, respectively.

2 The cost of hedging reserve records, among others, changes in the time value of options.

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

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

5 Capital reserves include a Redeemed capital reserve of €94 million (2024: €70 million) associated with the decrease in share capital relating to cancelled shares, and a Share capital reduction reserve of €797 million (2024: €797 million) associated with a historical reduction in the nominal value of the Company's share capital.

34 Employee benefit obligations

Significant accounting estimate applied – Employee benefit obligations: Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) key actuarial assumptions

At 31 December 2025, the Group recognised €17,776 million in respect of employee benefit obligations (2024: €19,796 million), of which €17,318 million related to the APS and NAPS obligations (2024: €19,275 million).

The calculation of the APS and NAPS employee benefit obligations is determined using the valuation requirements of IAS 19. These valuations involve making assumptions about discount rates, mortality rates and future pension increases. Due to the long-term nature of these schemes, such assumptions are subject to significant uncertainty. The Group determines the assumptions to be adopted in discussion with qualified actuaries. Any difference between these assumptions and the actual outcome will impact future net assets and total comprehensive income. The impact of sensitising these assumptions is given below.

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

Defined contribution schemes

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

Costs recognised in respect of defined contribution pension plans in Spain, the UK and Ireland for the year to 31 December 2025 were €297 million (2024: €292 million).

Defined benefit schemes

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

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

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

APS and NAPS are governed by separate Trustee Boards. Although APS and NAPS have separate Trustee Boards, certain aspects of the business of the two schemes are common. APS and NAPS have developed certain joint working groups that are attended by the Trustee Board members of each scheme although each Trustee Board reaches its decisions independently. There are sub-committees which are separately responsible for the governance, operation and investments of each scheme. British Airways Pension Trustees Limited holds the assets of both schemes on behalf of their respective Trustees. The Trustees are responsible for administering the pension benefits in line with the pension scheme rules and relevant pensions legislation including applicable case law.

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

During the year to 31 December 2025, the triennial valuations as at 31 March 2024 were finalised for APS and NAPS, which resulted in a surplus of €179 million (£153 million) for APS and a surplus of €2,023 million (£1,730 million) for NAPS. The actuarial valuations performed for APS and NAPS are different to the valuation performed as at 31 December 2025 under IAS 19 'Employee benefits' mainly due to timing differences of the measurement dates and to the specific scheme assumptions in the actuarial valuation performed as at 31 March 2024 compared with IAS 19 requirements used in the accounting valuation assumptions as at the balance sheet date.

The actuarial valuation of neither APS nor NAPS is updated outside of the triennial valuations, making comparability between the scheme liabilities applying the principles set out in UK pension legislation and the requirements of IAS 19 not possible. The principal difference relates to the discount rate applied, which under the triennial actuarial valuation aligns with a prudent estimate of the future investment returns on the assets of the respective schemes, whereas under IAS 19 the rates are based on high-quality corporate bond yields, regardless of how the assets are invested.

Other plans

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

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

In addition, the IAG Loyalty and Aer Lingus operating segments operate certain defined benefit plans, both funded and unfunded.

Notes to the consolidated financial statements *continued*

Risk associated with the defined benefit schemes

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

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

a Cash payments and funding arrangements

Cash payments in respect of pension obligations comprise normal employer contributions by the Group and deficit contributions based on the agreed deficit payment plans. Following the completion of the triennial valuations, as at 31 March 2024, for APS and NAPS, neither scheme has a deficit contribution plan.

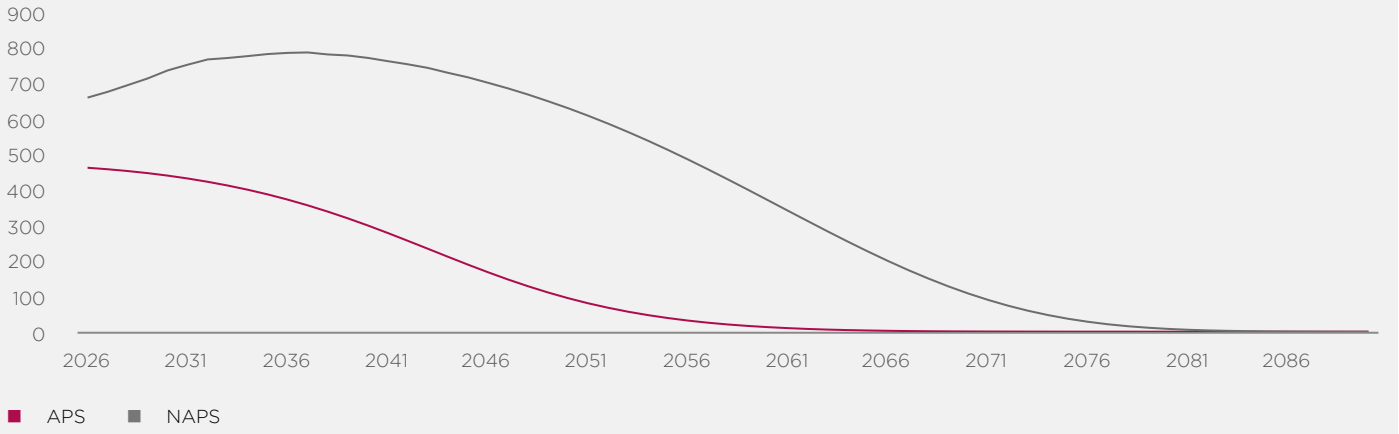
Total payments for the year to 31 December 2025, net of service costs made by the Group, were €33 million (2024: €37 million) being the employer contributions of €34 million (2024: €38 million) less the current service cost of €1 million (2024: €1 million) (note 34b,c).

Future funding arrangements

In total, the Group expects to pay €nil in employer contributions to APS and NAPS in 2026.

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

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



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

Deficit contributions

At 31 December 2025, while the Group has no future committed deficit contributions for either APS or NAPS, it has the following committed undiscounted deficit payments for other schemes, which are deductible for tax purposes at the statutory rate of tax:

€ million	At 31 December 2025
Within 12 months	**26**
1-2 years	**27**
2-5 years	**23**
Greater than 5 years	**–**
Total expected deficit payments	**76**

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

b Employee benefit scheme amounts recognised in the financial statements

i Amounts recognised on the Balance sheet

	2025			
€ million	APS	NAPS	Other[4]	Total
Scheme assets at fair value[1,2]	5,418	14,625	416	**20,459**
Present value of scheme liabilities[1]	(5,236)	(12,082)	(458)	**(17,776)**
Net pension asset/(liability)	182	2,543	(42)	**2,683**
Effect of the asset ceiling[3]	(45)	(636)	(1)	**(682)**
Other employee benefit obligations	–	–	(12)	**(12)**
31 December 2025	137	1,907	(55)	**1,989**
Represented by:				
Employee benefit asset				**2,060**
Employee benefit obligation[5]				**(71)**
Net employee benefit asset				**1,989**

	2024			
€ million	APS	NAPS	Other[4]	Total
Scheme assets at fair value[1]	5,819	15,713	417	21,949
Present value of scheme liabilities[1]	(5,819)	(13,456)	(521)	(19,796)
Net pension asset/(liability)	–	2,257	(104)	2,153
Effect of the asset ceiling[3]	–	(564)	(2)	(566)
Other employee benefit obligations	–	–	(11)	(11)
31 December 2024	–	1,693	(117)	1,576
Represented by:				
Employee benefit asset				1,711
Employee benefit obligation[5]				(135)
Net employee benefit asset				1,576

1 Includes Additional Voluntary Contributions (AVCs), which the Trustees hold as assets to secure additional benefits on a defined contribution basis for those members who elect to make such AVCs. At 31 December 2025, such assets were €296 million (2024: €317 million) with a corresponding amount recorded in the scheme liabilities.

2 Included within the fair value of scheme assets are €1,592 million of private equities and alternatives at 31 December 2025, where the fair value has been determined based on the most recent third-party valuations. The dates of these valuations typically precede the balance sheet date and have been adjusted for any cash movements between the date of the valuation and the balance sheet date. Typically, the valuation approach and inputs for these investments are not through to the balance sheet date unless there are indications of significant market movements.

3 Both APS and NAPS are in an IAS 19 accounting surplus, which would be available to the Group as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee arising on the net pension asset.

4 The net deferred tax asset recognised on the net employee benefit asset (2024: asset) was €21 million at 31 December 2025 (2024: €34 million).

5 The defined benefit obligation includes €9 million (2024: €20 million) arising from unfunded plans.

ii Amounts recognised in the Income statement

Pension costs charged to operating result are:

€ million	2025	2024
Defined benefit plans:		
Current service cost	**1**	1
Past service credit	**(9)**	–
Administrative expenses	**19**	19
	11	20
Defined contribution plans	**297**	292
Pension costs recorded as employee costs	**308**	312

€ million	2025	2024
Interest income on scheme assets	**(1,120)**	(1,041)
Interest expense on scheme liabilities	**1,007**	951
Interest expense on asset ceiling	**29**	27
Net financing credit relating to pensions	**(84)**	(63)

Notes to the consolidated financial statements *continued*

iii Amounts recognised in the Statement of other comprehensive income

€ million	2025	2024
Return on plan assets excluding interest income	**249**	2,024
Remeasurement of plan liabilities from changes in financial assumptions	**(682)**	(1,592)
Remeasurement of plan liabilities from changes in demographic assumptions	**(117)**	(235)
Remeasurement of experience losses	**34**	(208)
Remeasurement of the APS and NAPS asset ceilings	**120**	(220)
Pension remeasurements charged to Other comprehensive income	**(396)**	(231)
Tax arising on pension remeasurements	**16**	25
Pension remeasurements charged to Other comprehensive income, net of tax	**(380)**	(206)

c Fair value of scheme assets

i Investment strategies

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

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

Along with existing contracts with Rothesay Life (as detailed in note 34c(iii)) and following the completion of a further longevity swap in 2024, APS is 100% protected against all longevity risk and fully protected in relation to all pensions that were already being paid as at 31 March 2018. APS is nearly 90% protected against interest rates and inflation (on a Retail Price Index (RPI) basis). NAPS is 95% protected against interest rates and inflation (on a Consumer Price Index (CPI) basis).

The assets held by APS and NAPS are split between 'return-seeking assets' and 'liability-matching assets' depending on the maturity of each scheme. At 31 December 2025, the actual asset allocation for NAPS was 17% (2024: 20%) in return seeking assets and 83% (2024: 80%) in liability matching investments. For NAPS, the Trustee agreed an updated investment framework with British Airways as part of the Scheme's 31 March 2021 actuarial valuation agreement. The Trustee aims towards an overall asset allocation with an agreed modest expected return relative to liabilities and sufficient liquidity to manage investment risk appropriately on an ongoing basis. The actual asset allocation for APS at 31 December 2025 was 1% (2024: 1%) in return seeking assets and 99% (2024: 99%) in liability matching investments. NAPS uses Liability Driven Investments (LDIs) to effectively hedge volatility in the scheme liabilities. This is achieved through direct bond holdings as opposed to the use of derivatives and, as such, leverage is low. Accordingly, as at 31 December 2025, NAPS has not been required to raise additional cash or liquidate existing assets in order to fund derivative positions.

ii Movement in scheme assets

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

€ million	2025	2024
1 January	**21,949**	23,187
Interest income	**1,120**	1,041
Administrative expenses	**(18)**	(18)
Return on plan assets excluding interest income	**(249)**	(2,024)
Employer contributions[1]	**34**	38
Benefits paid	**(1,164)**	(1,223)
Exchange movements	**(1,213)**	948
31 December	**20,459**	21,949

1 There were no employer contributions to APS or NAPS in 2025 (2024: €1 million contribution to APS).

iii Composition of scheme assets

Scheme assets held by the Group at 31 December comprise:

	2025				
€ million	APS	NAPS	Other	Total	2024
Return seeking investments					
Listed equities – UK	**8**	**107**	**–**	**115**	128
Listed equities – rest of world	**1**	**979**	**111**	**1,091**	1,073
Private equities	**22**	**528**	**19**	**569**	667
Properties	**–**	**866**	**10**	**876**	1,319
Alternative investments	**14**	**1,009**	**–**	**1,023**	1,729
	45	**3,489**	**140**	**3,674**	4,916
Liability matching investments					
Government issued fixed bonds	**1,079**	**4,119**	**204**	**5,402**	5,782
Government issued index-linked bonds	**609**	**7,833**	**10**	**8,452**	9,400
Asset and longevity swaps	**931**	**–**	**–**	**931**	872
Insurance contract	**2,922**	**–**	**36**	**2,958**	3,261
	5,541	**11,952**	**250**	**17,743**	19,315
Other					
Cash and cash equivalents	**79**	**720**	**16**	**815**	760
Derivative financial instruments	**(247)**	**(1,581)**	**7**	**(1,821)**	(3,075)
Other investments	**–**	**45**	**3**	**48**	33
	(168)	**(816)**	**26**	**(958)**	(2,282)
Total scheme assets	**5,418**	**14,625**	**416**	**20,459**	21,949

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

- Private equities are valued at fair value based on the most recent transaction price or third-party net asset, revenue or earnings-based valuations that generally result in the use of significant unobservable inputs. The dates of these valuations typically precede the balance sheet date and have been adjusted for any cash movements between the date of the valuation and the balance sheet date. Typically, the valuation approach and inputs for these investments are not updated through to the balance sheet date unless there are indications of significant market movements.
- Properties are valued based on an analysis of recent market transactions supported by market knowledge derived from third-party professional valuers that generally result in the use of significant unobservable inputs.
- Alternative investments fair values, which predominantly include holdings in investment and infrastructure funds, are determined based on the most recent available valuations applying the Net Asset Value methodology and issued by fund administrators or investment managers and adjusted for any cash movements having occurred from the date of the valuation to the balance sheet date. Typically, the valuation approach and inputs for these investments are not updated through to the balance sheet date unless there are indications of significant market movements.
- Other investments predominantly include: interest receivable on bonds; dividends from listed and private equities that have been declared but not received at the balance sheet date; receivables from the sale of assets for which the proceeds have not been collected at the balance sheet date; and payables for the purchase of assets which have not been settled at the balance sheet date.
- Derivative financial instruments are entered into predominantly to mitigate interest rate and inflation rate risks. These derivative financial instruments are stated at their fair value using pricing models and relevant market data as at the balance sheet date.
- Asset and longevity swaps – APS has a contract with Rothesay Life, entered into in 2010 and extended in 2013, which covers 25% (2024: 25%) of the pensioner liabilities for an agreed list of members. Under the contract, to reduce the risk of long-term longevity risk, Rothesay Life makes benefit payments monthly in respect of the agreed list of members in return for the contractual return receivable on a portfolio of assets (made up of quoted government debt) held by the scheme and the contractual payments made by APS to Rothesay Life on the longevity swaps. The Group holds the portfolio of assets at their fair value, with the government debt held at their quoted market price and the swaps accounted for at their estimated discounted future cash flows.

Notes to the consolidated financial statements *continued*

During 2011, APS entered into a longevity swap with Rothesay Life, which covers an additional 21% (2024: 21%) of the pensioner liabilities for the same agreed list of members as the 2010 contract. Under the longevity swap, to reduce the risk of long-term longevity risk, APS makes a fixed payment to Rothesay Life each month reflecting the prevailing mortality assumptions at the inception of the contract, and Rothesay Life makes a monthly payment to APS reflecting the actual monthly benefit payments to members. The cash flows are settled net each month. If pensioners live longer than expected at inception of the longevity swap, Rothesay Life will make payments to the scheme to offset the additional cost of paying pensioners and if pensioners do not live as long as expected, then the scheme will make payments to Rothesay Life. The Group holds the longevity swap at fair value, determined at the estimated discounted future cash flows.

During 2024, APS entered into a longevity swap with Zurich Assurance Ltd to transfer longevity risk in relation to an additional 7% (2024: 7%) of the scheme's liabilities. Under the longevity swap, to remove the risk of long-term longevity risk, APS makes monthly fixed payments to Zurich Assurance Ltd reflecting the prevailing mortality assumptions at the inception of the contract, and Zurich Assurance Ltd makes a monthly payment to APS reflecting the actual monthly benefit payments to members. If pensioners live longer than expected at inception of the longevity swap, Zurich Assurance Ltd will make payments to the scheme to offset the additional cost of paying pensioners and if pensioners do not live as long as expected, then the scheme will make payments to Zurich Assurance Ltd. The Group holds the longevity swap at fair value, determined at the estimated discounted future cash flows.

Insurance contract – during 2018, the Trustee of APS secured a buy-in contract with Legal & General. The buy-in contract covers all members in receipt of pensions from APS at 31 March 2018, excluding dependent children, receiving a pension at that date and members in receipt of equivalent pension only benefits, who were alive on 1 October 2018. Benefits coming into payment for retirements after 31 March 2018 are not covered. The contract covers benefits payable from 1 October 2018 onwards. The policy covers approximately 60% of all benefits APS expects to pay out in future.

iv Effect of the asset ceiling

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

The Group has determined that upon the wind up of the scheme, if the scheme is in surplus, including the incorporation of the minimum funding requirements, then the surplus will be available as a refund or a reduction in future contributions after they are paid into the scheme. The recovery of such amounts is subject to UK withholding tax payable by the Trustee. In measuring the recoverability of the surplus for each scheme, the Group limits such measurement to the lower of the surplus in each scheme and the respective asset ceiling. The asset ceiling represents the present value of the economic benefits available upon wind up of the scheme, less the application of withholding taxes in the UK, payable by the Trustee, at 25%.

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

€ million	2025	2024
1 January	**566**	735
Interest expense	**29**	27
Remeasurements[1]	**120**	(220)
Exchange movements	**(33)**	24
31 December	**682**	566

1 Included within the 2024 remeasurements of the asset ceiling is an amount of €215 million (£184 million) that arose as a result of the reduction in the UK rate of withholding tax of 35% to 25%, resulting in an increase in the net employee benefit asset.

d Present value of scheme liabilities

i Movement in scheme liabilities

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

€ million	2025	2024
1 January	**19,796**	21,239
Current service cost	**1**	1
Past service credit	**(9)**	–
Interest expense	**1,006**	950
Remeasurements – financial assumptions[1]	**(682)**	(1,592)
Remeasurements – demographic assumptions	**(117)**	(235)
Remeasurements – experience losses	**34**	(208)
Benefits paid	**(1,164)**	(1,223)
Exchange movements	**(1,089)**	864
31 December	**17,776**	19,796

1 Included in the remeasurements from financial assumptions is an amount of €51 million (2024: reduction of €1,959 million) that reduces the scheme liabilities relating to changes in the discount rates and an amount of €631 million (2024: increase of €367 million) that reduces the scheme liabilities relating to changes in inflation rates.

ii Scheme liability assumptions

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

	2025			2024		
% per annum	**APS**	**NAPS**	**Other schemes**	APS	NAPS	Other schemes
Discount rate[1]	**5.25**	**5.50**	**2.3 - 6.7**	5.30	5.45	1.5 - 6.7
Rate of increase in pensionable pay[2]	**2.90**	**–**	**2.0 - 5.0**	3.30	–	2.0 - 5.0
Rate of increase of pensions in payment[3]	**2.90**	**2.45**	**1.8 - 3.4**	3.30	2.80	1.0 - 3.4
RPI rate of inflation	**2.90**	**2.80**	**2.0 - 2.5**	3.30	3.10	2.0 - 2.5
CPI rate of inflation	**2.45**	**2.45**	**2.0 - 2.5**	2.85	2.80	2.0 - 2.5

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

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

3 It has been assumed that the rate of increase of pensions in payment, which reflects inflationary increases, will be in line with CPI for NAPS and RPI for APS as at 31 December 2025.

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

Mortality assumptions	**2025**	2024
Life expectancy at age 60 for a:		
• male currently aged 60	**27.6**	27.6
• male currently aged 40	**28.0**	29.0
• female currently aged 60	**29.0**	29.2
• female currently aged 40	**30.9**	31.3

For APS, the base mortality tables are based on the Agreed Valuation Basis (AVB) as agreed between British Airways and the trustees of APS. For NAPS, the base mortality tables are based on analysis undertaken for the purpose of the triennial valuation dated 31 March 2024. Future mortality improvements reflect the most recent model published by the UK actuarial profession's Continuous Mortality Investigation (CMI), being its 2024 model. These standard mortality tables, for both APS and NAPS, incorporate adjustments specific to the demographics of scheme members, including a long-term improvement parameter of 1.00% per annum (2024: 1.00%).

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

At 31 December 2025, the weighted average duration of the defined benefit obligation was 8 years for APS (2024: 9 years) and 13 years for NAPS (2024: 13 years). The weighted average duration of the defined benefit obligations was 1 to 15 years for other schemes (2024: 1 to 16 years). The weighted average duration represents a single figure for the average number of years over which the employee benefit liability discounted cash flows is extinguished and is highly dependent on movements in the aforementioned discount rates.

iii Sensitivity analysis

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

	2025 Increase in scheme liabilities			2024 Increase in scheme liabilities		
€ million	**APS**	**NAPS**	**Other schemes**	APS	NAPS	Other schemes
Discount rate (decrease of 50 basis points)[1]	**217**	**731**	**23**	242	858	25
Future pension growth (increase of 50 basis points)[1]	**194**	**720**	**4**	217	822	2
Future mortality rate (one year increase in life expectancy)	**263**	**320**	**19**	290	338	21

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

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

35 Supplemental cash flow information

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

€ million	Bank loans, other loans and asset financed liabilities	Convertible bonds	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	**Total**
Balance at 1 January 2025	7,683	1,016	8,646	(326)	**17,019**
Proceeds from borrowings	1,160	–	–	–	**1,160**
Repayment of borrowings	(2,322)	–	–	–	**(2,322)**
Repayment of lease liabilities	–	–	(1,344)	–	**(1,344)**
Settlement of derivative financial instruments	–	–	–	(193)	**(193)**
Total changes from financing cash flows	**(1,162)**	**–**	**(1,344)**	**(193)**	**(2,699)**
Interest paid	(223)	(9)	(406)	9	**(629)**
Interest expense	236	9	416	–	**661**
New leases and lease modifications	–	–	543	–	**543**
Fair value movements	–	213	–	863	**1,076**
Other non-cash movements	–	–	(6)	–	**(6)**
Exchange movements	(491)	–	(854)	(9)	**(1,354)**
Balance at 31 December 2025	**6,043**	**1,229**	**6,995**	**344**	**14,611**

€ million	Bank loans, other loans and asset financed liabilities	Convertible bonds	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	Total
Balance at 1 January 2024	6,380	735	8,967	180	16,262
Proceeds from borrowings	1,474	–	–	–	1,474
Repayment of borrowings	(410)	–	–	–	(410)
Repayment of lease liabilities	–	–	(1,737)	–	(1,737)
Settlement of derivative financial instruments	–	–	–	(151)	(151)
Total changes from financing cash flows	1,064	–	(1,737)	(151)	(824)
Interest paid	(233)	(9)	(472)	23	(691)
Interest expense	255	9	485	–	749
New leases and lease modifications	–	–	988	–	988
Fair value movements	–	281	–	(380)	(99)
Other non-cash movements	–	–	(7)	–	(7)
Exchange movements	217	–	422	2	641
Balance at 31 December 2024	7,683	1,016	8,646	(326)	17,019

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

€ million	**2025**	2024
Opening provisions	**4,501**	3,740
Non-cash additions recorded in operating profit	**1,153**	1,121
Non-cash releases of unused provisions recorded in operating profit	**(125)**	(142)
Other non-cash amounts recorded within operating profit	**13**	18
Cash settlements relating to operating provisions	**(719)**	(411)
Less non-cash carbon-related obligations reported in operating profit (note 35c)	**(378)**	(304)
Movements in provisions recorded within net cash flows from operating activities	**(56)**	282
Movements in provisions recorded within Other comprehensive income	**14**	93
Movements elsewhere within the Balance sheet	**16**	41
Unrealised currency differences arising on provisions recorded within operating profit	**(325)**	147
Non-cash extinguishment of Carbon-related obligations	**(320)**	(236)
Add non-cash carbon-related obligations reported in operating profit (note 35c)	**378**	304
Movements in provisions recorded in the Income statement outside of operating profit	**150**	130
Closing provisions (note 27)	**4,358**	4,501

c Reconciliation of movement in carbon assets and obligations included within Net cash flows from operating activities

€ million	2025	2024
Non-cash carbon-related obligations recorded in operating profit	**378**	304
Purchase of carbon-related assets	**(496)**	(242)
Movements in carbon-related assets and obligations recorded within net cash flows from operating activities	**(118)**	62

d Other items included within Net cash flows from operating activities

€ million	2025	2024
Non-cash equity-settled share-based payments	**(25)**	61
Non-cash movements on derivative and non-derivative financial instruments	**(43)**	30
Settlement of interest rate derivatives	**9**	22
Other	**(15)**	(6)
	(74)	107

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

€ million	2025	2024
Purchase of property, plant and equipment – fleet	**2,506**	2,035
Purchase of property, plant and equipment – other	**404**	296
Purchase of intangible assets	**532**	485
	3,442	2,816

36 Related party transactions

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

€ million	2025	2024
Sales of goods and services		
Sales to associates[1]	**13**	6
Sales to significant shareholders[2]	**200**	246
Purchases of goods and services		
Purchases from associates[3]	**91**	76
Purchases from significant shareholders[2]	**194**	181
Receivables from related parties		
Amounts owed by associates[4]	**29**	20
Amounts owed by significant shareholders[5]	**96**	91
Payables to related parties		
Amounts owed to associates[6]	**12**	10
Amounts owed to significant shareholders[5]	**37**	15

1 Sales to associates: Consisted primarily of sales for airline-related services to Dunwoody Airline Services (Holding) Limited ('Dunwoody') of €10 million (2024: €5 million), €2 million (2024: €1 million) to Serpista, S.A., Multiservicios Aeroportuarios, S.A., Viajes Ame, S.A.U., Sociedad Conjunta para la Emisión y Gestión de Medios de Pago, EFC, S.A., Mundiplan Turismo y Ocio S.L. and Air Miles España, S.A. and €1 million (2024: nil) to LanzaJet, Inc.

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

3 Purchases from associates: Consisted primarily of €58 million of airport auxiliary services purchased from Multiservicios Aeroportuarios, S.A. (2024: €50 million), €22 million of maintenance services received and the purchase of handling assets from Serpista, S.A. (2024: €15 million) and €11 million of handling services provided by Dunwoody (2024: €11 million).

4 Amounts owed by associates: Consisted primarily of €27 million from two long-term loans provided to LanzaJet, Inc. (2024: €19 million) and €2 million of services provided to Dunwoody, Multiservicios Aeroportuarios, S.A., Serpista, S.A., Sociedad Conjunta para la Emisión y Gestión de Medios de Pago, EFC, S.A., Viajes AME, S.A.U. and Mundiplan Turismo y Ocio, S.L. (2024: €1 million).

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

6 Amounts owed to associates: Consisted primarily of €7 million of auxiliary airport services to Multiservicios Aeroportuarios, S.A, Dunwoody and Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A. (2024: €7 million) and €5 million of maintenance of airport equipment to Serpista, S.A. (2024: €3 million).

During the year to 31 December 2025, as part of the share buyback programmes (note 31a) the Group purchased 78,437,327 shares (year to 31 December 2024: 12,032,014 shares) from Qatar Airways (Q.C.S.C.). The transactions were executed via banks on behalf of the Company for a total consideration of €299 million (2024: €39 million), recording these shares as treasury shares.

During the year to 31 December 2025, the Group received dividends from associates of €5 million (2024: €4 million) (see note 18b).

During the year to 31 December 2025 British Airways met certain costs of administering its retirement benefit plans, including the provision of support services to the Trustees. Costs borne on behalf of the retirement benefit plans amounted to €81 thousand (2024: €457 thousand) in relation to the costs of the Pension Protection Fund levy.

Notes to the consolidated financial statements *continued*

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

For the year to 31 December 2025, the Group has not made any provision for expected credit loss arising relating to amounts owed by related parties (2024: €nil).

Significant shareholders

In this instance, significant shareholders are those parties who have the power to participate in the financial and operating policy decisions of the Group, as a result of their shareholdings in the Group, but who do not have control over these policies. At 31 December 2025, the only significant shareholder of the Group was Qatar Airways (Q.C.S.C.).

At 31 December 2025 the Group had no cash deposit balances with shareholders who were not significant shareholders, holding a participation of more than 3% (2024: none).

Board of Directors and Management Committee remuneration

Compensation received by the Group's Board of Directors and Management Committee in 2025 and 2024 is as follows:

	Year to 31 December	
€ million	**2025**	2024
Base salary, fees and benefits		
Board of Directors		
Short-term benefits	**5**	5
Share-based payments	**–**	–
Management Committee		
Short-term benefits	**16**	17
Share-based payments	**23**	3

For the year to 31 December 2025, the Board of Directors includes remuneration for one executive director (31 December 2024: one executive director). The Management Committee includes remuneration for 10 members (31 December 2024: 11 members) and excludes remuneration for the one executive director.

The Company provides life insurance for the executive director and all members of the Management Committee. For the year to 31 December 2025, the Company's obligation was €46 thousand (2024: €47 thousand).

At 31 December 2025 the transfer value of accrued pensions covered under defined benefit pension obligation schemes, relating to the current members of the Management Committee, totalled €3 million (2024: €4 million).

No loan or credit transactions were outstanding with directors or officers of the Group at 31 December 2025 (2024: €nil).

37 Post balance sheet events

Final dividend

A final dividend of €0.05 per share was proposed by the Board of Directors on 26 February 2026 (31 December 2024: €0.06), and is subject to approval at the annual general meeting. It is payable from 29 June 2026 to shareholders who are on the register at 26 June 2026. The final dividend amounting to €228 million, calculated based on the number of shares in issue less treasury shares at the close of trading on 26 February 2026, has not been recognised as a liability in these consolidated financial statements. It will be recognised in total equity in the year to 31 December 2026.

Return of excess cash

On 26 February 2026 the Board approved excess cash returns of €1.5 billion to be completed by the end of February 2027, starting with a share buyback of €500 million to be completed by the end of May 2026.

Alternative performance measures definition and reconciliation

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

During 2025, the Group has ceased to report Airline non-fuel costs per ASK as it no longer monitors performance using this measure. Other than this change, the Group has made no changes to its pre-existing disclosures and treatments of APMs compared to those disclosed in the Annual Report and Accounts for the year to 31 December 2024.

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

a Profit after tax before exceptional items

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

While there have been no exceptional items recorded in 2025, there were four exceptional items recorded in 2024.

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

	Year to 31 December					
€ million	**Reported 2025**	**Exceptional items**	**Before exceptional items 2025**	Reported 2024	Exceptional items	Before exceptional items 2024
Passenger revenue	**28,969**	**–**	**28,969**	28,274	–	28,274
Cargo revenue	**1,238**	**–**	**1,238**	1,234	–	1,234
Other revenue	**3,006**	**–**	**3,006**	2,592	–	2,592
Total revenue	**33,213**	**–**	**33,213**	32,100	–	32,100
Employee costs[1]	**6,586**	**–**	**6,586**	6,356	160	6,196
Fuel costs and emissions charges	**7,083**	**–**	**7,083**	7,608	–	7,608
Handling, catering and other operating costs	**4,352**	**–**	**4,352**	4,135	–	4,135
Landing fees and en-route charges	**2,487**	**–**	**2,487**	2,405	–	2,405
Engineering and other aircraft costs	**2,850**	**–**	**2,850**	2,729	–	2,729
Property, IT and other costs	**1,085**	**–**	**1,085**	1,120	–	1,120
Selling costs	**1,127**	**–**	**1,127**	1,082	–	1,082
Depreciation, amortisation and impairment	**2,628**	**–**	**2,628**	2,364	–	2,364
Net loss/(gain) on sale of property, plant and equipment	**19**	**–**	**19**	(14)	–	(14)
Currency differences	**(28)**	**–**	**(28)**	32	–	32
Total expenditure on operations	**28,189**	**–**	**28,189**	27,817	160	27,657
Operating profit	**5,024**	**–**	**5,024**	4,283	(160)	4,443
Finance costs	**(861)**	**–**	**(861)**	(917)	–	(917)
Finance income	**279**	**–**	**279**	404	–	404
Net change in fair value of financial instruments	**(201)**	**–**	**(201)**	(237)	–	(237)
Net financing credit relating to pensions	**84**	**–**	**84**	63	–	63
Net currency retranslation credits/(charges)	**317**	**–**	**317**	(127)	–	(127)
Other non-operating (charges)/credits[2]	**(137)**	**–**	**(137)**	94	(50)	144
Total net non-operating costs	**(519)**	**–**	**(519)**	(720)	(50)	(670)
Profit before tax	**4,505**	**–**	**4,505**	3,563	(210)	3,773
Tax[3]	**(1,163)**	**–**	**(1,163)**	(831)	140	(971)
Profit after tax	**3,342**	**–**	**3,342**	2,732	(70)	2,802

Alternative performance measures *continued*

The rationale for each exceptional item is given below.

1 Restructuring costs
The exceptional charge of €160 million for the year to 31 December 2024 is attributable to the Iberia ground-handling restructuring programme, which right-sizes the Group's ground-handling function for the near term. The exceptional charge was recorded within Employee costs in the Income statement.

During 2024, the Group incurred cash outflows associated with the Iberia ground-handling restructuring programme of €3 million, with the remaining amounts expected to be paid through to 2032, dependent on the age of each individual who is part of the Iberia ground-handing restructuring programme.

The related tax credit was €40 million.

2 Termination of the agreement with Globalia to purchase Air Europa Holdings
The exceptional charge of €50 million for the year to 31 December 2024 represented the amount agreed with Globalia to terminate the agreement, signed on 23 February 2023, to purchase the remaining 80% of the share capital of Air Europa Holdings that the Group had not previously owned. On 1 August 2024, the Group exercised its right to withdraw from the acquisition and, as such, the agreement was terminated. The exceptional charge was recorded within Other non-operating credits in the Income statement. There was no related tax impact in the Income statement. The Group recognised the cash outflow impact of the termination agreement during 2024, recorded within cash flows from investing activities within the Cash flow statement.

3 Changes to Spanish tax legislation
The exceptional tax credit of €100 million recorded in the year to 31 December 2024 related to the revocation of Royal Decree-Law 3/2016 (RDL 3/2016) amounting to a net credit of €135 million, and the enactment of Law 7/2024 amounting to a charge of €35 million. These two items are described below:

(i) Revocation of RDL 3/2016
RDL 3/2016 for fiscal years 2016 to 2023 was revoked by the *Tribunal Constitucional* (Constitutional Court) in Spain on 18 January 2024.

Prior to the introduction of RDL 3/2016, the Company and the Spanish subsidiaries of the Group were permitted to offset up to 70% of their taxable profits with historical accumulated tax losses (to the extent there were sufficient tax losses to do so) and the impairment of subsidiaries was treated as deductible for tax purposes. With the introduction of the RDL 3/2016, this limitation of tax losses applied to taxable profits was reduced to 25% and the deductibility for tax purposes of historical impairments of subsidiaries that had occurred prior to 2013 was reversed. The revocation by the *Tribunal Constitucional* in January 2024 principally meant that the loss limitation reverted to 70% and historical impairments in subsidiaries reverted to being deductible for tax purposes, giving rise to the aforementioned net exceptional tax credit. The combination of the above gave rise to an exceptional current tax credit, which was partially offset by a net deferred tax charge.

During the year to 31 December 2024, the Group received €101 million from the Spanish tax authorities relating to fiscal years 2021 to 2023 as a result of a refund of current taxes.

(ii) Enactment of Law 7/2024
On 20 December 2024, the Spanish parliament enacted Law 7/2024, which reinstated the aforementioned tax measures that had been previously declared unconstitutional by the *Tribunal Constitucional* (Constitutional Court). Law 7/2024 was effective from 1 January 2024, whereby the Spanish subsidiaries of the Group are permitted to offset only up to 25% of their taxable profits with historical accumulated losses (to the extent there are sufficient tax losses to do so). In addition to the change in the loss limitation rate, the non-deductibility of historical impairments in subsidiaries that occurred prior to 1 January 2013 was reintroduced.
There was no cash flow impact in 2024 as a result of the enactment of Law 7/2024.

The table below provides a reconciliation of the statutory to pre-exceptional condensed alternative income statement by operating segment for the years to 31 December 2025 and 2024:

	Year to 31 December 2025														
	British Airways (£)			British Airways (€)			Iberia			Vueling			Aer Lingus		
Million	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	13,722	–	13,722	16,064	–	16,064	6,126	–	6,126	3,235	–	3,235	2,454	–	2,454
Cargo revenue	788	–	788	923	–	923	320	–	320	–	–	–	50	–	50
Other revenue	169	–	169	199	–	199	1,639	–	1,639	29	–	29	25	–	25
Total revenue	**14,679**	**–**	**14,679**	**17,186**	**–**	**17,186**	**8,085**	**–**	**8,085**	**3,264**	**–**	**3,264**	**2,529**	**–**	**2,529**
Employee costs	3,142	–	3,142	3,679	–	3,679	1,486	–	1,486	460	–	460	551	–	551
Fuel costs and emissions charges	3,403	–	3,403	3,986	–	3,986	1,476	–	1,476	856	–	856	628	–	628
Ownership costs	1,227	–	1,227	1,436	–	1,436	555	–	555	298	–	298	197	–	197
Supplier costs	4,677	–	4,677	5,488	–	5,488	3,255	–	3,255	1,257	–	1,257	871	–	871
Total expenditure on operations	12,449	–	12,449	14,589	–	14,589	6,772	–	6,772	2,871	–	2,871	2,247	–	2,247
Operating profit	**2,230**	**–**	**2,230**	**2,597**	**–**	**2,597**	**1,313**	**–**	**1,313**	**393**	**–**	**393**	**282**	**–**	**282**
Operating margin (%)	**15.2%**		**15.2%**				**16.2%**		**16.2%**	**12.0%**		**12.0%**	**11.1%**		**11.1%**

	Year to 31 December 2025					
	IAG Loyalty (£)			IAG Loyalty (€)		
Million	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	1,336	–	1,336	1,564	–	1,564
Other revenue	1,264	–	1,264	1,477	–	1,477
Total revenue	**2,600**	**–**	**2,600**	**3,041**	**–**	**3,041**
Employee costs	102	–	102	120	–	120
Ownership costs	28	–	28	33	–	33
Supplier costs	2,001	–	2,001	2,340	–	2,340
Total expenditure on operations	2,131	–	2,131	2,493	–	2,493
Operating profit	**469**	**–**	**469**	**548**	**–**	**548**
Operating margin (%)	**18.0%**		**18.0%**			

Alternative performance measures *continued*

Million	Year to 31 December 2024														
	British Airways (£)			British Airways (€)			Iberia			Vueling			Aer Lingus		
	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	13,466	–	13,466	15,871	–	15,871	5,862	–	5,862	3,244	–	3,244	2,304	–	2,304
Cargo revenue	789	–	789	931	–	931	305	–	305	–	–	–	55	–	55
Other revenue	153	–	153	185	–	185	1,375	–	1,375	17	–	17	17	–	17
Total revenue	14,408	–	14,408	16,987	–	16,987	7,542	–	7,542	3,261	–	3,261	2,376	–	2,376
Employee costs	2,871	–	2,871	3,386	–	3,386	1,618	160	1,458	427	–	427	514	–	514
Fuel costs and emissions charges	3,676	–	3,676	4,328	–	4,328	1,611	–	1,611	895	–	895	638	–	638
Ownership costs	1,134	–	1,134	1,337	–	1,337	461	–	461	279	–	279	164	–	164
Supplier costs	4,679	–	4,679	5,514	–	5,514	2,985	–	2,985	1,260	–	1,260	855	–	855
Total expenditure on operations	12,360	–	12,360	14,565	–	14,565	6,675	160	6,515	2,861	–	2,861	2,171	–	2,171
Operating profit	2,048	–	2,048	2,422	–	2,422	867	(160)	1,027	400	–	400	205	–	205
Operating margin (%)	14.2%		14.2%				11.5%		13.6%	12.3%		12.3%	8.6%		8.6%

Million	Year to 31 December 2024					
	IAG Loyalty (£)			IAG Loyalty (€)		
	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	1,247	–	1,247	1,470	–	1,470
Other revenue	1,183	–	1,183	1,392	–	1,392
Total revenue	2,430	–	2,430	2,862	–	2,862
Employee costs	88	–	88	104	–	104
Ownership costs	19	–	19	23	–	23
Supplier costs	1,903	–	1,903	2,240	–	2,240
Total expenditure on operations	2,010	–	2,010	2,367	–	2,367
Operating profit	420	–	420	495	–	495
Operating margin (%)	17.3%		17.3%			

b Adjusted earnings per share (KPI)

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

€ million	Note	2025	2024
Profit after tax attributable to equity holders of the parent	a	**3,342**	2,732
Exceptional items	a	**–**	(70)
Profit after tax attributable to equity holders of the parent before exceptional items		**3,342**	2,802
Income statement impact of convertible bonds	11	**158**	185
Adjusted profit		**3,500**	2,987
Weighted average number of ordinary shares in issue used for basic earnings per share	11	**4,690**	4,903
Weighted average number of ordinary shares used for diluted earnings per share	11	**5,032**	5,260
Basic earnings per share (€ cents)		**71.3**	55.7
Basic earnings per share before exceptional items (€ cents)		**71.3**	57.1
Adjusted earnings per share before exceptional items (€ cents)		**69.5**	56.8

c Ownership costs

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

€ million	2025	2024
Depreciation, amortisation and impairment	**2,628**	2,364
Net loss/(gain) on sale of property, plant and equipment	**19**	(14)
Ownership costs	**2,647**	2,350

d Free cash flow (KPI)

Free cash flow represents the cash generated by the businesses and is defined as the net cash flows from operating activities taken from the Cash flow statement, less the cash flows associated with the acquisition of property, plant and equipment and intangible assets reported in net cash flows from investing activities from the Cash flow statement. The Group believes that this measure is useful to the users of the financial statements in understanding the cash-generating ability of the Group to support operations and maintain its capital assets.

€ million	2025	2024
Net cash flows from operating activities	**6,588**	6,372
Acquisition of property, plant and equipment and intangible assets	**(3,442)**	(2,816)
Free cash flow	**3,146**	3,556

Alternative performance measures *continued*

e Gross and Net debt to EBITDA before exceptional items (KPI)

To supplement total borrowings as presented in accordance with IFRS, the Group reviews both Gross debt to EBITDA before exceptional items and Net debt to EBITDA before exceptional items to assess its level of gross and net debt in comparison to the underlying earnings generated by the Group, in order to evaluate the underlying business performance of the Group. These measures are used to monitor the Group's leverage and to assess financial headroom against internal and external analyst and investor benchmarks and their long-term industry expectations.

Gross debt is defined as long-term borrowings (both current and non-current). Net debt is defined as Gross debt, less cash, cash equivalents and current interest-bearing deposits.

EBITDA before exceptional items is defined as operating result before exceptional items, interest, taxation, depreciation, amortisation and impairment.

The Group believes that this additional measure, which is used internally to assess the Group's financial capacity, is useful to the users of the financial statements in helping them to see how the Group's financial capacity has changed over the year. It is a measure of the profitability of the Group and of the core operating cash flows generated by the business model.

€ million	Note	2025	2024
Gross debt: interest-bearing long-term borrowings	26	**14,267**	17,345
Less: Cash and cash equivalents	22	**7,421**	8,189
Less: Other current interest-bearing deposits	22	**898**	1,639
Net debt		**5,948**	7,517
Operating profit	a	**5,024**	4,283
Add: Depreciation, amortisation and impairment	a	**2,628**	2,364
EBITDA		**7,652**	6,647
Add: Exceptional items	a	**–**	160
EBITDA before exceptional items		**7,652**	6,807
Gross debt to EBITDA before exceptional items (times)		**1.9**	2.5
Net debt to EBITDA before exceptional items (times)		**0.8**	1.1

f Return on Invested Capital (KPI)

The Group monitors Return on Invested Capital (RoIC) as it gives an indication of the Group's capital efficiency relative to the capital invested, as well as the ability to fund growth and to pay dividends. RoIC is defined as EBITDA before exceptional items, less fleet depreciation adjusted for inflation, depreciation of other property, plant and equipment, and amortisation of software intangibles, divided by average invested capital and is expressed as a percentage.

Invested capital is defined as the average of property, plant and equipment and software intangible assets over a 12-month period between the opening and closing net book values. The fleet aspect of property, plant and equipment is inflated over the average age of the fleet to approximate the replacement cost of the associated assets.

€ million	Note	2025	2024
EBITDA before exceptional items	e	**7,652**	6,807
Less: Fleet depreciation multiplied by inflation adjustment		**(2,468)**	(2,246)
Less: Other property, plant and equipment depreciation		**(249)**	(234)
Less: Software intangible amortisation		**(309)**	(232)
		4,626	4,095
Invested capital			
Average fleet value[1]	13	**18,656**	18,068
Less: Average progress payments[2]	13	**(933)**	(892)
Fleet book value less progress payments		**17,723**	17,176
Inflation adjustment[3]		**1.19**	1.18
		21,124	20,326
Average net book value of other property, plant and equipment[4]	13	**2,633**	2,387
Average net book value of software intangible assets[5]	17	**1,208**	976
Total invested capital		**24,965**	23,689
Return on Invested Capital		**18.5%**	17.3%

1 The average net book value of aircraft is calculated from an amount of €18,696 million at 31 December 2025 and €18,615 million at 31 December 2024.

2 The average net book value of progress payments is calculated from an amount of €995 million at 31 December 2025 and €870 million at 31 December 2024.

3 Presented to two decimal places and calculated using a 1.5% inflation (31 December 2024: 1.5% inflation) rate over the weighted average age of the fleet at 31 December 2025 of 12.0 years (31 December 2024: 11.6 years).

4 The average net book value of other property, plant and equipment is calculated from an amount of €2,749 million at 31 December 2025 and €2,517 million at 31 December 2024.

5 The average net book value of software intangible assets is calculated from an amount of €1,300 million at 31 December 2025 and €1,115 million at 31 December 2024.

g Results on a constant currency basis

Movements in foreign exchange rates impact the Group's financial results. The IAG Board and Management Committee review the results, including revenue and operating costs, at constant rates of exchange. These financial measures are calculated at constant rates of exchange based on a retranslation, at prior year exchange rates, of the current year's results of the Group. Although the Board and Management Committee do not believe that these measures are a substitute for IFRS measures, the Board and Management Committee do believe that such results excluding the impact of currency fluctuations year on year provide additional useful information to investors regarding the Group's operating performance on a constant currency basis. Accordingly, the financial measures at constant currency within the discussion of the Group Financial review should be read in conjunction with the information provided in the consolidated financial statements.

The following table represents the main average and closing exchange rates for the reporting periods.

Foreign exchange rates

	Weighted average		Closing	
	2025	2024	**2025**	2024
Pound sterling to euro	**1.17**	1.18	**1.14**	1.21
Euro to US dollar	**1.14**	1.09	**1.17**	1.04
Pound sterling to US dollar	**1.33**	1.28	**1.34**	1.26

h Liquidity

The Board and the Management Committee monitor liquidity in order to assess the resilience of the Group to adverse events and uncertainty and to develop funding initiatives to maintain this resilience.

Liquidity is used by analysts, investors and other users of the financial statements as a measure of the financial health and resilience of the Group.

Liquidity is defined as Cash and cash equivalents plus Current interest-bearing deposits, Committed and undrawn general facilities, aircraft financing facilities and overdraft facilities.

€ million	Note	**2025**	2024
Cash and cash equivalents	22	**7,421**	8,189
Current interest-bearing deposits	22	**898**	1,639
Committed and undrawn general facilities	29f	**2,616**	3,344
Committed and undrawn aircraft facilities	29f	**–**	134
Overdrafts and other facilities	29f	**13**	56
Total liquidity		**10,948**	13,362

Subsidiaries

British Airways

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
BA and AA Holdings Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
BA Call Centre India Private Limited (callBA) F-42, East of Kailash, New Delhi, 110065	Call centre	India	100%
BA Cityflyer Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100%
BA Euroflyer Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100%
BA European Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
BA Excepted Group Life Scheme Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Insurance	England	100%
BA Healthcare Trust Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
BA Holdco Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
BA Number One Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
BA Number Two Limited IFC 5, St Helier, JE1 1ST	Holding company	Jersey	100%
Bealine Plc Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
BritAir Holdings Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
British Airways (BA) Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
British Airways 777 Leasing Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft leasing	England	100%
British Airways Associated Companies Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
British Airways Avionic Engineering Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
British Airways Capital Limited Queensway House, Hilgrove Street, St Helier, JE1 1ES	Aircraft financing	Jersey	100%
British Airways Engineering Wales Limited* (Formerly: British Airways Maintenance Cardiff Limited) Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
British Airways Holdings B.V. Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	Netherlands	100%
British Airways Interior Engineering Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
British Airways Leasing Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft leasing	England	100%
British Airways Pension Trustees (No 2) Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Trustee company	England	100%
British Midland Airways Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
British Midland Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
Gatwick Ground Services Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Ground services	England	100%
Speedbird Insurance Company Limited* Canon's Court, 22 Victoria Street, Hamilton, HM 12	Insurance	Bermuda	100%
British Airways Engineering Gatwick Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
Avios Group (AGL) Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Management of airline loyalty reward currency	England	86%[1]

Iberia

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
Compañía Operadora de Corto y Medio Radio Iberia Express, S.A.* Calle Alcañiz 23, Madrid, 28006	Airline operations	Spain	100%
Compañía Explotación Aviones Cargueros Cargosur, S.A. Calle Martínez Villergas 49, Madrid, 28027	Cargo transport	Spain	100%
Iberia Líneas Aéreas de México, S.A.C.V. Xochicalco 174, Col. Narvarte, Alcaldía Benito Juárez, Mexico City, 03020	Aircraft technical assistance	Mexico	100%
Iberia Líneas Aéreas de España, S.A. Operadora* Calle Martínez Villergas 49, Madrid, 28027	Airline operations and maintenance	Spain	100%[2]
Iberia Operadora UK Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%[1]
Iberia Tecnología, S.A.* Calle Martínez Villergas 49, Madrid, 28027	Aircraft maintenance	Spain	100%
South Europe Ground Services, S.L. Avenida de la Hispanidad 6, Madrid, 28042	Ground-handling services	Spain	100%
Iberia LAE Solutions, S.L. Edificio de Mandos (236B), Iberia Zona Industrial nº 2 (La Muñoza), Camino de La Muñoza, s/n, Madrid, 28042	IT support services	Spain	100%
Iberia Desarrollo Barcelona, S.L.* Avenida de les Garrigues 38-44, Edificio B, El Prat de Llobregat, Barcelona, 08220	Airport infrastructure development	Spain	75%
Fly Level Barcelona LH, S.L. Calle Catalunya 83, Viladecans, Barcelona, 08840	Airline operations	Spain	50%
Avios Group (AGL) Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Management of airline loyalty reward currency	England	14%[1]

Aer Lingus

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
Aer Lingus (Ireland) Limited Dublin Airport, Dublin	Provision of human resources support to fellow Group companies	Republic of Ireland	100%
Aer Lingus 2009 DCS Trustee Limited Dublin Airport, Dublin	Trustee	Republic of Ireland	100%
Aer Lingus Beachey Limited Penthouse Suite, Analyst House, Peel Road, Douglas, IM1 4LZ	Dormant	Isle of Man	100%
Aer Lingus Group DAC* Dublin Airport, Dublin	Holding company	Republic of Ireland	100%[3]
Aer Lingus Limited* Dublin Airport, Dublin	Airline operations	Republic of Ireland	100%
Aer Lingus (UK) Limited Victoria House, 15-17 Gloucester Street, Belfast, BT1 4LS	Airline operations	Northern Ireland	100%
ALG Trustee Limited 33-37 Athol Street, Douglas, IM1 1LB	Trustee	Isle of Man	100%
Dirnan Insurance Company Limited Canon's Court, 22 Victoria Street, Hamilton, HM 12	Insurance	Bermuda	100%
Santain Developments Limited Dublin Airport, Dublin	Dormant	Republic of Ireland	100%

IAG Loyalty

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
IAG Loyalty Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
IAG Loyalty Retail Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Retail services	England	100%
British Airways Holidays Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Tour operator	England	100%
Overseas Air Travel Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Flight procurement	England	100%

Group investments *continued*

IAG Cargo

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
Cargo Innovations Limited Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, Middlesex, TW6 2JS	Dormant	England	100%

Vueling

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
Yellow Handling, S.L.U. Calle Catalunya 83, Viladecans, Barcelona, 08840	Ground-handling services	Spain	100%

LEVEL

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
Fly Level UK Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
OpenSkies SASU 3 Rue le Corbusier, Rungis, 94150	Airline operations	France	100%

International Consolidated Airlines Group, S.A.

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
AERL Holding Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
British Airways plc* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100%[4]
Fly Level Barcelona LH, S.L. Calle Catalunya 83, Viladecans, Barcelona, 08840	Airline operations	Spain	100%[5]
Fly Level, S.L. El Caserío, Iberia Zona Industrial 2 (La Muñoza), Camino de la Muñoza s/n, Madrid, 28042	Airline operations	Spain	100%
IAG Cargo Limited* Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, TW6 2JS	Air freight operations	England	100%
IAG Connect Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	In-flight ecommerce platform	Republic of Ireland	100%
IAG Transform Limited* (Formerly: IAG GBS Limited) Waterside, PO Box 365, Harmondsworth, UB7 0GB	IT, finance, procurement services	England	100%
IAG GBS Poland sp z.o.o.* Ul. Opolska 114, Krakow, 31-323	IT, finance, procurement services	Poland	100%
IB Opco Holding, S.L. Calle Martínez Villergas 49, Madrid, 28027	Holding company	Spain	100%[2]
Vueling Airlines, S.A.* Calle Catalunya 83, Viladecans, Barcelona, 08840	Airline operations	Spain	99.5%[6]

* Principal subsidiaries

1 The Group holds 100% of both the nominal share capital and economic rights in Avios Group (AGL) Limited, held directly by British Airways plc, which owns 86%, and Iberia Operadora UK Limited, which owns 14%.

2 The Group holds 49.9% of both the total nominal share capital and the total number of voting rights in IB Opco Holding, S.L. (and thus, indirectly, in Iberia Líneas Aéreas de España, S.A. Operadora), such stake having almost 100% of the economic rights in these companies. The remaining shares, representing 50.1% of the total nominal share capital and the total number of voting rights, belong to a Spanish company incorporated for the purposes of implementing the Iberia nationality structure.

3 The Group holds 49.75% of the total number of voting rights and the majority of the economic rights in Aer Lingus Group DAC. The remaining voting rights, representing 50.25%, correspond to a trust established for implementing the Aer Lingus nationality structure.

4 The Group holds 49.9% of the total number of voting rights and 99.65% of the total nominal share capital in British Airways plc, such stake having almost 100% of the economic rights. The remaining nominal share capital and voting rights, representing 0.35% and 50.1% respectively, are held by a trust established for the purposes of implementing the British Airways nationality structure.

5 The Group holds 100% of both the nominal share capital and economic rights in Fly Level Barcelona LH, S.L., held directly by Iberia, which owns 50.1%, and the Company, which owns 49.9%.

6 The Group holds 99.5% of both the nominal share capital and economic rights in Vueling Airlines, S.A., held directly by Iberia, which owns 50.1%, and the Company, which owns 49.4%.

Associates

Name and registered address	Country of incorporation	Percentage of equity owned
Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A. Carretera Aerocaribbean y Final, Terminal No 5 Jose Martí Airport, Wajay, Municipio Boyeros, Havana	Cuba	50%
Empresa Logística de Carga Aérea, S.A. Carretera de Wajay km 1 ½, Jose Martí Airport, Havana	Cuba	50%
Multiservicios Aeroportuarios, S.A. Avenida de Manoteras 46, 2ª planta, Madrid, 28050	Spain	49%
Dunwoody Airline Services Limited Building 552, Shoreham Road East, London Heathrow Airport, Hounslow, TW6 3UA	England	40%
Serpista, S.A. Calle Cardenal Marcelo Spínola 10, Madrid, 28016	Spain	39%
Air Miles España, S.A. Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	30%
Inloyalty by Travel Club, S.L.U. Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	30%
Viajes Ame, S.A.U. Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	30%
LanzaJet Inc. 520 Lake Cook Road, Suite 680, Deerfield, Illinois, 60015	USA	9.7%

Joint ventures

Name and registered address	Country of incorporation	Percentage of equity owned
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. Edificio Los Cubos, Calle Albacete 5, 9ª planta, Madrid, 28027	Spain	50.5%

Other equity investments

The Group's principal other equity investments are as follows:

Name and registered address	Country of incorporation	Percentage of equity owned	Currency	Shareholder's funds (million)	Profit/(loss) before tax (million)
Air Europa Holdings S.L.[1] Carretera Arenal – Llucmajor, km 21.5, Llucmajor, 07620	Spain	20%	€	117	4
Servicios de Instrucción de Vuelo, S.L. El Caserío, Iberia Zona Industrial 2 (La Muñoza), Camino de la Muñoza s/n, Madrid, 28042	Spain	19.9%	€	74	1
The Airline Group Limited 4000 Parkway, Whiteley, Fareham, Hampshire, PO15 7FL	England	16.7%	£	287	80
Travel Quinto Centenario, S.A. Calle Alemanes 3, Sevilla, 41004	Spain	10%	€	–	–
Nova Pangaea (Holdings) Limited Lealholme Building, Wilton International, Middlesbrough, Teesside, TS10 4RG	England	8.9%	£	(7)	(7)
i6 Group Limited Farnborough Airport, Ively Road, Farnborough, Hampshire, GU14 6XA	England	6.6%	£	(2)	(2)
NAYAKJV1, SL Carrer d'Osona 2, El Prat de Llobregat, 08820	Spain	5.0%	€	1	–

1 The Shareholder's funds and result before tax of Air Europa Holdings S.L. represent the data for the year to 31 December 2024 and are prepared under Spanish GAAP. The Group does not have access to financial information other than that reported in the statutory financial statements of the company, which are published subsequent to the authorisation of these consolidated financial statements.

Statement of Directors' responsibilities

LIABILITY STATEMENT OF DIRECTORS FOR THE PURPOSES ENVISAGED UNDER ARTICLE 8.1.b OF SPANISH ROYAL DECREE 1362/2007 OF 19 OCTOBER (*REAL DECRETO* 1362/2007).

At a meeting held on 26 February 2026, the directors of International Consolidated Airlines Group, S.A. state that, to the best of their knowledge, the individual and consolidated financial statements for the year to 31 December 2025, prepared in accordance with the applicable set of accounting standards and in single electronic format, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and that the individual and consolidated management reports include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face.

26 February 2026

Javier Ferrán Larraz
Chairman

Luis Gallego Martín
Chief Executive Officer

Eva Castillo Sanz

Margaret Ewing

Maurice Lam

Bruno Matheu

Heather Ann McSharry

Simone Menne

Robin Phillips

Päivi Rekonen

Lucy Nicola Shaw



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

(Together with the consolidated financial statements and consolidated management report of International Consolidated Airlines Group, S.A. and subsidiaries for the year ended 31.12.25)

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

Independent Auditor's Report on the Consolidated Financial statements

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of International Consolidated Airlines Group, S.A. (the Parent) and subsidiaries (together the "Group") which comprise the consolidated balance sheet at 31 December 2025 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

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Paseo de la Castellana, 259C 28046 Madrid

On the Spanish Official Register of Auditors ("ROAC") with No. S0702, and the Spanish Institute of Registered Auditors' list of companies with No. 10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

KPMG

Customer loyalty programmes - revenue recognition for deferred revenue liabilities (€3,348million; 2024: €2,888 million) See note 24 to the financial statements, refer further to accounting policy and financial disclosures.	
Key audit matter	*How the matter was addressed in our audit*
Subjective estimate The revenue recognition and deferred revenue liabilities in respect of customer loyalty programmes include significant management estimates with regard to the number of Avios not expected to be redeemed. These estimates are based on assumptions derived from statistical models. Relatively small changes in these assumptions could result in a material change in the number of Avios expected to be redeemed. The effect of these matters is that, as part of our risk assessment, we determined that deferred revenue liabilities arising on customer loyalty programs have a high degree of estimation uncertainty and could be subject to manipulation, which is the reason why we have considered it a key matter of our audit. The financial statements (note 24) disclose the sensitivity estimated by the Group.	Our procedures included: - Control design: Testing the design and implementation of controls around customer loyalty revenue recognition and estimation of breakage . - Assessing principles: Assessing the application of the Group's accounting policies in recognising customer loyalty revenues by reference to the revenue accounting standard. - Methodology implementation: With the assistance of KPMG actuarial specialists, assessing the methods that have been approved by management and developed by the corporate actuary to estimate future redemption and breakage rates in the Group's statistical model. - Assumptions assessment: Assessing the future customer behaviour assumptions for breakage based on past experiences and considering changes in the loyalty schemes, including changes to customer issuances and redemption offerings. - Re-performance: With the application of our Data Analytics techniques, reconciling the Avios activity back to the operational systems and investigating material variances. - Tests of detail: On a sample basis, testing the value of an Avios derived by the Group to defer revenues when Avios are initially issued. Agreeing the balance sheet reconciliation to income statement movements, issuances and redemption data and the closing deferred revenue position. - Tests of detail: For the most significant Avios Issuance Partners (including credit card issuers), comparing the amount of Avios issued per the Group's accounting records with the amounts as per confirmations that we obtained directly from the Partners. - Assessing transparency: Assessing the Group's disclosures in respect of deferred revenue, including over the key judgements and estimation uncertainty and the associated sensitivity disclosures.

Valuation of the gross defined benefit pension obligation (DBO) (€17,318 million; 2024: €19,275 million) See note 34 to the financial statements, refer further to accounting policy and financial disclosures.	
Key audit matter	*How the matter was addressed in our audit*
Subjective valuation Significant estimates are made in determining the key assumptions used in valuing the Group's gross defined benefit pension scheme obligations. When making these assumptions, the directors take independent actuarial advice relating to their appropriateness. A small change in assumptions and estimates can have a material financial impact on the Group's gross defined benefit pension obligations. The significant risk relates to the New Airways Pension Scheme and Airways Pension Scheme which represents 97.4% (2024: 97.4%) of pension scheme obligations. The most significant assumptions are discount rate, inflation rate and mortality/life expectancy. The effect of these matters is that, as part of our risk assessment, we determined that the gross defined benefit pension scheme obligations have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements, and possibly many times that amount, which is the reason why we have considered it a key matter of our audit. The financial statements (note 34) disclose the sensitivity estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: - Benchmarking assumptions: Challenging, with the support of our own employed KPMG actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data in the context of market practice and the macroeconomic uncertainties. - Methodology assessment: Involving the KPMG employed specialists to assess the appropriateness of the valuation methods, estimates and judgements that have been approved by management and developed by the corporate actuary to value the scheme obligations. - Actuary's credentials: Assessing the competency, independence and integrity of the Group's actuarial expert. - Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivities of these assumptions on the obligations.



Accounting for aircraft maintenance, restoration and handback costs (liabilities of €2,866 million; 2024: €3,014 million) See note 27 to the financial statements, refer further to accounting policy and financial disclosures	
Key audit matter	*How the matter was addressed in our audit*
Accounting judgement The Group has applied judgement in selection of the accounting policy with regards to the recognition and subsequent measurement of maintenance and handback provisions for leased aircraft as explained in Note 27. If the Group were to apply an alternate accounting policy, the financial impact would be materially different at the reporting date. Subjective valuation The calculation of provisions for maintenance, restoration and handback are complex and derived from multiple different models and is based on judgemental assumptions of the forecast costs expected to be incurred when the major maintenance event occurs. Due to the size of the aircraft fleet and the complexity of the models, there is a heightened sensitivity towards the estimation uncertainty in the key assumptions such as the forecast costs. Changes in these assumptions could result in significant adjustments to the level of provision and associated asset balances recognised. The effect of these matters is that, as part of our risk assessment, we determined that aircraft maintenance, restoration and handback provision obligations have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements, based on the combination of assumptions applied, which is the reason why we have considered it a key matter of our audit. The financial statements (note 27) disclose the sensitivity estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: - Assessing principles: Assessing whether the recognition of maintenance provisions and capitalised maintenance assets are in accordance with IAS 37 and IFRS 16 requirements, lease obligations and industry practice. - Re-performance: Assessing the maintenance models for mathematical accuracy by performing a recalculation of the year end provision held. - Tests of detail: Inspecting lease agreements and maintenance contracts on a sample basis for significant return obligations and checking that those lease obligations were included in the maintenance model. Agreeing budgeted and contracted rates on a sample basis to supporting documentation. - Historical comparisons: Assessing whether past estimates have been historically accurate by comparing actual cost to previously recognised provisions. - Sensitivity analysis: Performing sensitivity analysis on the forecast costs against inflation and historically observed price increases - Assessing transparency: Assessing the Group's disclosures in relation to the key judgements and estimates around the accounting for aircraft maintenance, restoration and handback costs.

KPMG

Passenger and cargo revenue recognition (€30,207 million; 2024: €29,508 million) See note 5 and 24 to the financial statements, refer further to accounting policy and financial disclosures.	
Key audit matter	*How the matter was addressed in our audit*
Low risk, high volume Passenger and cargo revenue is a key audit matter due to the high level of audit effort required by us given the high volume, low value of transactions. They are recorded via a highly automated, but complex, transactional process including third party booking management systems as well as operational data. This includes revenue recognition triggered at the time of the flight departure, which is based on the operational information recorded in these systems and processes. Passenger revenues include tickets containing multiple flights, booking classes and a variety of surcharges and taxes which vary by route. Revenue accuracy depends on correctly applying the relevant inputs and rules. Due to limited judgement and estimation involved in recognising revenue on departure, passenger and cargo revenues are not at a high risk of significant misstatement. However, due to materiality in the context of the Group financial statements, this is considered to be one of the areas where significant audit effort was spent.	Our procedures include: - Assessing principles: Assessing the Group's revenue recognition policy by reference to the accounting standards. Passenger revenue (€28,969m (2024: €28,274m)): - Testing application: Using our Revenue Data Analytics programme to recreate the revenue flow through the accounting systems for the key revenue accounts and assess whether the entries pass through the expected processes and accounts. - Control operation: Testing the design and implementation, and the operating effectiveness of General IT Controls over the key revenue accounting systems considering appropriate configuration and prevention of unauthorised access and changes. Testing design and implementation, and the operating effectiveness of manual and automated controls underpinning the recognition of revenue. - Outsourcing controls: Inspecting the third-party Service Organisation Control reports to determine whether General IT controls over certain passenger revenue systems operated effectively during the year. - Tests of detail: Testing revenue journals to determine whether they are recorded based on our understanding of the revenue process. Testing revenue transactions on a sample basis by re-calculating the appropriate fare rules and verifying flight flown status to external flight data. - Tests of detail: Testing revenue by tracing a sample of passenger events, such as bookings, departures, voucher issuances and cancellations, back to the revenue data. - Tests of detail: Testing year end trade receivables to cash received post year end. Testing on a sample basis for flights departing close to the year end whether revenue was recorded in the correct period. - Historical comparisons: For passenger breakage revenue, we have evaluated the Group's accounting policy, assessing the methodology applied and challenging key assumptions by comparing against the Group's airlines past experiences. Cargo revenue (€1,238m (2024: €1,234m)): - Tests of detail: Testing, on a sample basis, cargo revenue transactions to external support and cash received.



IAG Loyalty VAT – Contingent liability for VAT on Avios (HMRC assessments as at December 2025) and Other non-current asset (€507m; 2024: €88m) See note 10g to the financial statements, refer further to accounting policies and disclosures	
Key audit matter	*How the matter was addressed in our audit*
Accounting Treatment The Group's operating company, IAG Loyalty, received a decision letter from His Majesty's Revenue and Customs (HMRC) in the UK during 2024, asserting that VAT arises at 20% on the issuance of Avios from periods commencing in March 2018. Having reviewed HMRC's decision with its legal and tax advisors, the Group considers it more likely than not that a favourable outcome from the judicial process detailed in Note 10g will eventuate. In order to appeal HMRC's decision through the judicial process, the Group has paid deposits to HMRC of £443m (€530m), net of refunds and excluding interest, as disclosed in Note 10g. These deposits are recognised as an Other non-current asset as at 31 December, 2025. The amounts involved are significant and the application of accounting standards to determine the amount, if any, to be provided as a liability for VAT on Avios, is inherently subjective. We identified this matter as a key audit matter because complex and subjective auditor judgement was required in evaluating the Group's assessment that no provision is required based on the relevant legal requirements, case law and VAT regulations. Where the impact of any present obligations is not probable, and thus no provision is recorded, failure to adequately disclose the nature of these circumstances within the financial statements may distort the reader's view as to the potential risks faced by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: - Test of details: We obtained an understanding and status of the VAT dispute with the Group's Head of Tax, examining any relevant correspondence with HMRC. - Enquiry of the Group's tax and legal advisors: Examined relevant correspondence with the Group's external legal and tax advisors, accompanied by discussions with the Group's external tax advisors. - Assessment of the Group's tax and legal advisors: The audit team performed a detailed assessment of the competence and objectivity of external counsel by inspecting their terms of engagement, qualifications and credentials. - Our tax expertise: With the assistance of KPMG VAT Specialists, we critically assessed managements' conclusion regarding the likelihood of a favourable outcome. We assessed relevant tax regulations and historical judgements passed by the court authorities as identified by the Group and their advisors in their assessment. - Assessing transparency: We assessed whether the Group's disclosures detailing the issue and the directors' judgement adequately reflect the judgement and potential liabilities of the Group.

Other Information: Consolidated Management Report

Other information solely comprises the 2025 consolidated management report, the preparation of which is the responsibility of the Parent Company's Directors and which does not form an integral part of the consolidated financial statements.

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

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

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

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated management report is consistent with that disclosed in the consolidated financial statements for 2025, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

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

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

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

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

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

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

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

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

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



- Plan and execute the audit of the Group to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units of the Group as the basis to form an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and review of the work performed for the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Company's Audit and Compliance Committee with a statement that we have complied with the ethical requirements regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, safeguarding measures adopted to eliminate or reduce the threat.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of International Consolidated Airlines Group S.A. and its subsidiaries for 2025 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated financial statements for the aforementioned year and the XBRL files tagged by the Parent, which will form part of the annual financial report.

The Directors of International Consolidated Airlines Group S.A. are responsible for the presentation of the 2025 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this respect, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

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

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

Additional Report to the Audit and Compliance Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's Audit and Compliance Committee dated 3 March 2026.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general shareholders' meeting on 19 June 2025 for a period of 1 year for the year ended 31 December 2025.

Previously, we had been appointed for a period of 3 years and additional period of 1 year, by the shareholders at their general meeting. We have been auditing the annual accounts since the year ended 31 December 2021.

Review of the Corporate Governance Statement

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

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

Bernardo Rücker-Embden
On the Spanish Official Register of Auditors ("ROAC") with n° 18.836

3 March 2026

Glossary

Adjusted earnings per share	Earnings are based on profit/(loss) after taxation before exceptional items, adjusted for earnings attributable to equity holders and the income statement impact of convertible bonds, divided by the weighted average number of ordinary shares, adjusted for the dilutive impact of the assumed conversion of the bonds and employee share schemes outstanding
Available seat kilometres (ASK)	The number of seats available for sale multiplied by the distance flown
Available tonne kilometres (ATK)	The number of tonnes of capacity available for the carriage of load (passenger and cargo) multiplied by the distance flown
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the gate at the departure airport to the time that it arrives at the gate at the destination airport
Cargo revenue per CTK	Cargo revenue divided by CTK
Cargo tonne kilometres (CTK)	The number of tonnes of cargo carried that generate revenue (freight and mail) multiplied by the distance flown
Dividend cover	The number of times the profit/(loss) after taxation before exceptional items covers the dividends paid and proposed
EBITDA	Operating result before interest, taxation, depreciation, amortisation and impairment
Emissions Trading System/ Scheme (ETS)	An Emissions Trading System/Scheme is a market-based carbon pricing instrument that sets an explicit price on emissions. Group airlines participate in the EU and Swiss Emissions Trading Systems and the UK Emissions Trading Scheme
Free cash flow	Cash generated by the businesses, defined as the net cash flows from operating activities taken from the Cash flow statement, less the cash flows associated with the acquisition of property, plant and equipment and intangible assets reported in net cash flows from investing activities from the Cash flow statement
Gross capital expenditure (capex)	Acquisition of property, plant and equipment and intangible assets reported in the Cash flow statement and includes fleet, customer product, IT and infrastructure, including those assets initially purchased and then subject to subsequent sale and leaseback transactions and recognised as right-of-use assets
Gross debt	Current and non-current interest-bearing long-term borrowings
Gross leverage	Gross debt divided by the rolling four quarters EBITDA before exceptional items and expressed as times
Interest cover	The number of times the profit/(loss) before taxation and exceptional items, adding back net interest expense and interest income, covers the net interest expense and interest income
Invested capital	The average of property, plant and equipment and software intangible assets over a 12-month period between the opening and closing net book values. The fleet aspect of property, plant and equipment is inflated over the average age of the fleet to approximate the replacement cost of the associated assets
Leverage	Net debt divided by the rolling four quarters EBITDA before exceptional items and expressed as times
Liquidity	Cash and cash equivalents plus current interest-bearing deposits, plus committed general undrawn facilities, committed aircraft undrawn facilities and overdraft facilities
Net debt	Current and non-current interest-bearing long-term borrowings less cash and cash equivalents and current interest-bearing deposits

Net Promoter Score (NPS)	The Net Promoter Score is a metric based on survey responses to a 'likelihood to recommend' question and is calculated by subtracting the percentage of customers who are 'Detractors' (score 0–6, unlikely to recommend) from the percentage of customers who are 'Promoters' (score 9–10, extremely likely to recommend)
Non-fuel costs per ASK (Non-fuel unit cost)	Total operating expenditure before exceptional items excluding fuel costs and emissions charges divided by ASK
Operating margin	Operating result before exceptional items as a percentage of total revenue before exceptional items
Overall load factor	RTK expressed as a percentage of ATK
Passenger load factor	RPK expressed as a percentage of ASK
Passenger revenue per ASK (PRASK)	Passenger revenue before exceptional items divided by ASK
Passenger revenue per RPK (yield)	Passenger revenue before exceptional items divided by RPK
Punctuality	The industry's standard, measured as the percentage of flights departing within 15 minutes of schedule
Regularity	The percentage of flights completed to flights scheduled, excluding flights cancelled for commercial reasons
Return on Invested Capital (RoIC)	EBITDA, less fleet depreciation adjusted for inflation, depreciation of other property, plant and equipment, and amortisation of software intangibles, divided by average invested capital and expressed as a percentage
Revenue passenger kilometres (RPK)	The number of passengers who generate revenue carried multiplied by the distance flown
Revenue tonne kilometres (RTK)	The revenue load in tonnes multiplied by the distance flown
Sector	A one-way revenue flight
Sustainable Aviation Fuel (SAF)	SAF is a fuel that is chemically almost identical to jet kerosene. The feedstocks for these fuels (currently waste materials such as municipal waste or waste wood) absorb CO_2 in their growth cycle before this carbon is recycled into fuel and then emitted during the flight
Total capital	Total equity plus net debt
Total operating expenditure per ASK (CASK)	Total operating expenditure before exceptional items divided by ASK
Total revenue per ASK (RASK)	Total revenue before exceptional items divided by ASK
Total traffic revenue per ATK	Revenue from total traffic before exceptional items (passenger and cargo) divided by ATK

Aircraft fleet

Number in service with Group companies

	Owned	Finance lease	Operating lease	**Total 31 December 2025**	Total 31 December 2024	Changes since 31 December 2024	Future deliveries	Options[1]
Airbus A319ceo	11	–	21	**32**	36	(4)	–	–
Airbus A320ceo	53	3	143	**199**	193	6	–	–
Airbus A320neo	6	49	28	**83**	74	9	38	30
Airbus A321ceo	14	–	28	**42**	42	–	–	–
Airbus A321neo	5	12	19	**36**	31	5	30	–
Airbus A321LR	–	–	8	**8**	8	–	–	–
Airbus A321XLR	7	4	–	**11**	3	8	2	14
Airbus A330-200	4	1	17	**22**	22	–	–	–
Airbus A330-300	4	4	12	**20**	20	–	–	–
Airbus A330-900	–	–	–	**–**	–	–	21	13
Airbus A350-900	1	6	16	**23**	22	1	8	7
Airbus A350-1000	2	14	2	**18**	18	–	6	12
Airbus A380	8	4	–	**12**	12	–	–	–
Boeing 737-8200	–	–	–	**–**	–	–	25	100
Boeing 737-10	–	–	–	**–**	–	–	25	–
Boeing 777-200	41	–	2	**43**	43	–	–	–
Boeing 777-300	9	–	7	**16**	16	–	–	–
Boeing 777-9	–	–	–	**–**	–	–	24	9
Boeing 787-8	8	2	2	**12**	12	–	–	–
Boeing 787-9	1	8	9	**18**	18	–	–	–
Boeing 787-10	3	7	2	**12**	11	1	38	10
Embraer E190	9	–	11	**20**	20	–	–	–
Group total	**186**	**114**	**327**	**627**	**601**	**26**	**217**	**195**

1 The options to purchase 100 Boeing 737 aircraft allow for flexibility in the choice of variant.

Aircraft are reported based on their contractual definitions as opposed to their accounting determination. For accounting purposes, while all operating leases are presented as lease liabilities, finance leases are presented as either lease liabilities or asset financed liabilities, depending on the nature of the individual arrangement. See note 2 to the consolidated financial statements for further information.

As well as those aircraft in service, the Group also holds 9 aircraft (31 December 2024: 11) not in service.

Operating and financial statistics

Total Group operations		2025	2024	2023	2022[1]	2021
Traffic and capacity						
Available seat km (ASK)	million	**351,435**	343,253	323,111	263,592	121,965
Revenue passenger km (RPK)	million	**300,814**	296,877	275,727	215,749	78,689
Cargo tonne km (CTK)	million	**5,273**	5,253	4,666	3,980	3,970
Passengers carried	'000	**121,560**	122,047	115,559	94,726	38,864
Sectors		**745,806**	741,653	714,562	619,122	307,519
Block hours	hours	**2,328,601**	2,276,790	2,137,749	1,781,829	892,455
Operations						
Average headcount[2]		**75,871**	73,498	69,762	61,192	56,618
Aircraft in service at year end		**627**	601	582	558	531
Aircraft utilisation – long-haul (average hours per aircraft per day)	hours	**13.3**	13.5	14.3	12.8	8.1
Aircraft utilisation – short-haul (average hours per aircraft per day)	hours	**8.7**	8.9	8.3	7.7	4.5
Punctuality – within 15 minutes	%	**82.4**	77.8	72.2	61.7	86.4
Regularity	%	**99.1**	98.7	98.5	98.7	96.7
Financial						
Passenger unit revenue per ASK (PRASK)[3]	€ cents	**8.24**	8.24	7.99	7.38	4.78
Passenger revenue per RPK[3]	€ cents	**9.63**	9.52	9.36	9.02	7.41
Cargo revenue per CTK[3]	€ cents	**23.48**	23.49	24.77	40.58	42.14
Total revenue per ASK (RASK)[3]	€ cents	**9.45**	9.35	9.12	8.75	6.93
Average fuel price	$/metric tonne	**720**	795	883	1,074	587
Fuel cost per ASK[3]	€ cents	**2.02**	2.22	2.34	2.32	1.59
Operating (loss)/profit before depreciation and amortisation (EBITDA)[3]	€ million	**7,652**	6,807	5,570	3,325	(1,017)
Total operating expenditure excluding fuel per ASK (Non-fuel unit cost)[3]	€ cents	**6.01**	5.84	5.69	5.96	7.78
Operating margin[3]	%	**15.1**	13.8	11.9	5.4	(35.1)
Total operating expenditure per ASK (CASK)[3]	€ cents	**8.02**	8.06	8.03	8.28	9.36
Dividend cover[3]	times	**7.5**	6.6	n/a	n/a	n/a
Interest cover[3]	times	**8.7**	8.4	5.1	1.4	(4.0)
Net debt	€ million	**5,948**	7,517	9,245	10,385	11,667
Equity	€ million	**7,594**	6,176	3,278	2,022	846
Net debt to EBITDA before exceptional items	times	**0.8**	1.1	1.7	3.1	(11.5)
Exchange rates - weighted average						
Translation	£:€	**1.17**	1.18	1.15	1.17	1.15
Transaction	£:€	**1.17**	1.18	1.15	1.17	1.15
Transaction	€:$	**1.14**	1.09	1.09	1.05	1.20
Transaction	£:$	**1.33**	1.28	1.26	1.23	1.38

1 The 2022 results have been restated for the reclassification of the Net loss/(gain) on sale of property, plant and equipment within Operating profit.

2 Average headcount in 2021 and 2022 includes those employees who were on furlough, wage support and equivalent schemes, including the Temporary Redundancy Plan arrangements in Spain.

3 Figures are shown before exceptional items.

n/a: not applicable

KPMG

International Consolidated Airlines Group, S.A. and subsidiaries

Limited Assurance Report issued by an assurance provider on the Consolidated Non-Financial Information Statement (NFIS) and Sustainability Information

31 December 2025

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

Limited Assurance Report issued by an assurance provider on the Consolidated Non-Financial Information Statement and Sustainability Information of International Consolidated Airlines Group, S.A. and subsidiaries for 2025

To the Shareholders of International Consolidated Airlines Group, S.A.:

Limited Assurance Conclusion

Pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review of the accompanying Consolidated Non-Financial Information Statement (hereinafter, NFIS) of International Consolidated Airlines Group, S.A. (hereinafter, the Entity) and its subsidiaries (hereinafter, the Group) for the year ended 31 December 2025, which forms part of the Group´s consolidated management report.

The NFIS includes additional information to that required by prevailing mercantile legislation concerning non-financial information, namely the sustainability information prepared by the Group for the year ended 31 December 2025 (hereinafter, the Sustainability Information) in accordance with the provisions of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on Corporate Sustainability Reporting Directive (CSRD). This Sustainability Information has also been subject to a limited assurance review.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

a) the Group's Non-Financial Information Statement for the year ended 31 December 2025 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected criteria of the European Sustainability Reporting Standards (ESRS), as well as the other criteria described based on each subject area in section "Table of contents required by Spanish Law 11/2018" of the aforementioned Statement;

b) the Sustainability Information as a whole has not been prepared, in all material respects, in accordance with the sustainability reporting framework applied by the Group and identified in the accompanying note "BP-1 General basis for preparation", including:

- That the description of the process for identifying the sustainability reporting information included in note "IRO-1 Description of the process to identify and assess material IROs and to assess which ones are material; IRO-2 - Disclosure requirements in ESRS covered by the undertaking's Sustainability statement" is consistent with the process carried out and that it identifies the material information to be disclosed in accordance with the requirements of the ESRS.

- Compliance with ESRS.

- Compliance of the disclosure requirements, included in subsection "EU Taxonomy Regulation" of the environment section of the Sustainability Information, with Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

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Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153



Basis for Conclusion

We have performed our limited assurance engagement in accordance with generally accepted professional standards applicable in Spain and specifically with the guidelines contained in the Revised Guidelines 47 and 56 for assurance engagements on non-financial information issued by the Spanish Institute of Registered Auditors (ICJCE) and considering the contents of the note published by the Spanish Accounting and Audit Institute (ICAC) on 18 December 2024 (hereinafter, Generally Accepted Professional Standards).

The scope of the procedures applied in a limited assurance engagement is less than those required in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the level of assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under this standard are further described in the Responsibility of the Assurance Provider section of our report.

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

Our firm applies the International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Directors' Responsibility

The preparation of the NFIS included in the Group´s consolidated management report, and the content thereof, is the responsibility of the Directors of International Consolidated Airlines Group, S.A. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected criteria of the ESRS, as well as the other criteria described based on each subject area in section "Table of contents required by Spanish Law 11/2018" of the aforementioned Statement.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Directors of International Consolidated Airlines Group, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS was obtained.

In relation to the Sustainability Information, the entity's Directors are responsible for developing and implementing a process for identifying the information to be included in the Sustainability Information in accordance with the contents of the CSRD, the ESRS and Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 and for disclosing information about this process in the Sustainability Information in note "IRO-1 Description of the process to identify and assess material IROs and to assess which ones are material; IRO-2 - Disclosure requirements in ESRS covered by the undertaking's Sustainability statement". This responsibility includes:



- understanding the context in which the Group's business activities and relationships are conducted, and its stakeholders, in relation to the Group's impact on people and the environment.
- identifying actual and potential impacts (both negative and positive), and any risks and opportunities that might affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to financing and the cost of capital in the short, medium or long term
- evaluating the materiality of the impacts, risks and opportunities identified; and
- making assumptions and estimates that are reasonable in the circumstances.

The Directors are also responsible for the preparation of the Sustainability Information, including the information identified by the process, in accordance with the sustainability reporting framework applied, including compliance of the CSRD, the ESRS and the disclosure requirements included in subsection "EU Taxonomy Regulation" of the environmental section of the Sustainability Information with Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

This responsibility includes:

- Designing, implementing and maintaining such internal control as the Directors consider necessary to enable the preparation of sustainability information that is free from material misstatement, whether due to fraud or error.
- Selecting and applying appropriate methods for sustainability information and making assumptions and estimates that are reasonable in the circumstances for specific disclosures.

Inherent Limitations in preparing the information

In accordance with the ESRS, the Entity's Directors are required to prepare prospective information based on assumptions and hypotheses, which are to be included in the Sustainability Information, regarding events that may occur in the future, as well as any possible future actions that the Group may take. The actual outcome may differ significantly from the estimates, as future events often do not occur as expected.

In determining sustainability disclosures, the Entity's Directors interpret legal and other terms that are not clearly defined and may be interpreted differently by others, including the legal conformity of such interpretations, and are therefore subject to uncertainty.

Responsibility of the Assurance Provider

Our objectives are to plan and perform the assurance engagement in order to obtain limited assurance about whether the NFIS and Sustainability Information are free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusions thereon. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this information.



As part of a limited assurance engagement, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Design and implement procedures to assess whether the process for identifying the information to be included in both the NFIS and Sustainability Information is consistent with the description of the process followed by the Group and allows, where appropriate, for the identification of material information to be disclosed in accordance with the requirements of the ESRS.
- Apply risk-based procedures, including obtaining an understanding of internal controls relevant to the engagement in order to identify the disclosures where material misstatements are more likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion about the effectiveness of the Group's internal control.
- Design and implement procedures that respond to disclosures in both the NFIS and the Sustainability Information that are likely to contain material misstatements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of Work Performed

A limited assurance engagement includes performing procedures to obtain evidence to support our conclusions. The nature, timing and scope of the procedures selected depend on professional judgement, including the identification of the disclosures in which material misstatements, whether due to fraud or error, are likely to arise in the NFIS and the Sustainability Information.

Our work consisted of making inquiries of management, as well as of the different units and components of the Group that participated in the preparation of the NFIS and the Sustainability Information, reviewing the processes for compiling and validating the information presented in the NFIS and the Sustainability Information and applying certain analytical procedures and sample review tests, which are described below:

In relation to the NFIS assurance process:

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS for 2025 based on the materiality analysis performed by the Group and described in the note "IRO-1 Description of the process to identify and assess material IROs and to assess which ones are material; IRO-2 - Disclosure requirements in ESRS covered by the undertaking's Sustainability statement", considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2025.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2025.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2025 and whether it has been adequately compiled based on data provided by the information sources.



In relation to the assurance work on the Sustainability Information:

- Making inquiries of Group personnel:
  - to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain information necessary for the external review.
  - to understand the source of information used by management (e.g. stakeholder interaction, business plans and strategy documents) and review the Group's internal documentation on its process.
- Through inquiries of Group personnel, gaining an understanding of the Group's processes for collecting, validating and reporting information relevant to the preparation of its sustainability information.
- Assessment of how consistent the evidence obtained from our procedures on the Group's process for determining the information to be included in the Sustainability Information is with the description of the process included in the Sustainability Information, and assessment of whether the Group's process duly identifies the material information to be disclosed in accordance with the requirements of the ESRS.
- Assessment of whether all the information identified in the Group's process for determining the information to be included in the Sustainability Information is effectively included.
- Assessment of how consistent the structure and presentation of the Sustainability Information is with the provisions of the ESRS and the rest of the sustainability reporting framework applied by the Group.
- Inquiries of relevant personnel and performance of analytical procedures on the information disclosed in the Sustainability Information considering where material misstatements are likely to arise, whether due to fraud or error.
- Performance, if applicable, of sample substantive procedures on information disclosed in the Sustainability Information considering where material misstatements are likely to arise, whether due to fraud or error.
- Procurement, if applicable, of any reports issued by accredited independent third parties included as an appendix to the consolidated management report in response to the requirements of European regulations and, in relation to the information to which they refer and in accordance with Generally Accepted Professional Standards, confirmation solely that the accreditation of the assurance provider and the scope of the report issued is in line with European regulations.
- Procurement, if applicable, of any documents containing the information included by reference, the reports issued by auditors or assurance providers on those documents and, in accordance with Generally Accepted Professional Standards, confirmation solely that the document referred to by such information included by reference meets the conditions described in the ESRS for incorporating information by reference in the Sustainability Information.
- Procurement of a representation letter from the Directors and management regarding the NFIS and the Sustainability Information.

Other Information

The Directors of International Consolidated Airlines Group, S.A. are responsible for other information. Other information comprises the consolidated annual accounts and other information included in the consolidated management report but does not include either the auditor's report on the consolidated annual accounts or assurance reports issued by accredited independent third parties required by European Union law on specific disclosures contained in the Sustainability Information included as an appendix to the consolidated management report.

Our assurance report does not cover other information, and we do not express any assurance conclusions on said information.

In connection with our engagement to provide assurance on the Sustainability Information, our responsibility is to read the other information identified above and, in so doing, consider whether the other information is materially inconsistent with the Sustainability Information or with the knowledge we have acquired during the assurance engagement that could be indicative of material misstatements in the Sustainability Information.

KPMG Auditores, S.L.

Marta Contreras Hernández

3 March 2026

Consolidated Non-Financial Information Statement and Sustainability Information

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General requirements

ESRS 2 General disclosures

BP-1 General basis for preparation

International Consolidated Airlines Group (hereinafter referred to as 'International Airlines Group', 'IAG' or 'the Group') Consolidated Non-Financial Information Statement and Sustainability Information (together referred to as the 'Sustainability statement') complies with Spanish Law 11/2018, of 28 December 2018, amending the Commercial Code, the consolidated text of the Companies Law approved by Royal Legislative Decree 1/2010, of 2 July 2010, Law 22/2015, of 20 July 2015, on auditing, in matters of non-financial and diversity information, and Law 5/2021, of 12 April 2021, amending Article 49.6.II, fourth paragraph, of the Commercial Code.

This Sustainability statement is prepared in accordance with the EU CSRD on a voluntary basis and the scope of consolidation matches the consolidated financial statements of IAG.

The disclosure of transitional requirements comply with the joint communications by the CNMV and the ICAC released on 27 November 2024 and subsequent communication released on 19 November 2025. Selected GRI Standard (an international initiative for sustainability reporting) has been applied for these disclosure requirements.

IAG also complies with the 2018 UK Streamlined Energy and Carbon Reporting regulation, the TCFD recommendations and the EU Taxonomy Regulation (2020/852).

Information provided in this Sustainability statement is also relevant for the requirements of Royal Decree 214/2025, of 18 March 2025, in respect of emissions in relation to activities located in Spain. Royal Decree 214/2025 creates the register of carbon footprint, compensation and carbon dioxide absorption projects and establishes the obligation to calculate the carbon footprint and to prepare and publish plans to reduce GHG emissions (for companies affected by article 49.5 of the Commercial Code, and article 262.5 of the consolidated text of the Capital Companies Act).

Sections in IAG's Annual Report that are included within the scope of this Sustainability statement, due to their relevance for addressing the requirements of the CSRD, include Business model, Corporate Governance, Stakeholder engagement and Risk management and principal risk factors.

References to relevant regulations are provided in the appendix to this Sustainability statement.

External assurance

The full contents of this Sustainability statement are independently verified by a third party to limited assurance standards in line with ISAE3000 (Revised) standards.

Emissions data from intra-European flights is also independently verified to reasonable assurance standards within six months of the year end for compliance with the UK ETS and EU ETS and for all flights on eligible routes for the CORSIA.

Scope of this statement

IAG provides information about key environmental, social, employee-related and human-rights-related issues, where this is relevant to the Group and its activities. The scope of this Sustainability statement is aligned with the consolidated financial statement in this Annual Report. Material topics have been determined via a double materiality assessment initially completed in 2024 and reviewed in 2025, details of which follow in this Sustainability statement.

The scope of environmental performance data and targets relates to all IAG subsidiaries. The scope of workforce and ethics and integrity data includes all IAG operating companies. In both cases, a number of exceptions and assumptions have been applied and these are clearly stated with rationale provided.

The scope of human rights and modern slavery reporting relates to data from our airlines and key aspects of the IAG supply chain.

Total revenue per the consolidated financial statements is used to calculate revenue intensity data points as required under section E1 Climate change.

Scope of the value chain

This report covers sustainability impacts resulting from direct, upstream and downstream operations of IAG. Examples of these operations include, but are not limited to:

Upstream	IAG	Downstream
Fuel production	Operation of own aircraft	Provision of travel and tourism services, including hotels and car hire
Aircraft manufacturing, including airframes, engines and components	Operation of leased aircraft	Aircraft leasing to other airlines
Aircraft financing	Own MRO	Freight forwarders
Airports, ANSPs and communications	Cargo operations	
Ground services, including aircraft handling and catering	Office operations	
External MRO	Loyalty reward programmes and associated benefits	
Other supply chain services		

BP-2 Disclosures in relation to specific circumstances

Time horizon

Under the ERM framework, IAG assesses the potential impact of principal risks over the next three years against the strategic business plan ('the plan'). IAG considers risks to the plan over the (S) short term (up to three years), (M) medium term (from three to five years) and in the (L) longer term (beyond five years).

This Sustainability statement is aligned to this risk assessment, where short term (S) is defined as one to three years, medium term (M) is up to five years and long term (L) is more than five years.

To assess climate-change-related risks, IAG looks at a range of timescales including up to 2040 and 2050. Emerging risks across our business and regions are considered as they are identified, in addition to key threats and trends faced by the industry over a timeframe beyond the plan period. Longer-term considerations are assessed in parallel with the near-term priorities and adaptations required by the Group.

Refer to the Principal Risk and Uncertainties section of this Annual Report for more information.

Value chain emissions estimation

IAG has assessed all 15 categories of Scope 3 emissions as defined by the global GHG Protocol. Refer to section E1 Climate change and the appendix of this Sustainability statement for more information.

Standardised conversion factors are used where data from suppliers is not available, which means that as more data from suppliers becomes available some values may be restated if they are considered material. Any restatements will be provided in future reports with explanations provided.

Sources of estimation and outcome uncertainty

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 periods from which information was available. Internal processes, procedures and governance is in place to ensure that any estimations made are robust.

We have deemed the following metrics in the table below to have a high degree of uncertainty based on known omissions in the dataset:

Metric	Key assumptions or omissions	Remedial actions
Scope 3, Category 11: Activity relating to IAG Loyalty programme members redeeming Avios	Includes Avios redeemed through available IAG redemption channels and excludes Avios that are converted into award credits of other non-Group partners	Methodology is under development to assess the ability to broaden reporting scope beyond flight activity on IAG aircraft only

Changes in preparation or presentation of sustainability information

There have been no changes to the preparation of sustainability information in this Sustainability statement compared to 2024. This Sustainability statement is prepared within IAG's Management report in accordance with the CSRD on a voluntary basis. It adheres to the ESRS and aligns to the example structure of the Sustainability statement presented by the European Financial Reporting Advisory Group. Information disclosed in this Sustainability statement complies with the requirements of Spanish Law 11/2018 and 214/2025.

Reporting errors in prior periods

The IAG Sustainability Director reviews all data including from prior periods. No material reporting errors were identified from prior periods in the preparation of this statement.

Disclosures stemming from other legislation or generally accepted sustainability reporting pronouncements

Please refer to BP-1 General basis for more information regarding the preparation of this Sustainability statement.

IAG's most material environmental metric – Scope 1 emissions – receives additional independent reasonable assurance verification each year as part of the legal requirements of the EU, Swiss and UK ETS and CORSIA, within six months of the issuance of this report. Any material changes are restated in future reports. More information is provided in the appendix to this Sustainability statement.

Phase-in provisions

Please refer to the appendix to this Sustainability statement.

Governance

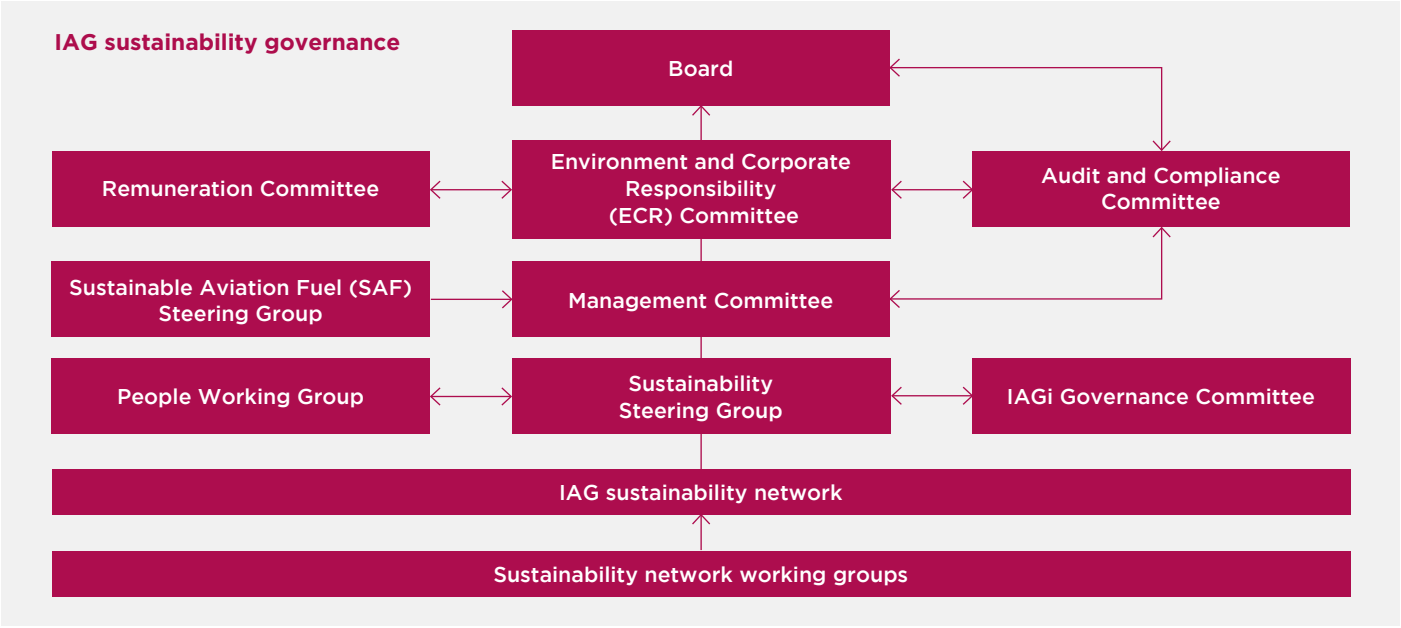
GOV-1 Role of administrative, management and supervisory bodies; GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

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

This governance ensures that wider stakeholder engagement is consistent with addressing IAG's material issues, environmental priorities and sustainability 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 structure means that each individual operating company has a distinct sustainability programme. These are regularly reviewed to ensure alignment with the Group's sustainability strategy and principles, which covers material issues, KPIs and engagement plans.

Refer to the Corporate Governance section of this Annual Report for more information on IAG's administrative, management and supervisory bodies. Relevant forums and levels of responsibility for sustainability matters are indicated below.



Board/management committee	How often sustainability information is shared	Responsibility in relation to sustainability and corporate responsibility
Board	At least quarterly	Approval of strategy, major investments, risk management and controls and review of progress against environment and people plans including climate-related goals and targets.
IAG Environment and Corporate Responsibility Committee	At least three times per year	Dedicated oversight of the Group's sustainability programme and alignment with strategic priorities, environmental sustainability approvals and review of progress against environment and people plans. Reviews and approves the Sustainability statement. Receives an update on material sustainability issues including environmental KPIs on a quarterly basis. Provides a link between operating company management committees and the Board. Receives training as required on sustainability topics. Supervises the implementation of policies concerning sustainability in the value chain.
IAG Audit and Compliance Committee	At least quarterly	Ensures appropriate processes and controls are in place to allow compliance with relevant regulation and reporting requirements and reviews the Annual Report and Accounts. Receives updates on competition law compliance, anti-corruption and anti-bribery policies, and whistleblower protection mechanisms being conducted by the Group. The range of skills, knowledge and experience of the Committee's members enables them to apply the appropriate level of rigour and assessment to compliance decision-making.
IAG Management Committee	At least quarterly	Reviews and challenges business cases put forward to deliver the Group's sustainability programme. Reviews the alignment of operating-company-specific sustainability programmes with Group priorities, including progress against sustainability targets.
Operating companies' management committees	At least quarterly	Reviews and challenges operating-company-specific environment and people programmes.

Sustainability governance		
Forum	Frequency of meetings	Responsibility in relation to sustainability
IAG Sustainability Steering Group (SSG)	At least quarterly	Comprises senior representatives from across the Group who provide oversight of environmental and social initiatives and reporting.
IAG Sustainability Network (ISN)	Monthly calls and three in-person workshops per annum	Comprises more than 60 sustainability representatives from across the Group. This network supported the Group's double materiality assessment review in 2025 by providing views on the 'impact materiality' of impacts, risks and opportunities (IROs) identified, and meets monthly to provide updates on the work to address material IROs. This forum reports into the IAG SSG. The IAG sustainability team also administers regular training to its operating companies to support development of expertise across the Group on material issues.
IAGi Governance Committee	At least biannually	Reviews potential investments to consider emerging climate technologies and partnerships with sustainability startups. Members include the Chief Commercial Strategy Officer, Chief Financial and Sustainability Officer and Chief Information, Procurement, Services and Innovation Officer.

Sustainability network working groups (cross-Group)		
Forum	Frequency of meetings	Responsibility in relation to sustainability
Reporting and Disclosures Working Group	Monthly	Comprises sustainability colleagues across the Group's operating companies to monitor regulatory requirements on sustainability reporting and disclosures. Forum for sharing best practice and implementing internal audit requirements for the reporting of environmental metrics. Tracks key metrics towards IAG's Flightpath Net Zero strategy – for presentation to the ISN, SSG and ECR. Includes a subgroup focused on biodiversity issues.
Waste Working Group	Monthly	This working group is focused on improving waste monitoring processes from our operations and implementing waste-reduction and recycling projects to meet IAG's targets. In 2025, this working group prepared updates to IAG's waste-reduction and recycling strategy including proposing new targets to 2030.
Carbon Efficiency Working Group	Monthly	Forum comprises sustainability and fuel management teams who share best practice on fuel-efficiency initiatives to deliver carbon reductions in line with the IAG Flightpath Net Zero strategy.
Social Impact Working Group	Ad hoc	Forum to develop initiatives and track the value of IAG for societies.
Climate Strategy Working Group	At least quarterly	Forum for IAG sustainability and heads of sustainability colleagues from operating companies to review delivery of the IAG Flightpath Net Zero strategy, and discuss sustainability initiatives. Reviews updates proposed to IAG's Scope 1 and Scope 3 emissions roadmap.
Non-CO_2 Working Group	Ad hoc	Prepares and coordinates Group airline activities towards reporting non-CO_2 emissions under requirements of the EU ETS. Shares best practices to better understand its environmental impact and possible mitigation initiatives, including flight trials.

Sustainable Aviation Fuel (SAF) Governance		
Forum	Frequency of meetings	Responsibility in relation to sustainability
IAG SAF Steering Group	At least quarterly	Comprises senior representatives from finance and sustainability teams across the Group who provide oversight of SAF strategic direction and recommend new purchases and investments for approval at the IAG Management Committee and the Board.
IAG SAF Management Group	Monthly	A cross-Group meeting focusing on SAF strategy, projects and progress. Reports into the IAG SAF Steering Group.

Governance responsibilities		
Individual	Frequency of reporting	Responsibility in relation to sustainability
IAG CEO	At least quarterly	Chairs the IAG Management Committee, updates the Board and ensures Board-level decisions are directed into action across the Group.
IAG Chief Financial and Sustainability Officer	At least quarterly	Reports to the IAG CEO. A member of the IAG Management Committee. Chairs the SSG and provides approval and direction of Group programmes.
IAG Sustainability Director	Regularly as relevant	Reports to the IAG Chief Financial and Sustainability Officer. Chairs the ISN and is responsible for delivering IAG's Flightpath Net Zero strategy.
IAG People Director	Regularly as relevant	Reports to the IAG CEO. Responsible for delivering initiatives that address material social issues in the Group.

General requirements *continued*

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 biannually 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.

For more information, refer to the Corporate Governance section of this Annual Report.

GOV-3 Integration of sustainability-related performance in incentive schemes

IAG has a number of sustainability-linked annual incentives for over 7,500 senior executives and managers across the Group, including 100% of IAG senior executives. These incentives are designed to support IAG's ambition to reduce the carbon intensity of its operations.

The incentives are reviewed and developed annually by the IAG Sustainability team, before being submitted as part of the IAG financial incentives, which are approved by the Board of Directors.

	Unit	Incentive scope	Explanation
IAG-specific carbon efficiency measure	gCO_2/pkm	Covers up to 10% of the annual bonus for senior executives	This measure reflects our progress towards our sustainability target. It measures the fuel efficiency of our flight operations, accounting for our network, aircraft mix and passenger and cargo load factors. This KPI is selected as it drives fuel efficiency related to IAG's most material source of emissions (Scope 1 emissions from jet fuel use). In selected operating companies, the carbon efficiency measure is combined with other KPIs relevant to operations (e.g. waste reduction initiatives in IAG Cargo).

Refer to the Remuneration Committee report for more information.

GOV-4 Statement on due diligence

Refer to the appendix to the Sustainability statement.

GOV-5 Risk management and internal controls over sustainability reporting

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

These risks are reviewed under the Group ERM risk assessment process, which is presented biannually to the Audit and Compliance Committee and annually to the Board. More details on risk identification and assessment and risk management can be found in the Risk management and principal risk factors section of this Annual Report.

All principal risks are linked to the Group's strategic priorities.

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 Chief Financial and Sustainability Officer and IAG Management Committee. Plans to mitigate risks are developed by relevant risk owners in specific areas of the business, with agreed initiatives included in relevant operating company business plans. Where risk mitigation requires time to implement, short-term mitigations are assessed and the timeline to risk mitigation and consequent risk acceptance is discussed and agreed by stakeholders.

People, culture and employee-related risks are managed by the Group's operating companies and supervised by the IAG Nominations Committee, the Remuneration Committee and the Board through periodic reports.

Impact on operations and strategy

Sustainability risk assessments inform specific decisions related to business operations and strategy, and IAG allocates resources to environmental risk management. IAG is committed to mitigating the impacts of hazards that could have negative outcomes on the environment or people.

IAG adopts precautionary measures to mitigate these hazards, taking early, proactive steps to understand and mitigate climate-related risks before all impacts are fully certain, an approach known as the precautionary principle. For example, the precautionary principle is applied to the planning of operations and the launch of new services. IAG integrates and aligns climate considerations into three-year business plans and one-year financial forecasts.

IAG also manages risks via the use of ISO-14001-aligned environmental management systems. IEnvA (IATA's Environmental Assessment) is the airline industry's version of ISO 14001, the international standard for environmental management systems. IEnvA is tailored specifically for airlines and is fully compatible with the requirements of the ISO.

All Group airlines were certified under the IEnvA standard in 2025. Iberia and British Airways renewed their certification in 2025 and British Airways incorporated the Illegal Wildlife Trafficking certification module, which has been developed in line with the 11 commitments of the Buckingham Palace Declaration and the 72nd IATA AGM Resolution to prevent the transportation of illegal wildlife products.

Strategy

SBM-1 Strategy, business model and value chain

IAG focuses its sustainability strategy on addressing material issues: those that are most important to key stakeholders and that have the biggest external impacts.

Refer to the Strategic review section of this Annual Report for more information on IAG's strategy, business model and value chain.

SBM-2 Interests and views of stakeholders

IAG regularly engages its stakeholders on sustainability issues. External stakeholders include investors, customers (including corporate customers), employee representative groups, policymakers, trade associations, fuel suppliers, airports and NGOs. Internal stakeholders include Board members, all Management Committee members and employees (including operating company sustainability representatives). The results inform ongoing disclosures and strategy. IAG considered the interests and views of stakeholders in its double materiality assessment.

Please refer to the stakeholder section of the Management report for more details.

Stakeholder	Approach of the double materiality assessment to this group
Customers Affected stakeholders	The safety, satisfaction and overall experience of IAG customers are directly influenced by the Group's operations. Customer experience, encompassing service quality and comfort, shapes their perception and loyalty. Additionally, maintaining high standards of customer health and safety ensures a secure travel environment and builds and maintains confidence in choosing IAG for their travel needs. Customers also continue to show interest in the Group's approach towards reducing carbon emissions, including new opportunities to contribute towards the Group's activities. This is evidenced by customer participation in the IAG Loyalty scheme to earn tier points and Avios from SAF contributions which launched in 2025. In order to understand how customers may be impacted by IAG's operations, we consulted commercial and customer experts from across our operating companies and incorporated the insights from customer satisfaction reviews and airlines NPS scores.
Society Affected stakeholders	Insights from internal documentation such as Organisation Health Index (OHI) surveys for employees, customer satisfaction surveys, and third party assessments helped inform key societal issues for IAG's double materiality assessment. The IAG Sustainability team also review the work IAG and its operating companies support through corporate community contributions and its partnerships with charitable organisations.
Employees Affected stakeholders	Employee attraction, retention and engagement is important for IAG to ensure a motivated and engaged workforce, critical for operational efficiency. Remuneration and working conditions are assessed to maintain fair compensation and a safe working environment, influencing both employee satisfaction and regulatory compliance. Diversity and inclusion is reviewed to foster a diverse workplace, enhancing innovation and reflecting societal values. Employees are provided with regular formal and informal methods to express their views, ideas and concerns with management. Finally, corporate governance ensures transparent and accountable decision-making, which is crucial for trust and credibility in the long term. In order to understand how employees may be impacted by IAG's operations, we consulted experts in the matter from different operating companies and incorporated insights from OHI.
Suppliers Affected stakeholders and report users	To understand how suppliers may be impacted by IAG's operations, we consulted with procurement experts from our operating companies and incorporated insights from EcoVadis scorecards, a provider of business ESG ratings.
Shareholders, lenders and other financial stakeholders Report users	ESG ratings and feedback are received from stakeholder groups at investor conference events and through our mailbox. These have been used to identify IROs in our double materiality assessment. Shareholders, lenders and other financial stakeholders are classified as report users in the double materiality assessment, and the Group incorporates material IROs to keep them updated and informed.
Environment Affected stakeholders (silent stakeholder)	The environment is considered a 'silent' stakeholder. During the double materiality assessment completed in 2024, the IAG sustainability team considered the environment and its influence on the materiality of IROs. To do this, the IAG Sustainability team incorporated insights from the Group's TCFD assessment, ERM risk assessment and IAG Climate Disclosure Project submission. IATA IEnvA submissions and operating company sustainability reports (where applicable) were also used. Working with third-party experts (Transcendent), we identified environmental impacts and aligned these to a review of external academic literature (which investigated the impacts of aviation operators on the environment) and a peer review of other aviation company sustainability reports.
Public administration (government and regulators) Affected stakeholders and report users	The IAG Legal and Compliance team oversees the IAG Code of Conduct to ensure colleagues adhere to laws and ethical standards, which is crucial for maintaining industry integrity and protecting consumers. Modern slavery and human trafficking is a significant concern, as regulators enforce strict measures to ensure that airlines' operations and supply chains are free from such abuses, protecting human rights and upholding legal obligations. Finally, political engagement is evaluated to ensure transparency and accountability in each airline's interactions with government bodies, preventing undue influence and promoting fair policymaking.

General requirements *continued*

SBM-3 Material impacts, risks and opportunities and interaction with strategy and business model

IRO-1 Description of the process to identify and assess material IROs and to assess which ones are material; IRO-2 – Disclosure requirements in ESRS covered by the undertaking's Sustainability statement

Under the ESRS, materiality is determined through the identification and assessment of IROs, grouped at 'topic' level. The results from this exercise frame the reporting obligations within each of the ESRS chapters in this Sustainability statement.

IAG performed a review of its double materiality assessment in 2025, building on the assessment conducted in 2024. The IAG Sustainability team worked with sustainability expert firm Transcendent to determine the material topics for the Group from an impact and financial perspective, as required by the CSRD. The double materiality assessment was conducted with reference to ESRS requirements outlined below.

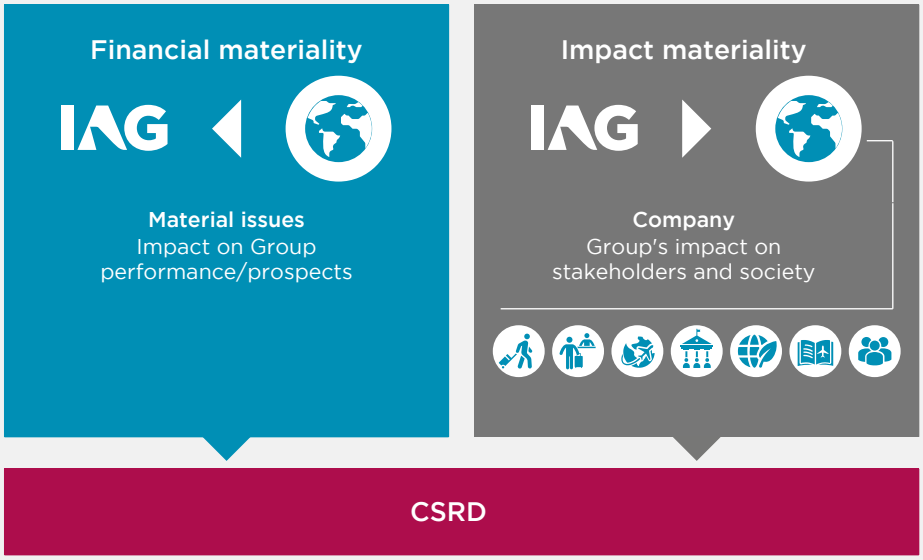
What is a double materiality assessment?

CSRD uses the concept of double materiality as follows:

Financial materiality
How sustainability matters affect Group performance and prospects.

Impact materiality
The impacts of the activities conducted by the Group on people and the environment. The impacts have been assessed under the following stakeholder categories:

- Customers
- Employees
- Suppliers
- Shareholders, lenders and other financial stakeholders
- Environment
- Public administration (government and regulators)
- Society



Financial materiality
Identification and assessment of risks and opportunities that may cause significant financial impacts on the Group and its operations, such as cash flows, access to financing or cost of capital in the short, medium or long term.

Impact materiality
Identification of impacts of the business on people or the environment.

This includes impacts related to the Group's own processes, those of its value chain (upstream and downstream), its products and services and its commercial relations.

Methodologies and assumptions

Scope and consolidation

The Group's double materiality assessment considered the vision of all IAG's operating companies. It identified IROs relevant to specific business activities at its hub locations and in our operations around the world. It also considered the goods and services provided by IAG's value chain.

The IAG Sustainability team appointed a third-party sustainability consultant (Transcendent) to support the identification, categorisation and consultation processes involved in the double materiality assessment. Transcendent provided an independent review of the Group's sustainability reports and led a targeted consultation exercise with relevant expert stakeholders across IAG and its operating companies to assess the impact materiality of each IRO.

To consolidate the findings of the double materiality assessment at Group level, the IAG Sustainability team designed and adopted a weighted scoring system, related to the share of the Group's revenue by business line, to represent the influence of its airlines and non-airline businesses in its analysis.

Representatives from all operating companies participated in this assessment, including colleagues from Sustainability, People, Government Affairs, Finance, ERM, Customer and Legal.

IAG considers risks to the strategic business plan over the short term (up to three years), medium term (from three to five years) and in the longer term (beyond five years). Timescales considered by this assessment are consistent with those used under the ERM risk assessment, assessing the potential impact of principal risks over the next three years against our business plan.

Details of how IAG has engaged stakeholders such as customers and employees in the completion of its double materiality assessment are provided in the process description below and the Strategy section of this Sustainability statement.

Preparing the double materiality assessment

IAG's double materiality assessment followed a four-stage process:

1 Identification of sustainability topics

IAG commissioned Transcendent to assist the Group's review of its sustainability information and information disclosed by other aviation stakeholders to identify relevant sustainability topics for the business. Information sources included OHI and employee-engagement survey results. Transcendent prepared a comparative analysis of material topics reported by IAG and competitors to validate the topics identified. Transcendent also considered third-party standards with which IAG and its operating companies comply (e.g. IATA's Environmental Assessment (IEnvA)).

The IAG Sustainability team reviewed the findings and 23 sustainability topics were defined and aligned with the CSRD topics. This list was presented to the Safety, Environment and Corporate Responsibility Committee (now the Environment and Corporate Responsibility Committee).

2 Identification of impacts, risks and opportunities

Specific IROs were identified using a bottom-up approach, drawing on input from workshops held with subject matter experts within IAG and its operating companies.

A comprehensive review identified 164 preliminary IROs, comprising 82 impacts, 58 risks and 24 opportunities. These were grouped into 21 different sustainability topics across the ten topical ESG standards as defined by the ESRS.

3 Assessment of IROs

Impact materiality

Transcendent led a consultation exercise by issuing a questionnaire to more than 60 subject matter experts across IAG and its operating companies, including representatives from the Sustainability, People, Government Affairs, Finance, ERM, Customer and Legal teams.

IAG utilised a points-based scoring system that aligned to its ERM risk assessment. Each impact was given specific criteria to inform the severity analysis, and the probability of occurrence was scored as a percentage likelihood. Impacts scored against CSRD evaluation criteria, based on the assessment of the scale (the severity of the current or future impact), scope (number of individuals or perimeter affected), irremediability (limit in the capacity to restore the affected situation), and probability of occurrence of each impact. The impact materiality scores were calculated as an average, with topics being represented by their highest impact score.

Negative impacts concern any negative compliance, reputational or value chain effects from a company's operations.

Positive impacts refer to the beneficial effects that a company's operations have on society and the environment. Positive impacts can include environmental benefits such as the reduction of carbon emissions, improvement of biodiversity or enhancement of employee wellbeing, while social benefits include the creation of high-quality jobs, support for disadvantaged regions or community engagement initiatives.

Financial materiality

This assessment was performed top-down by the IAG Finance, ERM and Sustainability teams.

Risks and opportunities were scored according to the CSRD evaluation criteria for financial materiality. The financial materiality score comprised the magnitude of financial impact (through changes to revenue, capital expenditure or operating expenditure) and the probability of occurrence, using the scoring system provided for the impact materiality assessment, which aligned to IAG's ERM risk assessment.

The risk and opportunity materiality scores were calculated as an average, with topics being represented by their highest impact score.

For IROs not currently covered by IAG's ERM risk assessment, and for opportunities (which require a quantification of the benefit of action), a subjective assessment was made using available financial information.

4 Determination and communication of material topics

A central group of IAG experts representing the IAG Finance, ERM and Sustainability teams, including the Chief Financial and Sustainability Officer, evaluated the results of the double materiality assessment. This group selected 'critical' as the applicable threshold for material issues under this assessment as it aligns to IAG's classification of 'critical' in IAG's ERM risk assessment definitions. This meant any IROs, and their relevant CSRD topic that scored as 'critical' based on impact materiality, financial materiality or both, would be reported in this statement. The final results of the double materiality assessment, including the threshold set, was approved by the IAG Environment and Corporate Responsibility Committee and Audit and Compliance Committee in November 2024. IAG met with its European Works Council on 27 November 2024 to present how this double materiality assessment was conducted and the material topics identified.

Annual review of the double materiality assessment findings

During 2025, the IAG sustainability team reviewed the findings of the 2024 double materiality assessment with the support of analysis provided by external expertise (Transcendent). The review involved the following three-step process:

1

Assessment of global trends in 2025 affecting the double materiality assessment, including updates to regulation and a peer benchmarking assessment

Our objective was to conduct a review of the 2024 double materiality assessment to validate its continued relevance and identify any new IROs, or IROs that require reassessment.

To do this the assessment comprised of three inputs:

Bottom-up internal workshop with sustainability experts to review IRO definitions: For the collection of insights from the different operating company representatives, Transcendent held a workshop with sustainability experts from operating companies to identify current priority topics and the work completed by sustainability teams across the Group in the past 12 months.

Global trends and updates on regulation: As regulatory, global, and industry trends affect IAG's operations and sustainability efforts, Transcendent identified potential drivers of change that could affect the 2025 double materiality assessment results, combining analysis of public materials with interviews with IAG sustainability colleagues.

Global trends identified were related to geopolitical tensions, economic and financial fragility and technological disruptions.

An analysis of regulations affecting IAG and its operations considered the impacts of the EU Omnibus package, which proposes a two-phase simplification to corporate sustainability reporting requirements. Consideration was also given to the competitiveness of airlines in Europe from climate policy compliance costs, using studies published in 2025.

Peer benchmark on 2024 double materiality: Transcendent presented an analysis of the double materiality results between IAG and its peers to identify reporting differences.

2

Top-down review of findings and proposal development

Sustainability, Finance and ERM teams reviewed the evidence presented by Transcendent and the internal workshop with sustainability colleagues from the Group's operating companies. The results were presented to the IAG Audit and Compliance Committee.

One new impact was identified ('Biodiversity loss from SAF production', a negative environmental impact), along with two new risks ('Changes to SAF mandates', and 'Lack of policy support for carbon removals'), however these were not assessed as material. Refer to section 'E1 - Climate change and emissions management' of this Sustainability statement for more information.

3

Proposal of findings for board approval

The final results of the review proposed no changes to the material IROs identified in IAG's 2024 double materiality assessment. This scope was approved by the IAG Audit and Compliance Committee in November 2025. IAG met with its European Works Council on 19 November 2025 to present the results of the review of the double materiality assessment.

Results of the double materiality assessment

Five of the 10 topical ESG standards as defined by the ESRS have been identified as material by IAG. These topical standards form the basis for the disclosure requirements provided in this Sustainability statement.

E1. Environment	S1. Own workforce	S2. Workers in the value chain	S4. Consumers and end-users	G1. Business conduct
• Climate change and emissions management	• Diversity and inclusion • Remuneration and working conditions • Employee attraction, retention and engagement • Employee health and safety	• Responsible supply chain	• Customer experience	• Corporate governance • Ethical business and regulatory compliance • Modern slavery and human trafficking

Material sustainability-related IROs

Topic	Name of IRO	IRO	Location in the value chain
Ⓔ Environmental			
Climate change and emissions management	Emissions of CO_2 (Scope 1 and 2) from air operations	i	Own operations
	Emissions reduction through the use of SAF	i	Own operations and upstream
	Emissions reduction through fleet renewal	i	Own operations
	Emissions offset through participation in market-based measures	i	Own operations and upstream
Ⓢ Social internal			
Employee attraction, retention and engagement	Employee engagement and advocacy	i	Own operations
	Organisational culture and sense of belonging	i	Own operations
Diversity and inclusion	Inclusive culture	i	Own operations
	Diverse workforce	i	Own operations
	Equal opportunities and equity for all	i	Own operations
Employee health and safety	Employee health and safety	i	Own operations
Remuneration and working conditions	Social dialogue and collective bargaining	i	Own operations
	Fair, sustainable and competitive terms and conditions	i	Own operations
Ⓢ Social external			
Customer experience	Connecting people, businesses and countries	i	Downstream
	Enhanced customer experience through investment in new products	i	Downstream
	Enhanced customer experience through loyalty programmes	i	Downstream
	Informed customer decisions	i	Downstream
Ⓖ Business conduct			
Ethical business and regulatory compliance	Protection of whistleblowers	i	Own operations and upstream
Modern slavery and human trafficking	Modern slavery and human trafficking	i	Own operations and upstream
Responsible supply chain	Assurance of ethical practices of suppliers	i	Upstream
	Unfavourable working conditions in the supply chain	i	Upstream
	Disparities in treatment and opportunities among supplier workers	i	Upstream
	Violation of human rights standards within supply chains	i	Upstream
Corporate governance	Sustainability embedded into overall business strategy	i	Own operations
	Provision of internal sustainability governance bodies	i	Own operations
	Financial management incentives linked to carbon efficiency	i	Own operations

i Positive impact i Negative impact Opportunity ! Risk

E Environment (Planet)

EU Taxonomy Regulation

Refer to the appendix to this Sustainability statement for disclosures under Regulation EU 2020/852 (the 'EU Taxonomy Regulation').

ESRS E1 Climate change

SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

Topic	Name	Impact, risk or opportunity	Description	Location
Ⓔ Environmental				
Climate change and emissions management	Emissions of CO_2 (Scope 1 and 2) from air operations	ⓘ	The release of CO_2 from combustion of fossil fuels and SAF from normal operation of aircraft engines generated during taxi, take-off, cruise and landing as well as operation of the auxiliary power unit (APU) in-flight contributes to the increase of greenhouse emissions globally, which contribute to global warming and represents a negative impact on the environment.	Own operations
	Emissions reduction through the use of SAF	ⓘ	SAF, derived from renewable sources such as biomass, waste oils or synthetic processes, offers a more sustainable alternative to conventional fossil-based jet fuels. By integrating SAF into its fuel supply chain, IAG can reduce its reliance on fossil fuels and lower its carbon footprint towards meeting targets set under its Flightpath Net Zero strategy.	Own operations and upstream
	Emissions reduction through fleet renewal	ⓘ	By replacing older, less fuel-efficient aircraft with newer models, IAG intends to reduce its carbon emissions, as these newer aircraft typically feature advanced technologies and aerodynamic designs that result in improved fuel efficiency.	Own operations
	Emissions offset through participation in market-based measures	ⓘ	Participation of group airlines in market-based measures, such as the EU ETS, UK ETS and the CORSIA, has resulted and will continue to result in a contribution of financial funds to support carbon reduction measures. CORSIA offsetting requirements will also enable Group airlines to procure carbon credits from projects with additional social benefits. The Group's hedging strategy enables carbon credits to be purchased for future year's obligations, accelerating emission reductions. Carbon market compliance obligations apply to upstream fuel production as well as Group airlines. Refer to E1-6 for details of support provided to IAG through the EU Fuels Eligible for ETS Support (FEETS) programme.	Own operations and upstream

ⓘ Positive impact ⓘ Negative impact

Strategy

E1-1 – Transition plan for climate change mitigation

IAG is targeting net zero emissions by 2050 across its Scope 1, 2 and 3 emissions. 'Net zero' means any residual emissions from IAG's operations in 2050, and IAG's share of emissions from its value chain activities, will be mitigated by an equivalent amount of CO_2 removed from the atmosphere via carbon removals.

IAG's 2050 Scope 1 emissions net zero target was independently assessed by the Transition Pathway Initiative (TPI) in November 2025 as 1.5°C-aligned, and our medium-term target to achieve a 20% reduction in Scope 1 emissions by 2030 has been 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[1].

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

Key measures and assumptions modelled to reduce emissions include fleet modernisation and operational efficiency measures which fall within our operational control, the use of SAF, participation in market-based measures, and use of carbon removals which depend on available policy support and market conditions.

Roadmap to net zero

IAG has published updates to its roadmap to achieve its goal of net zero emissions by 2050 every year since 2019.

IAG maintains a 2019 baseline year for its transition plan modelling, as this represents the year of peak emissions by the Group and before activity levels were impacted by the COVID-19 pandemic.

IAG's roadmap to net zero and its associated costs are included in one-year and three-year business-planning for all operating companies and to 2030 within the Group's updates to sustainability risks (as reviewed under the Group-wide ERM process).

The roadmap also forms a key part of IAG's environmental sustainability commitments, as detailed in the environmental sustainability policy.

Progress towards delivering emission reductions in this roadmap are monitored through IAG's sustainability governance. Quarterly KPIs on our carbon reduction progress are shared with the ECR Committee. The Group's environmental sustainability policy and Flightpath Net Zero strategy are available on the IAG website.

[1] TPI's methodology to assess net zero targets for the aviation sector involves converting emissions data into an equivalent emissions intensity metric (grams of CO_2 per revenue tonne kilometre). TPI recalculates targets set by IAG using their methodology, before comparing output against industry-wide pathways modelled by the IEA.

Scope 1 carbon emissions reduction roadmap

The Scope 1 emissions roadmap below is the latest core Group scenario.

2025 updates and assumptions

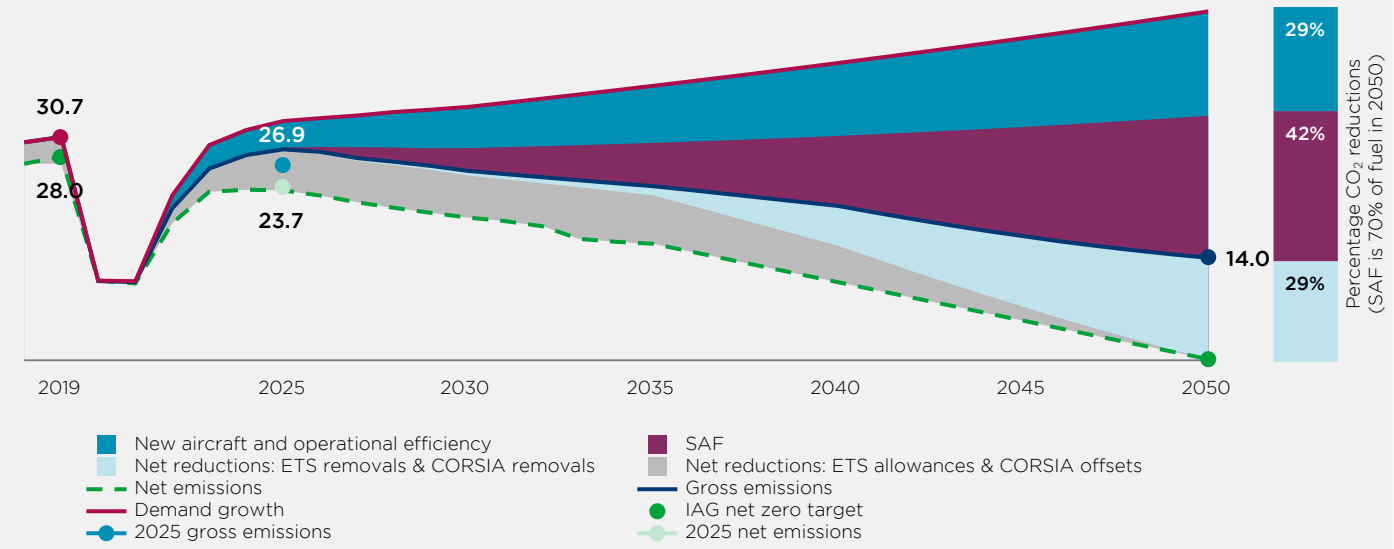
During 2025 we have made updates to reflect the recovery of passenger demand to pre-pandemic levels. Annual demand growth is aligned with the long-term growth forecasts disclosed in notes 4 and 17 of the consolidated financial statements. SAF projections include a combination of IAG's share of mandates on fuel suppliers to supply SAF in the EU and the UK, with voluntary use to achieve our 2030 and 2050 goals. The volume of carbon removals used before 2035 is aligned to future expectations under carbon market compliance obligations in the UK ETS, EU ETS and the CORSIA. The role of airspace modernisation and introduction of zero-emission aircraft has been reduced to 2050, to reflect the latest regulatory updates and statements made by aircraft manufacturers.

Key sensitivities

In creating this roadmap, the Group has applied assumptions regarding market conditions and policy support for carbon reductions. These assumptions are outside of control of the Group and may impact the deliverability of emission reduction initiatives presented. The Group therefore re-evaluates its assumptions on an annual basis and updates these where appropriate. IAG advocates that climate regulation must uphold the global competitiveness of all airlines. This includes administering appropriate, fair obligations to reduce carbon emissions, alongside incentives that support the delivery of each emission-reduction initiative.

The emissions modelled under our demand growth scenario reflect the typical timescales for the operation of aircraft and the associated 'locked-in' emissions attributed to flying activity with these assets (which for owned aircraft are approximately 23-25 years). This is connected to our assumptions on fleet renewal where a gradual continued incorporation of more fuel efficient aircraft is included (than the aircraft they replace). These assumptions are guided by the delivery timelines for new aircraft purchased by the Group and statements made by aircraft manufacturers.

IAG Scope 1 emissions roadmap to net zero
million tonnes CO_2 ($MTCO_2$)



Carbon reduction levers in IAG's transition plan include:

E1-3 Actions and resources in relation to climate change policies

Carbon reduction lever in transition plan	Significant operational expenditures or capital expenditures required for implementation of plan	Examples of venture investments/ key innovation partners	Expected contribution to Scope 1 emissions reductions in 2030	Expected contribution to Scope 1 emissions reductions in 2050
New aircraft and own operations	IAG is investing around €19.0 billion between 2026 and 2033 for 217 new efficient Airbus and Boeing aircraft. Please refer to note 15 of the consolidated financial statement for more information.	ZeroAvia (hydrogen aircraft manufacturer); OpenAirlines (fuel management software)	37%	29%
SAF	IAG continues to make investments in new SAF production capacity. In September 2025, IAG invested alongside **one**world alliance member airlines in Breakthrough Energy Ventures (BEV) to launch a new investment fund designed to address the limited availability and high cost of today's SAF.	Refer to section E1-3 for details of our SAF partnerships	21%	42%
Carbon removals	In 2025, British Airways worked with members of Sustainable Aviation to develop an advanced market signal purchase for carbon removals to support further development.	CUR8 (carbon removal platform)	4%	29%
Market-based measures and carbon offsetting	This involves the purchase of carbon allowances and offset credits to meet our carbon market obligations and voluntary schemes.	CHOOOSE (customer offsetting platform)	38%	–%

Environment (Planet) *continued*

Scope 3 carbon emissions reduction roadmap

IAG expanded its commitment to deliver net zero emissions by 2050 to include Scope 3 emissions from its supply chain in 2021, which represent approximately 30% of IAG's total emissions footprint. The majority of these emissions are attributed to upstream fuel production (Scope 3.3) and purchased goods and services (Scope 3.1) associated with aircraft maintenance and servicing.

2025 updates and assumptions

IAG's Scope 3 roadmap below is created using demand growth assumptions aligned to IAG's Scope 1 emissions.

Our view of carbon reductions in our supply chain is formed from a literary review of the decarbonisation plans of suppliers, focusing on the emission categories that represent the majority of Scope 3 emissions (listed above). Reductions in Scope 3.3 emissions are aligned to IAG's SAF expectations and correspond to a decreasing volume of emissions associated with the production of fossil fuel jet kerosene.

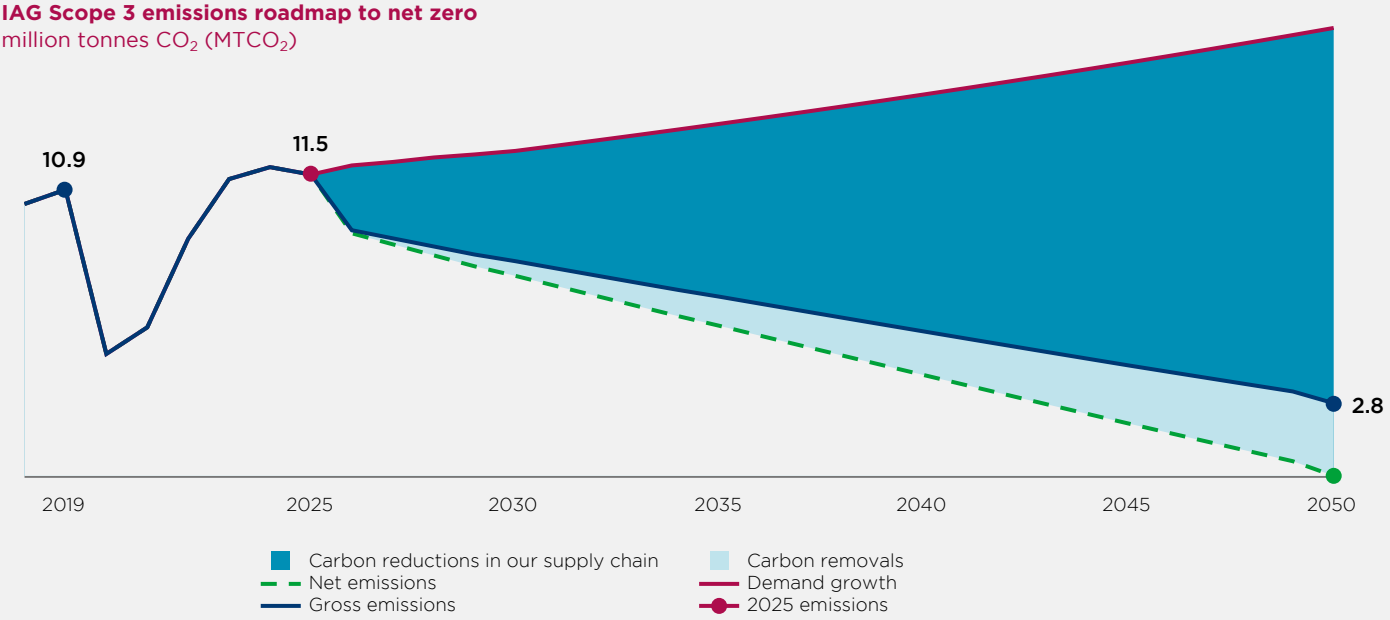
For residual Scope 3 emissions from share of supply chain emissions, we expect to use carbon removals in line with volumes IAG expects to use towards mitigating residual emissions from its direct operations (Scope 1).

Key sensitivities

Our modelling of carbon reductions in our supply chain is aligned to the policy support needed for the transition towards SAF. The use of carbon removals to mitigate residual emissions from our share of supply chain activities also relies on suitable market conditions and appropriate government policy support.

IAG Scope 3 emissions roadmap to net zero

million tonnes CO_2 ($MTCO_2$)



Carbon reduction levers in IAG's transition plan include:

E1-3 Targets related to climate change mitigation and adaptation

Carbon reduction lever in transition plan	Significant operational expenditures or capital expenditures required for implementation of plan	Examples of venture investments/key innovation partners	Expected contribution to Scope 3 gross emissions reductions in 2030	Expected contribution to Scope 3 gross emissions reductions in 2050
Carbon reductions in our supply chain	• 109 key suppliers (those which represent the Group's highest spend and operational criticality), have submitted scorecards on ESG performance • Supplier contract clause on sustainability • Developing the methodology for Scope 3 carbon emissions measurement in partnership with Watershed to prioritise carbon reduction efforts across the value chain • Purchase agreements for the use of SAF (refer to the Scope 1 emissions roadmap) will reduce lifecycle analysis (LCA) emissions associated with fuel production (as it leads to a corresponding reduction of production of fossil fuel jet kerosene)	EcoVadis (business sustainability ratings) Watershed (emissions reporting platform)	34%	84%
Carbon removals	Refer to the Scope 1 emissions roadmap	CUR8 (carbon removal platform)	5%	16%

Impact, Risk and Opportunity Management

Climate-related financial disclosures

Climate-related analysis summary

IAG applies the TCFD guidance in accordance with Listing Rule 9.8, which defines the information to be included in a Group's Annual Report and Accounts. IAG has aligned its climate risk disclosures with the ESRS framework, which is aligned to the latest guidance and standards available under the International Financial Reporting Standards (IFRS) 1 and IFRS 2 sustainability standards (which adopted the TCFD recommendations in July 2023), as well as the UK's Listing Rules.

Governance	Strategy	Risk management	Metrics and targets
Disclose the organisation's governance on climate-related risks and opportunities	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	Disclose how the organisation identifies, assesses and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Current activities			
Board oversight via Environment and Corporate Responsibility Committee and Audit and Compliance Committee; robust governance; double materiality assessment completed in 2024 and reviewed in 2025	Delivering the Flightpath Net Zero strategy and leadership KPIs; one- and three-year financial and business plans that integrate sustainability aspects; delivery of sustainable procurement programme which includes sustainability contract clause for suppliers	Sustainable aviation risks are treated as a principal risk and regularly reviewed within ERM processes. IAG uses quantitative modelling to support its assessments; Clear metrics and targets for 2025, 2030 and 2050; delivery of climate-related remuneration for senior executives and managers	
Planned future activities			
Process and control changes to improve reporting accuracy and meet compliance obligations	Increasing SAF procurement; ongoing scenario analysis; reviewing guidance and evidence on pathways to support 1.5°C transition	More detailed work on risk impacts to 2028 and 2040; actions to maximise climate resilience; risk mitigation KPIs	Deliver against existing targets and ensure 2030 targets remain in line with legislative requirements

2025 climate-related scenario analysis

In 2025, IAG repeated a climate-related scenario analysis building from its previous TCFD-aligned scenario exercise.

The analysis comprises all business areas of the Group including its main operational hubs. For the Group's airlines, the operational network and its potential exposure to climate-related risks are also taken into account. Likewise, our value chain is included in order to assess potential climate-related risks.

Key steps taken in this assessment include:

- The IAG Sustainability team and the ERM team reviewed all climate-related risks and opportunities and potential impacts to 2028 and 2040. The impacts of principal and other key risks are quantified as part of the Company-wide ERM process that receives Board oversight;
- Operating airlines modelled compliance-related costs, including from the UK and EU ETS and CORSIA, to 2050;
- A climate-related scenario analysis was conducted with 2040 as the main time reference;
- In 2025, we undertook impact analysis at a hub level, specific to each of our operating hubs, in relation to understanding climate-related risks and opportunities;
- Ongoing analysis was carried out on the Flightpath Net Zero strategy to 2050; and
- Ongoing alignment between the double materiality assessment and ERM findings.

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

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

Our climate-related assessment in 2025 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, the European Environmental Agency, and Climate Action Tracker (CAT). The 2025 analysis was conducted in line with the ESRS standard (ESRS 2), which is based on the TCFD guidance update published in 2021.

For this analysis, a Representative Concentration Pathway (RCP) temperature scenario was chosen for transitional risks, in recognition of IAG's climate targets and the governments in the countries where the Group operates, which are committed to upholding the aims of the Paris Agreement. Under the RCP 2.6 scenario, equivalent to limiting global warming to 2°C by 2100, a strong global cooperation for the development of mitigation measures is expected, which can lead to a rapid decarbonisation of the economy. An intermediate emissions scenario, RCP 6.0 warming scenario, was chosen for physical risks, based on the latest UN projections. In this scenario, moderate mitigation plans are expected but not strong enough to avoid the major impacts of climate change. Finally, an RCP 8.5 scenario was used to help us understand our capability to adapt to a world where our operations would change significantly due to very high temperatures and extreme volatility in daily weather conditions.

The year 2040 was chosen as the main timeframe in alignment with IAG's ERM sustainability risk assessment.

The climate-related assessment exercise involved representatives from the ISN, which includes colleagues from Strategy, Treasury, Flight Operations, Finance, Government Affairs, Commercial Planning, Investor Relations, People, ERM, IAG Transform and IAG Loyalty, as well as sustainability representatives from all operating airlines.

Environment (Planet) *continued*

The Group Sustainability team collated inputs, which were reviewed by the IAG Sustainability Steering Group and the Environment and Corporate Responsibility Committee.

The Group remains resilient to the most material climate-related impacts. These have been quantified and mitigation plans for each impact have been embedded into financial and strategic planning. Industry-wide changes also create opportunities for the Group to become more resilient than its competitors. To address significant uncertainty around future policy, technology and market trends, IAG is repeating this climate-related analysis annually. We will keep implementing action plans in coming years to further improve resilience to wider changes.

Risks and opportunities

Climate-related risks are assessed and managed within the ERM framework as described in the Risk management and principal risk factors section of this Annual Report, under the principal risk 'sustainable aviation'. Transitional risks primarily affect airline activity between European destinations, which are calculated based on flights covered by the EU ETS, UK ETS and Swiss ETS. This represented around 26% of IAG's Scope 1 emissions in 2025. Physical risks could affect IAG's operations across its global network, reflecting the global nature of climate change.

IAG considers the relevant risk factors that could impact each risk by region and timescale. Such variability may arise from fragmented policy definition, scope and implementation, changeable market perceptions, lack of infrastructure or unpredictable delivery of new technology (among other causes). IAG considers its mitigation strategy for each risk accordingly. Please refer to the 'Climate-related risk impacts and mitigation opportunities' table for more information.

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

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

Climate-related opportunities are identified as part of the double-materiality assessment conducted in 2024 and reviewed in 2025. These opportunities refer to the potential positive effects derived from the deployment of efforts to mitigate and adapt to the effects of climate change, such as through resource and cost efficiency, the adoption and utilisation of low-emission technologies, the development of new products and services, and reinforcing resilience along the supply chain. Opportunities are identified as potential actions to be taken at Group level to reduce our exposure to climate-related risks. The opportunities presented below align with those identified in IAG's double materiality assessment, and are managed within the operating companies per an ERM framework point of view.

Climate-related risk assessment

Climate risk type	Risk description	Timeframe	Trend[1]	Scenario dependency[2]
Physical	Resilience to acute weather events	M	Stable	Temperature
	Resilience of routes and assets to chronic climate changes	L	Stable	Temperature
Market	Customer spend due to perceptions of ESG progress in IAG or the aviation sector	S	Down	Transition
	Perceived quality of offset and removal projects	M	Down	Transition
	Activism and direct action protests for climate inaction	S	Stable	Transition
	Supply chain readiness	L	Stable	Transition
	SAF delivery against committed offtake agreement volumes	M	Stable	Transition
Policy	Litigation against claimed carbon reductions from offsetting	S	Up	Transition
	Demand impact of EU and UK climate policy	L	Stable	Transition
	Resilience to changes in ETS/CORSIA pricing	M	Up	Transition
	Policy asymmetry across regions	M	Down	Transition
	Extra regulation on activity rather than emissions	L	Stable	Transition
	Lack of SAF infrastructure policy support	M	Up	Transition
	Lack of carbon removal policy support	M	Up	Transition
	Changes to SAF mandates	M	Stable	Transition
	Regulation on non-CO_2 effects	M	Down	Transition
Technology	Access to and readiness for lower-emission technologies	L	Stable	Transition
	Delivery of contracted SAF supply	S	Down	Transition

Climate-related opportunity assessment

The opportunities listed below are derived from IAG's double materiality assessment.

Climate-related opportunity type	Opportunity description	Timeframe	Trend[1]	Scenario dependency[2]
Market	Strategic investment in SAF	S	Stable	Transition
	Incorporation of new and more efficient fleet	M	Stable	Transition
Technology	Investment in lower-emission technologies	S	Down	Transition
	Strategic capital investment and startup engagement programmes	M	Stable	Transition
	Investing in product innovation and sustainable material transition	M	Stable	Transition

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

1 Risks or opportunities might be increasing (up), decreasing (down) or stable from a business perspective. IAG calculates this based on central strategy modelling and economic forecasting, and the trend shown is based on an end-of-year assessment, relative to in-year review.

2 The scenario dependency describes whether the cost impact for each risk description relies on the temperature scenario or policy transition

Climate-related scenario analysis

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

Physical risk parameters	Current projection	Below 2°C scenario	3°C scenario	5°C scenario
Global scenario to 2100	2.4°C	RCP[1] 2.6	RCP 6.0	RCP 8.5

Administering authority	Transition risk parameters – 2030	Current policies/projections	Current targets	1.5°C-aligned scenario
UN Intergovernmental Panel on Climate Change (IPCC)[2]	Global emissions vs 2019	0%	(7)%	(41)%
UK Government	UK emissions vs 2019	(28)%	(42)%	(42)%
EU Commission	EU emissions vs 1990	(55)% (via Fit for 55)	(55)%	(62)%
US Government	US emissions vs 2005	(37)%	(50)%	(58)%
ICAO	Aviation (net) emissions vs 2019	(15)% (via CORSIA)	(15)%	(15)%

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

2 A 41% drop by 2030 represents an orderly transition. The IPCC also represents a disorderly transition ((27)%) because smaller global emissions reductions to 2030 require rapid carbon reductions after 2030 to return to 1.5°C by 2100

Climate-related risk impacts and mitigation opportunities

Risks identified from the Group's climate-related assessment are mapped to IROs identified through IAG's double materiality assessment and risks included in the ERM. No risks were identified as financially material for IAG under IAG's double materiality.

Related double materiality assessment topic	Primary Group operating company activity exposed
Climate change and emissions management	Airlines
Responsible supply chain	Loyalty businesses
Ethical business and regulatory compliance	IAG Cargo
Waste management and circular economy	

Physical

Potential unmitigated financial impacts	How IAG is mitigating	TCFD assessment summary	Related double materiality topic	Primary Group operating company exposed
Resilience to acute weather events				
Days of lost revenue due to additional flight disruption and associated mitigation and passenger compensation costs	Existing operational resilience processes can minimise extra disruption (for example, disruption caused by turbulence during flights)	Review of the exposure of Group activities to temporary climatic impacts that may affect our ability to operate. Examples include severe weather events (turbulence, depressions, high precipitation) that alter flight schedules and lead to cancellations or diverted flights		
Resilience of routes and assets to chronic climate changes				
Revenue changes resulting from a different route network or a different frequency of flights to climate-affected destinations; changes in operational maintenance costs	Scale and flexibility in route network allows for adjustment without material impact to plan. Aircraft are mobile assets that can be moved to different locations to take into account, for example, a higher incidence of hurricanes in the Caribbean	Location-based assessment of high-risk destinations susceptible to the impacts of chronic climate and atmospheric changes. Assessment of airports with greater exposure to rising sea levels that may affect our ability to operate there, or sell holidays to related destinations. Measured as revenue loss and increased operating cost to the business		

Environment (Planet) *continued*

Market

Potential unmitigated financial impacts	How IAG is mitigating	TCFD assessment summary	Related double materiality topic	Primary Group operating company exposed
Customer spend due to perceptions of ESG progress in IAG or the aviation sector				
Customers change frequency of flying, duration of trips or spend less relative to other carriers or other travel modes	Delivering emissions reductions, expanding customer communications, support for global policies (CORSIA), working via trade associations to advance solutions	Assessed the impact of potential cost increases of sustainable services for customers and loyalty ratios due to the connection with the brand through shared values		
Perceived quality of offset and removal projects				
Exposure to sudden variability in prices, cost of CORSIA credits, scale of growth in costs by 2050 due to available volume of removals to deliver net zero	Financial planning to manage price volatility, governance to ensure offset quality, a removals roadmap based on external evidence, advocacy for policy support and monitoring regimes	Measured as an increased operating cost based on forecast assessment of CORSIA market prices and IAG CORSIA obligations		
Activism and direct action protests for climate inaction				
Risk of shareholder activism, where NGOs or activists may legally challenge the Company for perceived climate inaction, potentially resulting in costly legal battles and reputational damage	Implementation of industry best practices and regulatory requirements of the countries in which we operate. Increasing transparency of information to our clients and stakeholders and maintaining active communication with them	Assessed the likelihood of action against the aviation sector. IAG has been a key player in influencing the adoption of ambitious goals within the sector and maintains a very active relationship with its key stakeholders		
Supply chain readiness				
Sustainability compliance or technology change causes an unplanned change in the cost of goods and services provided to IAG	Supply Chain Sustainability Programme, which includes ESG scorecards and supplier risk screening	Measured as an increased cost of goods and services purchased by IAG from its suppliers		
SAF delivery against committed offtake agreements				
SAF deliveries from agreed commitments fail to materialise due to weak market supply or failed project development, exposing IAG to market-priced SAF, buyout penalties or carbon costs	Securing SAF deals and taking equity in early-stage projects where relevant. Monitoring SAF project development and seeking volume above target levels	Measured the cost of SAF using market prices to achieve IAG's 2030 SAF target		

Policy

Potential unmitigated financial impacts	How IAG is mitigating	TCFD assessment summary	Related double materiality topic	Primary Group operating company exposed
Litigation against claimed carbon reductions from offsetting				
Litigation for the use of credits towards voluntary or compliance offsetting that do not deliver claimed emission reductions and lead to legal cost	Due diligence conducted on carbon offsetting projects and internal guidance prepared for external communications	Assessed using analysis of the most recent litigation affecting the aviation sector and a view of risk to IAG		
Demand impact of EU and UK climate policy				
Pass-through of industry-wide costs affects ticket prices and, therefore, demand	Impacts of emerging policy assessed as part of longer-term financial planning and strategy	Measured carbon market and fuel costs as a percentage of IAG total ESG costs in 2030		
Resilience to changes in CORSIA/ETS pricing				
Exposure to long-term price increases affects compliance costs	Hedging strategy to reduce the impact of price volatility; using carbon prices in fleet and financial planning	Compared carbon market price forecasts on the Group's route network		
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 and CORSIA	Assessed by reviewing different regulatory obligations by country and determining their implications for IAG		

Extra regulation on activity rather than emissions				
Industry-wide taxes or levies increase operating costs and have potential demand impacts; demand management measures equate to lost revenue. Noise restrictions are not included in this risk but are reviewed as a separate risk through the ERM framework	Advocacy in support of emissions-reducing measures like SAF and against economically inefficient measures like taxes	Assessed the potential impact of regulatory requirements by policy and jurisdiction		
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 Task Force, and a strategy to procure SAF in regions where supportive policy exists	Assessed our exposure to market-priced SAF relative to our ability to contribute to the development of appropriate SAF policy and the design of effective SAF incentive schemes		
Lack of carbon removal policy support				
Higher costs of compliance under carbon markets such as the UK and EU ETS, due to high credit prices	Advocacy for appropriate carbon removal policy, including incentives for carbon removal technologies and financial contributions from all sectors with a future carbon removal requirement	Assessed the cost of carbon removals as part of IAG's carbon market obligations		
Changes to SAF mandates				
Impact on IAG's strategy to procure SAF in regions where supportive policy exists and increases pressure for alternative emission reduction measures such as demand management	Advocacy for appropriate SAF policy, e.g. via UK Jet Zero Task Force, and a strategy to procure SAF in regions where supportive policy exists	Assessed the financial implications of changes to the UK or EU SAF mandates on IAG's strategy		
Regulation on non-CO_2 effects				
Potential multiplier on EU ETS costs; lost revenue due to route restrictions, or operational costs due to non-CO_2 management	External research suggests just 10% of flights could account for 80% of impacts[1]. Advocacy via trade associations to support monitoring and targeted solutions such as route optimisation and SAF uptake. Participation in monitoring, reporting and verification requirements under the EU ETS and flight trials	Assessed the potential cost implications of non-CO_2 regulations on Group operations. We continue to support research initiatives that help improve the understanding of non-CO_2 impacts on the climate		

Technology

Potential unmitigated financial impacts	How IAG is mitigating	TCFD assessment summary	Related double materiality topic	Primary Group operating company exposed
Access to and readiness for lower-emission technologies				
Higher ETS costs if technology access is restricted or technology development is slow	IAGi Ventures team aligns research and work with the Flightpath Net Zero strategy	Assessed the marginal cost of different carbon removal technologies and the role they may play in IAG's climate transition plan		
Delivery of contracted SAF supply				
Exposure to changing unit prices of SAF in core markets	Securing SAF deals and taking equity in early-stage projects where relevant	Assessed the state of global SAF supply and supply chain logistics, with volumes required to deliver IAG's share of SAF mandates and IAG's 2030 SAF target		

1 Sourced from: Teoh, R., Engberg, Z., Schumann, U., Voigt, C., Shapiro, M., Rohs, S., and Stettler, M. E. J.: Global aviation contrail climate effects from 2019 to 2021, Atmos. Chem. Phys., 24, 6071–6093, https://doi.org/10.5194/acp-24-6071-2024, 2024.

Environment (Planet) *continued*

Climate-related opportunities and financial impacts

Below, we have detailed opportunities identified from the Group's climate-related assessment and their relationship to IROs identified through IAG's double materiality assessment

Market		
Potential financial impacts	Climate-related assessment summary	
Strategic investment in SAF		
Securing volumes of SAF to meet internal and regulatory targets not only reduces IAG's climate impact, but also offers significant potential operating cost reduction per year against the Group's carbon market obligations or potential SAF mandate penalties (passed through from fuel suppliers regulated under the EU and UK SAF mandates)	Screened the market to identify supportive policy incentives to enable a green transition, which will help IAG secure supply and avoid market price exposure	
Incorporation of new and more efficient fleet		
By introducing new, more fuel-efficient aircraft and engines to the fleet, Group airlines are able to mitigate compliance costs incurred under carbon markets, which regulate carbon emissions on the routes they operate	Updated internal carbon pricing modelling to assess the contribution of new, more fuel-efficient aircraft towards delivering IAG's climate objectives, and the reduction in associated operational costs	
Technology		
Potential financial impacts	Climate-related assessment summary	
Investment in lower emissions technologies		
Implementing new technologies, such as lighter on-board equipment or software to enable better matching of fuel volumes to in-flight needs, presents an opportunity for higher fuel efficiency, which can help reduce operating costs	Analysed the positive contribution new technology brings to direct operations, reducing fuel consumption and waste generation, for example on cargo storage solutions such as straps and pallet design. Assessed the impact of investment in carbon removals for developing the market signal needed to scale up future supply	
Strategic capital investment and startup engagement programmes		
In its pursuit of net zero carbon emissions by 2050, IAG has a significant financial opportunity in investing in innovative solutions to address its emissions. This involves exploring partnerships and cutting-edge technologies to accelerate progress towards this goal	Assessed the contribution of different technologies in our operations towards achieving our climate objectives, such as IAG's collaboration with ZeroAvia to explore potential for hydrogen-powered aircraft technology	
Investing in product innovation and sustainable materials transition		
By developing new products, such as those focused on on-board waste reduction, IAG can capitalise on consumer demand for sustainable alternatives and reduce operational costs in the long run	Assessed the impact of supporting product research and development for the transition towards more sustainable supply chains	

E1-2 – Policies related to climate change mitigation and adaptation

Environmental sustainability policy

The environmental sustainability policy sets out IAG's commitment to recognise, manage and reduce our impact on the planet. This includes conducting our business in an environmentally responsible manner and complying with relevant environmental legal requirements and other obligations. This document is available to view on the IAG website.

We embed sustainability into our business strategy and decisions and are committed to:

- Using SAF and carbon market programmes to support reductions in our carbon emissions
- Regularly engaging with key stakeholders to assess our most material issues
- Minimising negative environmental impacts via the efficient use of resources and energy, and reducing emissions, noise and waste where possible
- Implementing environmental management systems aligned to ISO 14001 and robust environmental governance processes
- Monitoring, reporting and receiving external verification of our material environmental impacts
- Ensuring robustness and transparency in our non-financial disclosures
- Ensuring our external positions reflect our material issues and targets
- Working to ensure that our environmental strategy and targets are aligned with the latest scientific understanding of impacts
- Creating awareness of our environmental actions with our key stakeholders
- Taking action to drive change and create a more sustainable airline industry
- Supporting appropriate research programmes to develop understanding of non-CO_2 climate impacts and potential mitigation options

Proposed timescales for the delivery of the Group's climate ambitions are set out in the environmental sustainability policy and align to the transition plan detailed in this Sustainability statement. The environmental sustainability policy also details timescales for action to address the impacts of waste and noise from our operations.

IAG reviews its commitments under this policy against available policy support and market conditions on a regular basis. In 2026 IAG will perform an update of this policy as part of our sustainability governance.

Group instructions

IAG issues Group instructions to its operating companies to align actions towards delivering our climate change mitigation and adaptation strategy. The Group Sustainability Director is responsible for setting this strategy, with the approval of the Chief Financial and Sustainability Officer and

the CEO, with oversight by the Environment and Corporate Responsibility Committee. The heads of sustainability for each operating company report to IAG quarterly on material KPIs used to measure IAG's progress. The Group instructions include guidance for the cost accounting of sustainability measures and impacts in the completion of business-planning, and how to engage with suppliers on sustainability issues (detailed under the third party code of conduct since December 2024, and its predecessor the supplier code of conduct).

Under the IAG code of conduct, IAG and its operating companies are committed to immediately reporting any situation that could pose a risk to the environment. This underlines our commitment to ensuring the health, safety and security of our workforce and to complying with applicable environmental laws and regulations everywhere we operate to minimise our environmental impact.

E1-3 – Actions and resources in relation to climate change policies

IAG's environmental sustainability policy sets out our approach to monitoring compliance with environmental policies and how we approach associated risks and their management across Group businesses. Actions taken under this policy to address the impacts of climate change include:

- Our Audit and Compliance Committee oversees IAG non-financial disclosures;
- Sustainable aviation risks have been identified as a principal risk and are reviewed and assessed as part of our Group-wide ERM processes;
- The IAG Code of Conduct and third party code of conduct set out our commitment to doing business ethically, transparently and with integrity and to maintaining standards of sustainability. We want to work with suppliers who share our values and ways of working. Mandatory training informs our colleagues. IAG has embedded sustainability-specific governance into the Group;
- Our Board of Directors provides oversight and direction for environmental programmes through the ECR Committee.
- The IAG Management Committee provides the key forum for reviewing and challenging these programmes and setting strategy;
- The IAG Sustainability Steering Group of senior representatives from across the business provides oversight of sustainability strategy, targets, initiatives and programmes.
- The IAG sustainability strategy sets out policies and objectives, strategy, targets, performance metrics and our approach to risk management, compliance and stakeholder engagement; and
- The IAG Sustainability team annually reviews the Group's decarbonisation roadmap and updates the contribution of each decarbonisation lever, reflecting both the actions implemented and the initiatives approved throughout the year.

As categorised under our transition plan, and detailed in our Flightpath Net Zero strategy, the actions taken to address the impacts of climate change are focused on the following areas:

New aircraft and operational efficiency

New aircraft

IAG is investing around €19.0 billion between 2026 and 2033 for 217 new efficient aircraft. These aircraft will increase the fuel efficiency of IAG's operations compared to the aircraft they replace. IAG is also supporting the development of new aviation technologies, which includes investment in ZeroAvia since 2020, a leading developer of hydrogen-electric aircraft.

2025 examples of emission reductions achieved from new aircraft include:

- Iberia and Aer Lingus advanced their fleet modernisation programme with the introduction of the Airbus A321XLR, a new-generation long range aircraft that delivers up to 30% higher fuel efficiency and reduced CO_2 emissions compared to previous models, based on the manufacturer's claims;
- British Airways received new aircraft including one 787-10 Dreamliner, which delivers up to 25% improved fuel efficiency than the aircraft it is designed to replace, plus 12 short-haul aircraft (seven A320neo and five A321neo); and
- IAG confirmed the allocation of 50 Boeing 737s to Vueling, which are scheduled to be delivered from late 2026.

Ground-based operational efficiencies are also being delivered through equipment upgrades to ground vehicles.

Fuel efficiency programme

Each airline has a fuel efficiency programme that supports flight planning and execution, which enables pilots to operate more efficient flights with high safety standards. Measures to improve operational efficiency employed by our airlines include the use of single-engine taxiing and delaying engine startup to save carbon emissions prior to take-off. IAG brings together sustainability colleagues, fuel management experts and pilots in the Carbon Efficiency Working Group to leverage this expertise and share best practice to develop fuel efficiency initiatives towards our carbon reduction objectives.

In 2025, IAG implemented a new fuel management tool (Open Airlines) to support our goal of strengthening the Group-wide fuel efficiency programme. The adoption of this tool is designed to enhance engagement with flight crews by providing detailed operational insights, while delivering fuel monitoring systems that support aligned reporting across operating companies. This enables the Group's airlines to provide necessary fuel data to comply with carbon market requirements (under the UK ETS, EU ETS, CORSIA and ReFuelEU policies). Through this strengthened programme, we calculate that a 25% increase in total fuel saved could be achieved by 2030, compared to savings achieved in 2025.

As part of the efficiency programme, we also seek innovative solutions that help enhance the performance of our operations. In line with this ambition, in 2025 Vueling signed a partnership with MicroTau, a technology manufacturer that aims to deliver up to a 4% reduction in fuel consumption by decreasing aerodynamic drag on aircraft through the installation of a biomimetic film with micro-riblets that mimic shark skin texture.

Sustainable aviation fuels

SAF is the main term used by the aviation industry to describe a non-conventional (non-fossil derived) aviation fuel. SAF is the preferred IATA term for this type of fuel although when other terms such as sustainable alternative fuel, sustainable alternative jet fuel, renewable jet fuel or biojet fuel are used, in general, the same intent is meant.

'Biofuels' typically refers to fuels produced from biological resources (plant or animal material). However, current technology allows fuel to be produced from other alternative sources, including non-biological resources; thus, the generic description of SAF is used.

The chemical and physical characteristics of SAF are almost identical to those of conventional jet fuel. They can be safely mixed with the latter to varying degrees, use the same supply infrastructure and do not require the adaptation of aircraft or engines. Fuels with these properties are called 'drop-in fuels' (i.e. fuels that can be automatically incorporated into existing airport fuelling systems). This definition is available on the IATA website.

The feedstocks for these fuels, currently waste materials such as used cooking oil, absorb CO_2 in their growth cycle before this carbon is recycled into fuel and then emitted during the flight. SAF produces similar levels of carbon dioxide to conventional aviation fuels when burned, but the carbon dioxide generated is already part of the carbon cycle and is not extracted from the ground specifically for creating aviation fuel. This means that using SAF results in a reduction in carbon emissions compared to the traditional jet fuel it replaces over the lifecycle of the fuel.

Environment (Planet) *continued*

There are currently eight certified pathways to making SAF based on use of specific technologies and feedstocks. These processes are certified to international standards to ensure the fuels are safe to use. IAG requires its SAF to comply with strict sustainability certification schemes.

Emission reductions from the use of SAF are measured as the reduction of carbon emissions on a GHG lifecycle basis, typically by 80% or more compared with the fossil jet fuels it replaces. SAF also contains fewer impurities (such as sulphur), which enables an even greater reduction in sulphur dioxide and particulate matter emissions than fossil-based fuels.

Supporting advanced SAF pathways

IAG continues to make direct investments in new and innovative SAF production capacity, catalysing the wider development of the SAF market. These investments are typically coupled with SAF purchase agreements, which are critical to the financial viability of the new SAF production capacity. In September 2025, IAG participated in the Series B funding round for OXCCU, a UK-based SAF innovator, and invested alongside **one**world alliance member airlines in BEV, to launch a new investment fund designed to address the limited availability and high cost of today's SAF.

IAG is working with technology developers to establish a range of SAF supply options, including the projects listed in this section.

SAF partnerships

Producer	Site location	Anticipated supply start date	SAF production pathway
BP	Europe; China	Since 2021	Hydrotreated esters and fatty acids (HEFA) and co-processed
Neste	Finland; Singapore	Since 2021	HEFA
Phillips 66	Humber, UK	Since 2022	Co-processed
Repsol	Cartagena, Spain	Since 2022	HEFA
Moeve (formerly Cepsa)	Huelva, Spain	Since 2023	Co-processed
EcoCeres	Shanghai, China	Since 2024	HEFA
ST1	Gothenburg, Sweden	Since 2024	HEFA
LanzaJet	Georgia, US	Since 2025	Alcohol-to-jet
Twelve	Washington, US	Since 2025	Power-to-liquid
Valero	Texas, US	Since 2025	HEFA
World Energy	California, US	Since 2025	HEFA
Aemetis	California, US	2027	HEFA
Infinium	Texas, US	2027	Power-to-liquid
Wastefront	Sunderland, UK	2028	Tyre pyrolysis oil
LanzaJet	Teeside, UK	2029	Alcohol-to-jet
Nova Pangaea	Teeside, UK	2029	Advanced bioethanol

Co-processed SAF involves renewable oils (HEFA), which are fed into a traditional petroleum refinery along with crude oil. The refinery uses its existing hydroprocessing units to convert both streams into jet fuel and other products. The result is a small percentage of SAF produced without building a separate biofuel plant, typically making it cheaper and faster to scale

Role of SAF in the IAG transition plan

SAF is an important part of IAG's transition plan to achieve net zero emissions by 2050. In 2021, the Group set a target of using 10% SAF a year by 2030, dependent on appropriate government policy support. IAG continues to monitor SAF projections and available policy support to deliver this target. This includes IAG's share of mandates on fuel suppliers to supply SAF in the EU and the UK and the suitability of market conditions for voluntary SAF use above our share of these mandates.

IAG expects to use SAF for 70% of its total fuel in 2050, which will contribute to a 42% reduction in lifecycle CO_2 emissions in the same year.

Delivering on our commitment

In 2025, Group airlines used more than 291,000 tonnes of SAF, an increase of 79% versus 2024. This saved more than 796,000tCO_2 on a lifecycle basis compared to using conventional aviation fuel, accounting for 3.3% of IAG's total fuel.

SAF governance in IAG

The Group administers a SAF Management Group comprising of colleagues from IAG Sustainability, Group Finance and representatives from each operating company. The SAF Management Group meets monthly and reports to the SAF Steering Group. Refer to section 'ESRS 2 General Disclosures' of this Sustainability statement for more details.

Supporting emissions reductions for our customers

To support the scale-up of SAF production globally, IAG offers customers the opportunity to contribute towards SAF costs to support their own Scope 3 emission reductions. By partnering with its corporate customers, IAG is able to purchase more SAF and reduce its Scope 1 emissions (accounting for the emission reductions from SAF on a lifecycle basis). Corporate customers who purchase SAF Scope 3 emission certificates claim reductions towards their Scope 3 lifecycle emissions from the industry, commensurate to a proportion of their corporate flying. These are typically used to reduce emissions under Scope 3 category 4 (upstream transportation and distribution) or 6 (business travel).

In April 2025, IAG extended our co-funded purchase agreement for SAF with Microsoft by five years, increasing the volume of SAF by 39,000 tonnes (equating to a reduction in lifecycle carbon emissions by approximately 112,000tCO_2). Iberia also launched a dedicated SAF initiative designed to promote collaboration among its corporate customers. Refer to section 'S4 Consumers and End-users' of this Sustainability statement for more information.

Carbon removals

IAG supports the inclusion of carbon removals in industry decarbonisation pathways and external assessments. Based on the latest roadmap, the Group expects to use approximately 130MT of carbon removals between 2025 and 2050 to mitigate its Scope 1 emissions, conditional on clear, globally agreed verification and quality standards for removals and appropriate policy support such as inclusion in emission trading schemes.

By 2050, IAG will only use carbon removals to mitigate any residual emissions from its operations and supply chain. IAG continues to encourage suppliers to reduce emissions and transition from offsets to removals by including its sustainability clause to all contracts with suppliers, including renewed or amended contracts across the Group.

Supporting the development of carbon removals

The Group continues to advocate for effective, fair policies that support the development of carbon removal technologies. We responded to the UK's consultation on integrating carbon removals in the UK ETS in 2025, and contributed to the update of A4E's 'Destination 2050' roadmap, which was published in February 2025 and outlines industry expectations for the use of carbon removals towards our 2050 net zero goal. IAG also responded to a UK call for evidence for an independent review on greenhouse gas removals and continues to provide its views on the role of carbon removals in science-based targets under development by the SBTi and ISO.

The UK SAF mandate is a greenhouse gas based scheme, which rewards projects that can capture and store CO_2 or solid carbon as part of the overall production process. We believe that this is the best route for aviation to support the development of carbon removals in the near term. We have continued to engage with regulators to highlight the financial support needed to allow aviation to play its part in growing the future supply of greenhouse gas removals.

In 2025, British Airways worked with members of Sustainable Aviation to develop an advanced market signal purchase for carbon removals to support future supply development.

Group airlines continue to offer customers the opportunity to make a financial contribution to support carbon removal projects.

Carbon reductions in our supply chain

One of the key pillars of the IAG's Supply Chain Sustainability Programme focuses on achieving our Scope 3 targets.

IAG Transform launched a supply chain carbon reduction strategy in 2024 by segmenting material Scope 3 emission categories, followed by identifying the suppliers to engage on climate mitigation. The strategy aims to identify and support carbon reduction initiatives across the value chain. This involves improving the quality of emission reporting by reflecting our suppliers' decarbonisation efforts by collecting supplier-specific emissions factors (SSEF) via CDP, asking suppliers to set climate targets aligned with IAG's net zero target, and via capacity building.

As part of IAG's Supply Chain Sustainability Programme, IAG Transform also kicked off a Supplier Engagement Programme in 2024, which encourages suppliers to share their sustainability commitments and carbon reduction efforts to identify best in class practices and potential collaborations to achieve common goals. In 2025, IAG Transform expanded the programme by engaging with suppliers across the following procurement categories: aircraft seats, engines, logistics and catering.



Case study: Recaro

In 2025, the Group worked with RECARO under IAG's Supplier Engagement Programme, focusing on the end-of-life treatment of our seats. A joint aircraft seat shredder trial was conducted to evaluate different recycling processes for RECARO-produced seats. Several recycling and transportation scenarios were also compared.

IAG has used this information to identify opportunities to work with suppliers to increase the recycling of materials across the supply chain, which can reduce emissions associated with the end-of-life disposal of aircraft seats in IAG's Scope 3 emissions footprint and support delivery of the Group's targets.

Metrics and targets

E1-4 – Targets related to climate change mitigation and adaptation

IAG's transition plan focuses on reducing lifecycle CO_2 from jet fuel use, as this represents over 99% of Scope 1 emissions. The Group measures its full carbon footprint and tracks multiple metrics each quarter to ensure progress on reducing emissions.

IAG's emission reduction targets are set out in the environmental sustainability policy which is available on the IAG website. These targets are reviewed on a regular basis against available policy support and market conditions, to ensure the Group remains competitive with its peers. IAG continues to advocate balanced regulation that supports decarbonisation while recognising aviation's economic and social importance. Refer to section E1-2 for more information.

The following targets are set to mitigate IAG's material impacts as identified by the 2025 double materiality assessment.

Base year (2019)	2025 target	2030 target	2050 target
Gross Scope 1 GHG emissions (tCO_2e)	N/A	20% reduction in net Scope 1 emissions to 21.6 million tonnes. This equates to a reduction of gross emissions to 24.8 million tonnes	Net zero Scope 1, 2 and 3 emissions across our full operations and supply chain. Carbon removals for any residual emissions. This equates to a reduction of gross emissions to 16.8 million tonnes
Gross Scope 3 GHG emissions (tCO_2e)	N/A	20% reduction in net Scope 3 emissions to 8.7 million tonnes	
Energy efficiency and consumption reduction (flight-only carbon intensity (inclusive of SAF CO_2 reductions))	12% reduction in carbon intensity, to 80gCO_2/pkm	N/A	83% reduction in carbon intensity
Fuel switching (SAF fuel consumed)	N/A	10% SAF use by 2030	N/A
Electrification	Not material	Not material	Not material
Use of renewable energy	Not material	Not material	Not material
Phase out, substitution or modification of product	Not material	Not material	Not material
Phase out, substitution or modification of process	Not material	Not material	Not material
Other	'5 by 2025' waste reduction and recycling targets	Extension of waste reduction and recycling targets to 2030, including a 50% reduction in virgin SUP per ASK	N/A

Absolute emission reduction targets

IAG has a 20% reduction target for its net Scope 1 emissions by 2030 compared to 2019 levels and is working towards net zero emissions by 2050. Direct emissions associated with IAG's direct operations include emissions from jet fuel, diesel, petrol, natural gas and halons. Sources of these emissions include aircraft engines, boilers, APUs and ground vehicle engines. IAG's target to reduce Scope 1 emissions includes reductions from the use of SAF in its gross emissions calculation. The IAG net Scope 1 emission reduction target equates to 21.6 million tCO_2e by 2030, or 24.8 million tCO_2e in equivalent gross Scope 1 emissions.

Indirect emissions associated with electricity use in ground facilities like offices, lounges, data centres and hangars represent less than 1% of total IAG emissions, and, therefore, IAG does not set a near-term target for the reduction of these emissions. IAG monitors the use of renewable electricity across its operations, and we are committed to net zero Scope 2 emissions by 2050.

In 2021, IAG was the first airline group worldwide to set a target of net zero Scope 3 emissions by 2050. This was complemented by a target of a 20% reduction in net Scope 3 emissions by 2030, compared to a 2019 baseline. These targets will be delivered in collaboration with suppliers and other stakeholders by monitoring supplier sustainability performance, engaging with suppliers on their sustainability plans and embedding climate requirements into supplier contract clauses and product specifications.

Carbon intensity reduction targets

In 2021, IAG set a target to reduce the carbon intensity of its aircraft operations by 12% from its 2019 baseline, to 80.0gCO_2/pkm by 2025. This target was first achieved in 2024, and in 2025 the Group delivered a 14% reduction in emissions intensity compared to 2019 (refer to section E1-6 for more information). By 2035, IAG aims to achieve a 39% reduction in gross carbon intensity, increasing to 83% by 2050.

Other targets related to climate change mitigation and adaptation

SAF is part of IAG's transition plan to reduce emissions on a GHG lifecycle basis, typically by 80% or more compared with the fossil jet fuels it replaces. In 2021, IAG committed to 10% SAF usage on average across its fleet by 2030, dependent on appropriate government policy support and available market supply. IAG continues to advocate for policy support to increase the availability of affordable SAF that delivers the greatest lifecycle emission reductions. IAG stresses that mandates alone are insufficient. Initiatives including reinvesting ETS revenues into the development of SAF supply at a fair cost for airlines, and introducing mechanisms like 'book and claim', can help optimise the use of SAF globally, and are urgently needed to support the delivery of both mandated supply requirements and corporate emission reduction targets.

By 2050, IAG expects to use SAF for 70% of total fuel. IAG is also committed to supporting a variety of innovative carbon removal solutions and by 2050, will use carbon removals only to mitigate any residual emissions from its operations.

E1-5 – Energy consumption and mix

IAG's material energy consumption is from the use of jet fuel, which accounts for more than 99% of Scope 1 emissions. Refer to E1-6 – Gross Scope 1, 2, 3 and total GHG emissions for emissions intensity per net revenue.

Energy consumption and mix	Unit	2025	2024	vly
Energy consumption from fossil sources				
(1) Fuel consumption from coal and coal products	MWh	**–**	–	– %
(2) Fuel consumption from crude oil and petroleum products	MWh	**110.6**	109.9	1 %
of which is from jet fuel	MWh	**110.6**	109.7	1 %
of which is from gas oil for generators	MWh	**–**	–	– %
of which is from gas oil for airport vehicles (Gasoleo B)	MWh	**0.03**	0.04	(3)%
of which is from diesel for generators	MWh	**–**	–	– %
of which is from diesel for vehicles (Gasoleo A)	MWh	**0.01**	0.14	(95)%
of which is from petrol	MWh	**0.01**	0.01	20 %
(3) Fuel consumption from natural gas	MWh	**0.13**	0.12	8 %
(4) Fuel consumption from other fossil sources	MWh	**–**	–	– %
(5) Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources	MWh	**0.04**	0.05	(24)%
(6) Total fossil energy consumption (calculated as the sum of lines 1 to 5)	MWh	**110.8**	110.1	1 %
Share of fossil sources in total energy consumption	%	**96.6%**	98.0%	(1.4)pts
(7) Consumption from nuclear sources	MWh	**–**	–	– %
Share of consumption from nuclear sources in total energy consumption	%	**–**	–	–
Energy consumption from renewable sources				
(8) Fuel consumption from renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.)	MWh	**3.77**	2.13	77 %
of which is from SAF	MWh	**3.77**	2.08	81 %
(9) Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	MWh	**0.18**	0.17	5 %
(10) The consumption of self-generated non-fuel renewable energy	MWh	**–**	–	– %
(11) Total renewable energy consumption (calculated as the sum of lines 8 to 10), including SAF	MWh	**3.9**	2.3	71 %
Share of renewable sources in total energy consumption	%	**3.4 %**	2.0 %	1.4 pts
Total energy consumption (calculated as the sum of lines 6, 7 and 11)	MWh	**114.8**	112.4	2 %
Share of renewable electricity	%	**81%**	75%	5 pts

Energy intensity per net revenue	Unit	2025	2024	vly
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors[3]	MWh/€	**0.0035**	0.0035	(1)%

To calculate the energy intensity per net revenue, all fuel consumption associated with the Group's activities is accounted for (as a high climate impact sector) and classified as part of the Group's Scope 1 emissions. This is divided by total Group revenue.

E1-6 – Gross Scope 1, 2, 3 and total GHG emissions

	Unit	2025	2024	2019	vly	versus 2019
Scope 1 GHG emissions						
***Total gross Scope 1 GHG emissions**	$ktCO_2e$	**27,548**	27,248	30,475	1 %	(10)%
Emission reductions from the use of SAF	$ktCO_2$	**796.9**	469.3	0.0	70 %	n/a
Flight-only carbon intensity (exclusive of SAF CO_2 reductions)[1]	gCO_2/pkm	**79.8**	79.4	89.8	1 %	(11)%
*Flight-only carbon intensity (inclusive of SAF CO_2 reductions)[2]	gCO_2/pkm	**77.5**	78.1	89.8	(1)%	(14)%
Emission reduction initiatives (volume of emissions reduced)	$ktCO_2$	**90.8**	114.2	77.4	(20)%	17 %
CO_2 per revenue tonne kilometre	gCO_2e/RTK	**775**	781	898	(1)%	(14)%
Net Scope 1 emission reductions						
Percentage of Scope 1 GHG emissions from regulated emission trading schemes	%	**25.5 %**	25.8 %	25.1 %	(0.3)pts	0.4pts
ETS (calculated as emissions above the share of the ETS cap)	$ktCO_2e$	**4,607**	3,176	3,182	45 %	45 %
CORSIA (2025 data expected by October 2026)[3]	$ktCO_2e$	**n/a**	2,494	n/a	– %	– %
Voluntary offsets (excluding customer contributions)	$ktCO_2e$	**14.0**	21.5	n/a	(35)%	– %
Total net Scope 1 GHG emissions	$ktCO_2e$	**22,325**	24,051	26,948	(7)%	(17)%
Other emissions from Scope 1 activities						
Methane (CH_4)	$ktCH_4$	**19.6**	19.2	18.5	2 %	6 %
Nitrous oxides	$ktNO_2$	**236.1**	230.9	288.1	2 %	(18)%

Environment (Planet) *continued*

	Unit	2025	2024	2019	vly	versus 2019
Scope 2 GHG emissions						
Gross location-based Scope 2 GHG emissions	$ktCO_2e$	**52.4**	53.4	74.5	(2)%	(30)%
Gross market-based Scope 2 GHG emissions	$ktCO_2e$	**16.5**	12.7	21.3	30 %	(22)%
Scope 2 carbon intensity (location)	gCO_2/MWh	**0.15**	0.16	0.22	(3)%	(32)%
Scope 3 GHG emissions						
***Total gross indirect (Scope 3) GHG emissions**	$ktCO_2e$	**11,511**	11,794	10,674	(2)%	8 %
Category 1: Purchased goods and services	$ktCO_2e$	**3,270**	3,030	2,939	8 %	11 %
Category 2: Capital goods	$ktCO_2e$	**–**	–	–	– %	– %
Category 3: Fuel and energy-related production	$ktCO_2e$	**5,932**	5,787	6,257	3 %	(5)%
Category 4: Upstream transportation and distribution	$ktCO_2e$	**258**	313	224	(18)%	15 %
Category 5: Waste generated in operations	$ktCO_2e$	**20**	22	16	(10)%	23 %
Category 6: Business travel	$ktCO_2e$	**34**	35	35	(3)%	(2)%
Category 7: Employee commuting	$ktCO_2e$	**101**	103	53	(2)%	92 %
Category 8: Upstream leased assets	$ktCO_2e$	**–**	–	–	– %	– %
Category 9: Downstream transportation and distribution	$ktCO_2e$	**–**	–	–	– %	– %
Category 10: Processing of sold products	$ktCO_2e$	**–**	–	–	– %	– %
Category 11: Use of sold products	$ktCO_2e$	**468**	1,095	301	(57)%	55 %
Category 12: End-of-life treatment of sold products	$ktCO_2e$	**0.1**	0.1	–	(29)%	– %
Category 13: Downstream leased assets	$ktCO_2e$	**49**	62	–	(21)%	– %
Category 14: Franchises	$ktCO_2e$	**652**	613	839	6 %	(22)%
Category 15: Investments	$ktCO_2e$	**727**	735	10	(1)%	7296 %
***TOTAL emissions (Scope 1, Scope 2 location-based, Scope 3)**	$ktCO_2e$	**39,111**	39,096	41,224	– %	(5)%
TOTAL emissions (Scope 1, Scope 2 market-based, Scope 3)	$ktCO_2e$	**39,075**	39,055	41,170	– %	(5)%

*Metrics with an associated target – please refer to 'E1-4 Targets related to climate change mitigation and adaptation' for details

1 Disclosed for the purpose of third-party corporate reporting. This carbon intensity figure is calculated without emission reductions from the use of SAF.

2 Grammes of CO_2 per passenger kilometre (gCO_2/pkm) is a standard industry measure of flight fuel efficiency. It is calculated by dividing total jet fuel use by total passenger-km, assuming one cargo-tonne-km is equivalent to 10 passenger-km, then multiplying this value by a conversion factor of 3.15. This calculation excludes the jet fuel used by franchisees, cargo carried on other airlines and engine testing. It excludes no-show passengers, in line with industry guidance. This carbon intensity calculation is used for calculation of IAG's management incentive and includes CO_2 emission reductions achieved from SAF. SAF reductions are calculated using actual lifecycle analysis (LCA) carbon intensity values for SAF fuel uplifted by airlines in the Group and subtracting the achieved emission reductions from our total Scope 1 CO_2 footprint.

3 Emissions covered under the CORSIA will be included in our Scope 1 net emissions calculation at the end of each phase, when the cancellation of emission units by Group airlines is completed. For emissions from phase 1 (covering 2024-2026 scheme years), net emission reductions will be reported in 2028. Emission volumes reported in 2024 reflect final offsetting obligations communicated by regulators following calculation of the 'Sectoral Growth Factor' by ICAO. Emission volumes for 2025 will be confirmed by November 2026.

The scope of activities and emissions reported is consistent with previous years. IAG's emissions are calculated by multiplying fuel and energy use by appropriate conversion factors that are aligned with the IPCC Fourth Assessment Report. 2025 UK Government conversion factors are applied across the Group, as these are deemed to be the most robust available and are suitable for international organisations reporting on UK operations, as per the Department for Environment, Food and Rural Affairs factors definition. For Scope 2 emissions only a market-based factor has been used for Spanish locations due to the availability of reliable data. Other emissions factors (such as the IEA emissions factors) are used in specific cases.

Fuel metrics in more detail

The following metrics below detail our jet fuel consumption, including mandated and voluntary SAF use in 2025.

Fuel metric	Unit	2025	2024	2019	vly	versus 2019
Total jet fuel consumed	MT fuel	**8.61**	8.55	9.65	1%	(11)%
Total SAF consumed	KT fuel	**291.1**	162.2	0.0	79%	– %
Of which is mandated	KT fuel	**40%**	4 %	n/a	36 pts	n/a
Of which is voluntary	KT fuel	**60%**	96 %	n/a	(36)pts	n/a
EU ETS additional allowances received through the FEETS programme	EU ETS allowances	**497,539**	–	n/a	–	n/a

Fuels Eligible for ETS Support (FEETS)

In March 2025, the Group airlines applied for the EU SAF support mechanism available under the EU ETS through the FEETS Regulation. This support mechanism aims to promote the uptake of SAF by granting EU ETS emission allowances to airlines for the use of SAF on eligible routes within the scheme. The allowances help bridge the price gap between conventional jet fuel and SAF on flights covered by EU ETS carbon pricing.

Co-funded by the European Union

During 2024, Group airlines uplifted more than 162,000 tonnes of SAF, of which 29,000 tonnes qualified for EU ETS support. Based on this volume, the Group was awarded 497,539 ETS emissions allowances in September 2025, which volumes were credited to each airline's EU ETS registry account. Based on the 2024 weighted average price of auctions carried out in accordance with

Delegated Regulation (EU) 2023/2830 (5), as published on the common auction platform (€64.74 per allowance), this equated to financial support of €32,201,675. Refer to note 2 of the consolidated financial statements for a description of the financial accounting for EU ETS allowances.

Due to the retrospective nature of this programme, the Group airlines will receive confirmation of EU ETS allowances awarded for SAF volumes uplifted in 2025 as part of their 2026 EU ETS compliance cycle.

Gross emissions by country of activity

The table below shows 2025 GHG emissions aggregated by main country of our operations. Group airlines are assigned to the country of hub operations.

Location	Unit	Scope 1	Scope 2, location-based	Scope 2, market-based
Ireland	$ktCO_2e$	2,411.8	2.5	0.3
Spain	$ktCO_2e$	9,682.3	19.6	8.9
United Kingdom	$ktCO_2e$	15,453.5	30.2	7.3
Other	$ktCO_2e$	–	0.1	–

Biogenic CO_2 emissions

The table below shows the volume of biogenic emissions included within IAG's 2025 gross CO_2 emissions, aggregated by scope. Biogenic emissions are treated under the GHG Protocol as emissions that are considered carbon neutral where they arise from the combustion or decomposition of biomass.

Location	Unit	Scope 1	Scope 3
Biogenic CO_2 emissions	$ktCO_2e$	917.2	3.1

Emissions intensity per net revenue

Energy intensity is calculated by dividing total Group revenue by the sum of Scope 1 emissions and Scope 2 location-based emissions.

GHG per net revenue	Unit	**2025**	2024	vly
Total revenue (as per the financial statements)	million €	**33,213**	32,100	3.5 %
Total GHG emissions (location-based) per net revenue	(tCO_2e/million €)	**830.8**	840.0	(1.1)%
Total GHG emissions (market-based) per net revenue	(tCO_2e/ million €)	**829.7**	840.0	(1.2)%

Scope 3 emissions

IAG Transform first partnered with Watershed, a sustainability platform, in 2023 to improve reporting of IAG's Scope 3 Category 1 (purchased goods and services) emissions. In 2024, IAG assessed all 15 categories of Scope 3 emissions, as defined by the global GHG Protocol. The scope of emissions calculations is based on material procurement categories of spend – the two most material categories being jet fuel and purchased goods and services, reported under Scope 3.3 and Scope 3.1, respectively.

During 2025, work has continued to improve the quality of Scope 3 emission calculations from IAG's supply chain. Under the third party code of conduct, suppliers are encouraged to provide IAG with specific emission information where available. IAG reviews the quality of the information received by reviewing the supplier's methodology from well-to-tank emissions and incorporating them into the footprint. Where possible, the Group seeks to re-categorise emissions calculated under Scope 3 Category 1 to other Scope 3 emission categories to reflect the appropriate activity. While the methodology continues to improve, the Group may include emissions from a small number of suppliers across different Scope 3 emission categories.

As more data from suppliers becomes available, values therefore may be restated, and any material restatements will be made in future reports with explanations provided. Where data from suppliers is not available, standardised conversion factors are used.

Changes made to the Group's emissions reporting methodology for the following Scope 3 emission categories in 2025 include:

- Scope 3.1 (Purchased goods and services) emissions continue leveraging data from sustainability disclosures made by suppliers via CDP. Where a supplier has reported a high-quality carbon footprint with an external verification, a supplier-specific emissions factor can be used. This year, IAG Transform leveraged publicly available data from Heathrow Airport to replace previous calculations using a spend-based approach. The Group continues to increase the use of activity data where practicable and auditable;
- Scope 3.3 (Fuel- and energy-related activities) emissions now apply the well-to-wake LCA carbon saving of SAF to upstream fuel production, based on the EU Renewable Energy Directive; and
- Scope 3.4 (Upstream transportation and distribution) emissions use activity data by relying on the logistics provider's shipments details.

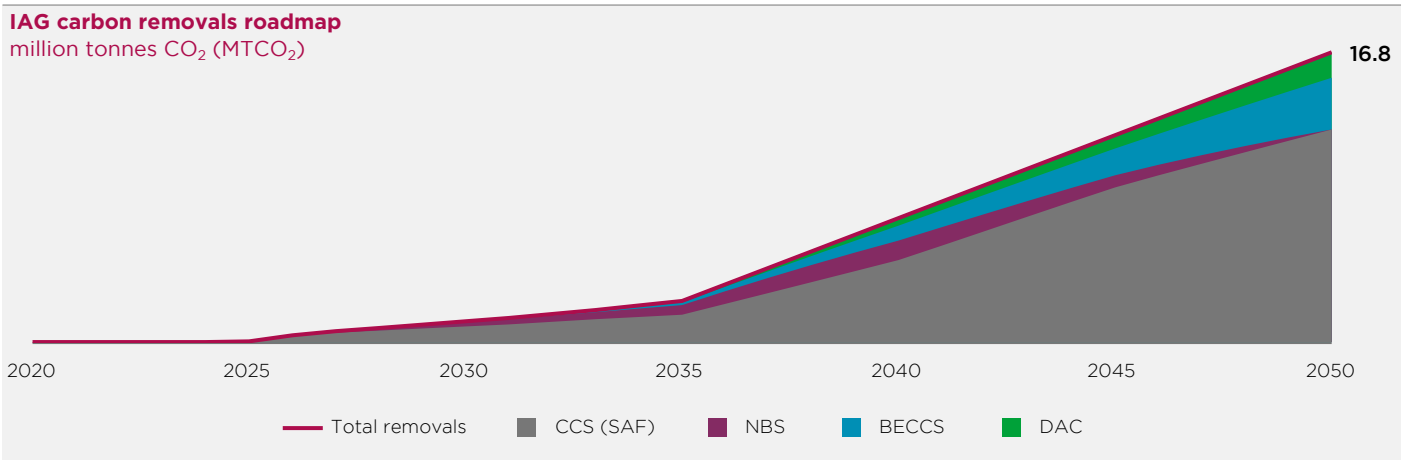
E1-7 – Carbon removals and mitigation projects financed through carbon credits

Carbon removal solutions extract CO_2 already in the atmosphere and store it in biological or geological ways. IAG uses carbon removals and carbon credits (via mandated use towards obligations in carbon markets and voluntary purchases) to support the delivery of the Group's net zero emissions target. IAG does not produce carbon offsets or carbon removal credits from its operations. Examples of planned carbon removal use in our transition plan include:

- Nature-based solutions (NBS) – include creating new forests and peatland;
- Bioenergy carbon capture and storage (BECCS) – capturing biogenic carbon from industrial facilities and storing it in, for example. underground aquifers;
- Carbon capture and storage (CCS) with SAF production – as above and including the use of by-products that can absorb CO_2; and
- Direct air capture (DAC) – absorbing CO_2 directly from the air using a catalyst.

Environment (Planet) *continued*

Carbon removals within our 2050 roadmap



IAG considers carbon avoidance projects as a key transitional solution en route to full use of carbon removals. IAG expects to use carbon removals to meet an increasing share of its CORSIA obligations between 2024 and 2035, conditional on appropriate policy, and supports wider guidance on how to transition to removals such as that provided by the science-based Oxford Offsetting Principles.

Carbon credit project financing

IAG is committed to supporting a variety of innovative carbon removal solutions and is considering projects that are immediately available and independently verified today, as well as more innovative technology solutions. Our engagement with carbon removal technologies may involve a combination of forward delivery procurement and project financial support, facilitating the scale-up of carbon removal technologies alongside relevant government support.

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

The Group continues to advocate policies that will accelerate global uptake of carbon removals, via the Coalition for Negative Emissions and other trade associations and supports the inclusion of removals in the EU ETS and the UK ETS, ensuring that their inclusion remains fair for all market participants.

Carbon credits cancelled in 2025

Details of carbon credits cancelled by the Group and its operating companies in 2025 are provided in the table below.

Carbon credits cancelled in the reporting year	2025	vly
Total (tCO_2e)	**35,529**	(70)%
Share from removal projects (%)	**100%**	58 %
Share from reduction projects (%)	**–%**	(58)%
Share of projects from a verified carbon standard (%)	**100%**	– %
Share from projects within the EU (%)	**–%**	– %
Share of carbon credits that qualify as corresponding adjustments (%)	**–%**	(100)%
Carbon credits planned to be cancelled in the future		**71,552 by 2123**
Total (tCO_2e) (sum of total carbon credits cancelled in the reporting year and carbon credits planned to be cancelled in the future)		**107,081**

The volume of carbon credits retired from biogenic sinks or from land-use change (e.g. afforestation, reforestation, forest restoration, urban tree planting, agroforestry, building soil carbon), was 35,529tCO_2e in 2025. The volume of carbon credits from technological (e.g. direct air capture), or hybrid (e.g. bioenergy with CO_2 capture and storage) was 0 tCO_2e in 2025.

In addition to these volumes, British Airways' customers also contributed 1,124tCO_2e in 2025 through contributions made on the Chooose platform. Refer to section E1-5 for future carbon credit cancellations expected to comply with the Group's final offsetting obligations under CORSIA. These volumes are not included in the table above.

E1-8 – Internal carbon pricing

IAG applies carbon prices to financial planning and future scenario analysis. The Group's emissions from aviation activities, which represent 99% of our Scope 1 emissions, are largely regulated by explicit carbon prices under participation in carbon markets including the EU ETS, UK ETS and CORSIA. Such regulations do not apply for activities included in our Scope 3 emissions.

The IAG Fleet team uses updated internal carbon price forecasts for short-haul and long-haul fleet purchasing decisions, based on market values and reputable external sources. The Group airlines use carbon prices in financial planning, and Flight Operations teams and pilots use carbon prices in operational decisions about fuel uptake.

Internal carbon price forecasts are prepared based on calculated prices derived from the Group's exposure to external carbon prices. For the period 2026 to 2028, UK ETS prices of £61–65/tCO_2e, EU ETS prices of €87–92/tCO_2e and CORSIA prices of €18–27/tCO_2e were used for modelling compliance costs and to inform internal carbon prices used for impairment modelling. EU and UK ETS prices are based on market prices and the UK Department for Transport Aviation Forecast, and CORSIA prices are based on internal analysis and ICAO industry price forecasts.

Additional environmental disclosures required under Spanish Law 11/2018

Noise

GRI 305-7

IAG is reporting the following metrics under the transitional requirements of Spanish Law 11/2018. These metrics are reported in accordance with GRI Standards. In 2025, IAG met its target to reduce noise per LTO by at least 10%, compared with a 2019 baseline. IAG only reports on the most stringent ICAO and ICAO Committee on Aviation Environmental Protection (CAEP) standards for aircraft. The Group is over 99% compliant with ICAO Chapter 4 and CAEP Chapter 4 standards.

Metric	Unit	2025	2024	versus 2019	Commentary
Noise per LTO	QC/LTO	**0.85**	0.86	(15)%	The improvement since 2019 is due to the use of newer quieter aircraft. Values can fluctuate year-on-year due to factors such as the mix of short-haul and long-haul flying
NOx per LTO	kg/LTO	**9.07**	9.08	(14)%	Data remains comparable to previous years, as changes in flight operations, such as reductions in average stage length (which typically increase NOx per LTO), are balanced by the introduction of new aircraft which reduce NOx per LTO
ICAO Chapter 14	% of fleet at standard	**68 %**	64 %	15 %	Compliance will continue to improve as newer aircraft are introduced to the fleet and following retirement of older aircraft
CAEP Chapter 6	% of fleet at standard	**88 %**	82 %	10 %	The improvement is driven by fleet modernisation and deliveries of new aircraft in 2025, including the Airbus A321XLR
CAEP Chapter 8	% of fleet at standard	**55 %**	49 %	20 %	The improvement is driven by fleet modernisation and deliveries of new aircraft in 2025, including the Airbus A321XLR

Waste management

GRI 306-1/-2/-3 (2020)

IAG is reporting the following metrics under the requirements of Spanish Law 11/2018. These metrics show progress towards IAG's waste reduction targets by 2025, compared to a 2019 baseline and are reported in accordance with GRI Standards. Waste type descriptors and waste disposal descriptors are provided in the appendix to this statement.

Metric	Unit	2019 base	2025 target	2025	2024	vly
Total waste generated	tonnes	60,194	n/a	**49,042**	53,735	(9)%
Waste recovered or recycled	tonnes	11,813	n/a	**6,429**	6,767	(5)%
On-board waste per passenger	kg/pax	0.33	0.26 (-20%)	**0.29**	0.31	(6)%
Office waste per full-time employee	kg/FTE	95.7	47.8 (-50%)	**95.40**	73.79	29 %
Maintenance waste per unit of activity	kg/person-hr	0.63	0.47 (-25%)	**0.11**	0.11	– %
Cargo waste per unit of cargo carried	kg/tonne cargo	1.55	1.16 (-25%)	**1.61**	1.40	15 %
On-board waste at hubs recycled/recovered	%	24%	40%	**15%**	18%	(3)%
Office waste recycled/recovered	%	35%	60%	**50%**	50%	– %
Maintenance waste recycled/recovered	%	50%	70%	**58%**	47%	11 %
Cargo waste recycled/recovered	%	63%	80%	**57%**	78%	(21)%
Total waste recovered or recycled	%	20%	n/a	**13%**	13%	– %

In 2025, IAG reviewed its waste strategy and extended this plan to 2030, setting new targets and updating our baseline to reflect current waste practices following the COVID-19 pandemic and operational changes incorporated into our operations. We have set new targets for delivery by 2030, compared to a 2025 baseline. These are to:

- Reduce virgin SUP by 50% on a kg/ASK basis;
- Reduce the generation of total waste per unit of activity in each business by 10%; and
- Dispose of at least 80% of the waste generated by our activities appropriately to facilitate its recycling upstream.

These objectives will help drive waste management across IAG's operations, unlocking investment opportunities where available and supporting compliance with UK and EU regulations.

Other environmental metrics

IAG is reporting the following metrics under the transitional requirements of Spanish Law 11/2018, independent of IAG's double materiality assessment findings.

Metric	GRI Standard	Unit	2025	2024	vly
Average fleet age	n/a	years	**12.6**	12.4	2 %

Social (People and prosperity)

ESRS S1 Own workforce

SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

IAG's own workforce covers 75,786 directly employed colleagues across our operating companies in a range of roles including 'in the air' (pilots and cabin crew) and 'on the ground' (airport operations, corporate functions and maintenance). The identified material IROs affecting our workforce are set out below.

Topic	Name	Impact, risk or opportunity	Description	Location
Social internal				
Employee attraction, retention and engagement	Employee engagement and advocacy	i	Employee satisfaction and engagement is central to the Group's strategy. When employees are satisfied with their roles and experiences within the organisation, they are more likely to feel engaged, motivated and fulfilled in their work. Each operating company provides a compelling people proposition to ensure they are able to attract, develop, retain and engage employees.	Own operations
	Organisational culture and sense of belonging	i	A strong organisational culture increases employees' sense of belonging, contributing to a positive workplace environment, which can translate into higher employee retention and productivity.	Own operations
Diversity and inclusion	Inclusive culture	i	Fostering an inclusive and diverse working environment promotes creativity, collaboration and employee loyalty, driving organisational success and fostering a positive workplace culture.	Own operations
	Diverse workforce	i	Fostering diversity enriches a company's workforce and enhances organisational performance.	Own operations
	Equal opportunities	i	Providing equal opportunities and treating people fairly is critical to tackle discrimination and create a diverse business.	Own operations
Employee health and safety	Employee health and safety	i	Prioritising employee health and safety enhances job satisfaction, loyalty and overall performance, driving organisational success and fostering a supportive workplace environment. Taking care of employees' health reduces the risk of injury, ensures a safe working environment and leads to higher levels of energy, motivation and resilience. This enables employees to perform their duties more effectively and efficiently.	Own operations
Remuneration and working conditions	Social dialogue and collective bargaining	i	Fostering constructive social dialogue with employee representatives is critical to a harmonious workplace and long-term organisational success.	Own operations
	Fair, sustainable and competitive terms and conditions	i	Providing sustainable and competitive remuneration ensures talent retention, boosts job satisfaction and maintains high levels of employee engagement and performance.	Own operations

i Positive impact

S1-1 – Policies related to own workforce diversity and inclusion

Relevant standards: GRI 405-1

Our approach and policies

We are proud of our colleagues across the organisation, whose diverse perspectives and experiences strengthen our innovation, resilience and long-term success. Our aim is to provide a fair, inclusive and respectful workplace where every colleague has access to the same opportunities, regardless of background or identity, and where decisions are based on merit. We want colleagues to grow, develop and contribute meaningfully, supported by fair and transparent approaches to recruitment, development and progression. We hold ourselves to high standards of ethics and accountability. We expect behaviours that build trust, to foster an environment where discrimination has no place and everyone can perform at their best. We value difference and see diversity as central to our culture and performance. Our colleagues span 76 countries, speak dozens of languages and represent different cultures, identities, backgrounds, skills and ways of thinking.

We have a Group-wide Diversity and Inclusion policy, approved by the IAG Board, designed to set out IAG's formal commitment to fairness, equal opportunities, diversity, inclusion, and a strong sense of belonging across the Group – ensuring every stakeholder is treated with dignity, valued for their differences, and able to thrive. Further, each operating company has its own diversity and inclusion policy and plan, approved and overseen by the operating company's senior governance body (i.e. its Board and/or Executive Committee as applicable). This takes into account the company's legal and cultural contexts, and regulatory requirements of its countries of operation – and takes steps to bring these policies to life.

Actions, metrics and targets

We value diversity and measure progress by monitoring the composition and experience of our workforce, as well as our key processes, to ensure fairness. Our goal is to continually improve fairness, sense of belonging and inclusion over the longer term.

In 2022, we set an ambition to increase the gender diversity of our senior leadership and, in 2024, we set a UK ambition for senior leadership ethnicity. Since then, we have seen a 31% increase in the number of senior women, a 9ppt increase in the diversity of our succession pipeline and an 18ppt increase in sense of belonging. Of our senior leaders, 35% are women, and 10% of our UK leaders identify as minority ethnic.

Looking forward, we will demonstrate commitment through actions; focusing on fairness and inclusion, ensuring colleagues have access to the same opportunities, making decisions based on merit and valuing everyone's unique differences. Through outreach and engagement activities we raise awareness of opportunities in our businesses, especially for underrepresented groups. We listen to and respond to colleague feedback to make our businesses fairer and more inclusive. We ensure our policies, processes and support are inclusive and fair and monitor data to ensure colleagues and candidates are treated fairly. As a global business, we continue to review our approach to ensure we comply with regulatory requirements and reporting obligations.

Collaborating on diversity and inclusion across the Group

IAG's Diversity Panel has representatives from across all operating companies sharing best practices and leading on the co-design and implementation of new initiatives.

We continue to partner with Women in Hospitality, Travel and Leisure (WiHTL) and with the International Transport Association (IATA) and are committed to working across our industry to raise awareness about careers in aviation particularly for underrepresented groups.

Co-parenting responsibilities

Relevant standards: GRI 401-3

Our approach and policies

The Group's operating companies support a healthy work-life balance, especially in the context of co-parenting responsibilities. They offer a range of policies including job-sharing, maternity, adoption, paternity and shared parental leave to help employees manage co-parenting commitments. Operating companies also provide additional support through online platforms and digital resources that offer valuable information for maintaining a healthy work-life balance.

Universal accessibility for people with disabilities

Relevant standards: GRI 405-1

Our approach and policies

The Group adheres to all pertinent legislation, guaranteeing universal access for both employees and customers with disabilities. Accessibility laws are followed across our facilities and operations.

Our operating companies and businesses are committed to supporting individuals with accessibility needs and disabilities throughout the entire employment lifecycle, from recruitment practices and making reasonable adjustments during the hiring process, to fostering an accessible work environment. A wide range of support is offered, including assistive technologies, flexible work arrangements and ongoing support to create an inclusive workplace for all.

Each of our operating airlines is committed to providing a positive customer experience, including support for those with disabilities.

Health, safety and wellbeing

Relevant standards: GRI 403-4, 403-6

Our approach and policies

The health, safety, security and wellbeing of our workforce, our customers and suppliers is our top priority.

We adhere to all applicable safety and security laws, regulations and procedures and continue to focus on and invest in the area of health and wellbeing.

Each operating company maintains health and safety management systems underpinned by policies and effective governance processes.

Actions, metrics and targets

Workplace accidents increased in 2025, coinciding with a rise in overall headcount. The lost-time injury (LTI) frequency rate increased from 4.0 in 2024 to 4.4 in 2025, reflecting improved reporting practices. While LTI frequency increased, LTI severity decreased from 20.1 in 2024 to 15.9 in 2025. This means that although more incidents were reported, their impact in terms of time off work was less severe.

Senior-level committees within each operating company ensure that the risks are managed and controls are in operation, including risk assessments, workforce and employee representative engagement, communication and mandatory training.

Where health and safety issues do arise, each operating company has detailed processes for reporting, investigating matters, trend analysis and remediation.

Human rights and modern slavery

Our approach and policies

The principles of fair and equal treatment, non-discrimination, compliance with the law and respect for human rights sit at the centre of our code of conduct, IAG's ethics and compliance framework and third party code of conduct. The IAG Code of Conduct applies to all employees and directors across the Group and is communicated and shared widely. Employees are equipped with comprehensive training, ensuring they are well versed in the areas covered by our code of conduct.

IAG implemented a new human rights policy in 2024, reinforcing our commitment to upholding human rights and conducting business in a manner that respects the rights and dignity of all people. It confirms the Group's commitment to adhere to the Guiding Principles on Business and Human Rights published by the United Nations. The Human Rights Policy covers key principles such as diversity, equal opportunities, labour standards, freedom of association, forced and child labour, modern slavery and human trafficking.

The Human Rights Policy supports IAG's wider compliance framework and is fully aligned with the 'Speak Up' programme. In 2025, IAG addressed a number of allegations relating to potential human rights violations. For all investigations that have concluded, no substantiated cases have been identified, consistent with the position in 2024.

IAG is taking steps to prevent incidents of modern slavery within the Group and across its supply chains. The IAG Slavery and Human Trafficking Statement outlines specific risks and actions in relation to this area and is available on the IAG website. This statement is made under the relevant legislation.

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

Actions, metrics and targets

IAG and the frontline employees in our operating companies and supply chain are taking practical steps to prevent human trafficking. Our 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 the ICAO Guidelines for Reporting Trafficking in Persons by Flight and Cabin Crew. IAG is one of the founding participants of the ICAO Ad Hoc Working Group on Combatting Trafficking in the Supply Chain (AHWG-TSP), an international, joint industry-regulatory group that has led to the adoption of The Guidelines for Combatting Trafficking in Persons in the Air Operator Supply Chain (Cir 362) at the ICAO General Assembly in 2025.

Operating airlines also run awareness training and provide practical guidance for staff to recognise and respond to potential human trafficking situations and provide procedures for reporting where any cases are suspected. IAG also works closely with the charitable sector in this area to raise awareness among colleagues and support organisations that share our mission to stamp out human trafficking.

Ethics and compliance

Our approach and policies

IAG is committed to conducting its business ethically, responsibly and in full compliance with all applicable laws and regulations. Guided by these principles, the Group strives to foster a culture of accountability at every level of the organisation. All directors and employees are expected to act with integrity and in accordance with the laws of the countries in which they operate.

As IAG continues to enhance its ethics and compliance programme, it works to maintain the highest levels of trust among all stakeholders, including employees, customers, business partners and communities. In 2025, IAG introduced a new anti-money laundering policy to strengthen its approach to identifying, preventing and managing money laundering risks across the Group. The anti-fraud policy was also refreshed to clarify the principles and responsibilities for tackling fraudulent activity. To embed these standards and ensure consistent compliance, mandatory online training was deployed to all relevant employees, reinforcing our commitment to integrity and no tolerance to fraud.

Social (People and prosperity) *continued*

Following the approval of the revised IAG Code of Conduct by the Board of Directors in 2024, further updates were made during 2025 to the anti-bribery and corruption policy and to the competition law policy, strengthening IAG's compliance framework and reinforcing our commitment to ethical business practices across the Group.

Additionally, in November 2025, IAG's modern slavery and human trafficking policy was updated, underscoring IAG's commitment to addressing forced labour and exploitation within its operations and supply chain. The policy aligns with international standards and sets out our approach to identifying, mitigating and addressing modern slavery and human trafficking across the Group.

In response to the evolving regulatory landscape and emerging risks, the Audit and Compliance Committee continued to oversee the implementation of the three-year ethics and compliance plan approved in 2024. During 2025, the Group advanced key initiatives under this plan, reinforcing a risk-based approach to procedures, controls and governance processes. The Board of Directors maintained full visibility of progress and remains committed to embedding a culture of integrity and ethical decision-making across the organisation, in line with IAG's code of conduct.

IAG is committed to encouraging a culture of speaking up and does not tolerate any retaliation against individuals reporting concerns or contributing to internal investigations. The code of conduct and the 'Speak Up' policy outline protections for whistleblowers to ensure that individuals who report concerns in good faith are protected from retaliation. The IAG 'Speak Up' policy and the procedure that regulates how to handle whistleblowing investigations provide details on how to report concerns and establish the framework to ensure a robust and consistent approach to address issues and take remedial action whenever necessary. More details on this are available in section 'G1 – Business Conduct' of this Sustainability statement.

Anti-bribery and anti-money laundering

Refer to 'G1-3 – Prevention and detection of corruption and bribery' for information on anti-bribery and anti-money laundering.

Actions, metrics and targets

IAG encourages employees to raise concerns about unethical behaviour or organisational integrity. If employees have questions about the right thing to do, or if they see or suspect unethical or illegal conduct, they can also discuss the situation with their line manager or contact a member of the Legal, Ethics and Compliance or Human Resource teams, or they can report their concerns using the IAG's 'Speak Up' hotline. Similarly, suppliers are encouraged to contact their primary contact within the business. Regardless, the whistleblowing channel is available for everyone who wishes to report a concern.

Mandatory code of conduct training and communications activities are carried out with directors and employees to raise awareness and understanding of the principles that govern the conduct of the Group. A new code of conduct training module was introduced last year to ensure that employees from different parts of the business will be always prepared to make informed decisions.

Metric	Unit	**2025**	2024	vly
Number of employees who completed annual code of conduct training	#	**66,922**	56,495	18 %
Number of employees who completed the annual anti-bribery training*	#	**12,403**	12,088	3 %

*Denotes total training completed over a period of 3 years

S1-2 – Processes for engaging with own workforce and workers' representatives about impacts

Relevant standards: GRI 2-30, 404-1, 404-2

Our operating companies actively engage with trade unions to secure balanced agreements that ensure fair, competitive and sustainable remuneration. Local employee representatives and unions provide both formal channels for collective agreements and informal avenues for raising issues and concerns.

84% of the workforce across the Group is covered by collective bargaining agreements.

IAG complies with the International Labour Organization (ILO) conventions. These conventions cover fundamental principles and rights at work: freedom of association, the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour and the elimination of discrimination in respect of employment and occupation.

Additionally, the IAG European Works Council (EWC) facilitates communication between employees and management on transnational European matters. It includes representatives from the different European Economic Area (EEA) countries, meeting regularly throughout the year to be informed and, where appropriate, consulted on transnational matters. (See 'Employees' within the Stakeholder Engagement section of the Annual Report).

Training and development

We continue to invest in the skills of our workforce and remain committed to professional development and careers, supporting colleagues in carrying out their daily work and on topics such as: operations, digitalisation, AI and customer and product investments.

IAG is committed to supporting the development of the regions in which we operate by creating jobs, investing in infrastructure and contributing to social and environmental causes. Our operating companies engage young people in employment, build their skills, prepare them for potential careers and attract talent into the aviation sector – through work experience placements, internships, apprenticeships and graduate programmes. In many cases, these also open up different entry routes for diverse talent.

All Group companies are required to run mandatory corporate training courses on topics such as the code of conduct, compliance with competition laws, anti-bribery and corruption compliance, and data privacy, security and protection.

S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns

All operating companies provide both informal and formal channels for workers and their representatives to raise concerns or needs. These include internal grievance processes, collective complaints through established industrial processes, internal surveys and our whistleblowing channels. All of these facilitate complaints being made on a confidential or open basis.

IAG has very clear policies that encourage employees to raise concerns in an open and confidential manner and prohibit any form of retaliation for doing so. The channels available to employees and their representatives are clear and well publicised, and in some cases agreed with trade unions or employee representatives.

IAG, working in close collaboration with the HR and Compliance teams of its operating companies, monitors the nature, type and frequency of concerns raised, so that it can take any remedial action that is required.

S1-4 – Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions; S1-5 – Targets related to managing material negative impacts, advancing positive impacts and managing material risks and opportunities

Relevant standards: GRI 205-1/-2/-3

For detail of actions, metrics and targets towards addressing material risks identified in this topic, see the sections on diversity and inclusion, ethics and compliance, health safety and wellbeing, and human rights and modern slavery under 'S1-1 – Policies related to own workforce'.

S1-6 – Characteristics of the undertaking's employees

Average headcount by gender

	Permanent contracts			Temporary contracts		
Metric	vly	2025	2024	vly	2025	2024
Men	4%	**40,920**	39,368	(10)%	**1,379**	1,538
Women	3%	**31,899**	30,861	(3)%	**1,673**	1,731
Total	4%	**72,819**	70,229	(7)%	**3,052**	3,269

	Full-time contracts			Part-time contracts		
Metric	vly	2025	2024	vly	2025	2024
Men	5%	**33,663**	32,189	(1)%	**8,636**	8,717
Women	3%	**21,344**	20,666	3 %	**12,228**	11,926
Total	4%	**55,007**	52,855	1 %	**20,864**	20,643

Average headcount by age

	Permanent contracts			Temporary contracts		
Metric	vly	2025	2024	vly	2025	2024
Under 30	9%	**13,043**	12,004	(3)%	**2,144**	2,211
30–50	3%	**35,327**	34,204	(17)%	**786**	947
Over 50	2%	**24,449**	24,021	10 %	**122**	111
Total	4%	**72,819**	70,229	(7)%	**3,052**	3,269

	Full-time contracts			Part-time contracts		
Metric	vly	2025	2024	vly	2025	2024
Under 30	2%	**11,897**	11,690	30 %	**3,290**	2,525
30–50	3%	**26,606**	25,717	1 %	**9,507**	9,434
Over 50	7%	**16,504**	15,448	(7)%	**8,067**	8,684
Total	4%	**55,007**	52,855	1 %	**20,864**	20,643

Average headcount by employee classification

	Permanent contracts			Temporary contracts		
Metric	vly	2025	2024	vly	2025	2024
Airport operations	2%	**16,181**	15,796	(42)%	**536**	929
Cabin crew	3%	**23,730**	22,958	8 %	**1,574**	1,463
Corporate functions	4%	**16,471**	15,832	4 %	**748**	716
Maintenance	5%	**7,486**	7,127	20 %	**194**	161
Pilots	5%	**8,951**	8,516		**–**	–
Total	4%	**72,819**	70,229	(7)%	**3,052**	3,269

	Full-time contracts			Part-time contracts		
Metric	vly	2025	2024	vly	2025	2024
Airport operations	12%	**10,084**	8,966	(15)%	**6,633**	7,759
Cabin crew	–%	**15,287**	15,329	10 %	**10,017**	9,092
Corporate functions	4%	**15,623**	15,047	6 %	**1,596**	1,501
Maintenance	5%	**7,283**	6,943	15 %	**397**	345
Pilot	2%	**6,730**	6,570	14 %	**2,221**	1,946
Total	4%	**55,007**	52,855	1 %	**20,864**	20,643

Description

Average headcount numbers for each employment contract in which the employee's role was active during the reporting period (prorated for period employed, with maximum value of one).

Commentary

Average headcount increased by 3% in 2025 to 75,871, reflecting growth in the business and our ongoing commitment to expanding capacity, enhancing service and building resilience.

Social (People and prosperity) *continued*

The reduction in employees on temporary and part-time contracts within airport operations is due to ground-handling, aligned to operational needs. The 30% increase in part-time employees aged under 30 is largely driven by new entrants in ground-handling, where part-time roles commonly serve as an entry point.

Total number and distribution of employees by gender

	Headcount			Headcount		
Metric	vly	2025	2024	vly	2025	2024
Men	2%	**42,349**	41,414	– pts	**56%**	56%
Women	1%	**33,437**	32,964	– pts	**44%**	44%
Total	2%	**75,786**	74,378	– pts	**100%**	100%

Total number and distribution of employees by region/country

	Headcount			Headcount		
Metric	vly	2025	2024	vly	2025	2024
Europe	2 %	**71,306**	70,031	– pts	**94%**	94%
United Kingdom	– %	**39,512**	39,318	(1 pt)	**52%**	53%
Spain	3 %	**24,845**	24,030	1 pt	**33%**	32%
Ireland	6 %	**5,646**	5,323	– pts	**7%**	7%
Rest of Europe	(4)%	**1,303**	1,360	– pts	**2%**	2%
Africa, Middle East and South Asia	4 %	**2,932**	2,831	– pts	**4%**	4%
North America	3 %	**978**	945	– pts	**1%**	1%
Latin America and Caribbean	2 %	**335**	328	– pts	**–%**	–%
Asia Pacific	(3)%	**235**	243	– pts	**–%**	–%
Total	2 %	**75,786**	74,378	– pts	**100%**	100%

Description
The share of headcount across the Group by gender and by region/country on 31 December 2025. Due to legal constraints in some of the countries where we operate, we are unable to collect and report data on other gender identities. We remain committed to inclusivity and will update our practices as laws evolve.

Commentary
The gender distribution across the Group remained stable in 2025, with differences in growth rates between men and women reflecting function-specific changes, particularly within maintenance and pilot roles.

Total headcount increased by 2% to 75,786, with growth across key markets in the UK, Spain and Ireland. The 4% increase in Africa, the Middle East and South Asia was largely driven by the continued expansion of customer contact centre operations in India.

Total number of employees by contract type (permanent/temporary) and by gender

	Permanent contracts			Temporary contracts		
Metric	vly	2025	2024	vly	2025	2024
Men	2%	**40,864**	39,950	1%	**1,485**	1,464
Women	1%	**31,658**	31,193	–%	**1,779**	1,771
Total	2%	**72,522**	71,143	1%	**3,264**	3,235

Description
Composition is a breakdown of headcount as at 31 December 2025. A temporary employment contract has a defined end date. IAG does not currently employ any workers on non-guaranteed-hours contracts.

Commentary
There was an increase in both permanent and temporary contracts in 2025. Permanent roles include employees on fixed-discontinuous terms, a specific Spanish contractual arrangement for seasonal work. Gender differences reflects changes in workforce composition by role.

Total number and distribution of employees by professional classification

	Headcount			Headcount		
Metric	vly	2025	2024	vly	2025	2024
Airport operations	1%	**16,501**	16,396	–pts	**22%**	22%
Cabin crew	2%	**25,225**	24,615	–pts	**33%**	33%
Corporate functions	–%	**17,144**	17,171	–pts	**23%**	23%
Maintenance	5%	**7,809**	7,454	–pts	**10%**	10%
Pilots	4%	**9,107**	8,742	–pts	**12%**	12%
Total	2%	**75,786**	74,378	–pts	**100%**	100%

Description
The employee category breakdown shows the distribution of the major groups within IAG's workforce 'in the air' (pilots and cabin crew) and 'on the ground' (airport, corporate and maintenance) as at 31 December 2025.

Commentary
In 2025, the distribution of employees by role remained stable compared with the prior year. Headcount increased across all operational areas, while corporate functions remained stable.

Total number of leavers and turnover rate by gender

	Voluntary leavers			Voluntary attrition rate			Non-voluntary leavers			Non-voluntary attrition rate		
Metric	vly	**2025**	2024	vly	**2025**	2024	vly	**2025**	2024	vly	**2025**	2024
Men	(10)%	**2,602**	2,885	(0.9)pts	**6.2%**	7.1%	(36)%	**885**	1,387	(1.3)pts	**2.1%**	3.4%
Women	(13)%	**2,108**	2,417	(1.1)pts	**6.3%**	7.4%	(38)%	**453**	727	(0.9)pts	**1.3%**	2.2%
Total	(11)%	**4,710**	5,302	(1.0)pt	**6.2%**	7.2%	(37)%	**1,338**	2,114	(1.1)pts	**1.8%**	2.9%

Total number of leavers and turnover rate by age

	Voluntary leavers			Voluntary attrition rate			Non-voluntary leavers			Non-voluntary attrition rate		
Metric	vly	**2025**	2024	vly	**2025**	2024	vly	**2025**	2024	vly	**2025**	2024
Under 30	(6)%	**2,202**	2,332	(1.9)pts	**14.5%**	16.4%	(4)%	**470**	491	(0.4)pts	**3.1%**	3.5%
30–50	(11)%	**1,826**	2,056	(0.7)pts	**5.1%**	5.8%	(46)%	**544**	1,016	(1.4)pts	**1.5%**	2.9%
Over 50	(25)%	**682**	914	(1.0)pt	**2.8%**	3.8%	(47)%	**324**	607	(1.2)pts	**1.3%**	2.5%
Total	(11)%	**4,710**	5,302	(1.0)pt	**6.2%**	7.2%	(37)%	**1,338**	2,114	(1.1)pts	**1.8%**	2.9%

Total number of leavers and turnover rate by employee category

	Voluntary leavers			Voluntary attrition rate			Non-voluntary leavers			Non-voluntary attrition rate		
Metric	vly	**2025**	2024	vly	**2025**	2024	vly	**2025**	2024	vly	**2025**	2024
Airport operations	22 %	**1,650**	1,358	1.8 pts	**9.9%**	8.1%	(50)%	**727**	1,442	(4.3)pts	**4.3%**	8.6%
Cabin crew	(17)%	**1,015**	1,218	(1.0)pt	**4.0%**	5.0%	(26)%	**217**	294	(0.3)pts	**0.9%**	1.2%
Corporate functions	(28)%	**1,615**	2,229	(4.1)pts	**9.4%**	13.5%	12 %	**277**	248	0.1 pts	**1.6%**	1.5%
Maintenance	(21)%	**228**	287	(0.9)pts	**3.0%**	3.9%	6 %	**50**	47	0.1 pts	**0.7%**	0.6%
Pilots	(4)%	**202**	210	(0.2)pts	**2.3%**	2.5%	(19)%	**67**	83	(0.3)pts	**0.7%**	1.0%
Total	(11)%	**4,710**	5,302	(1.0)pt	**6.2%**	7.2%	(37)%	**1,338**	2,114	(1.1)pts	**1.8%**	2.9%

Description
The number of leavers includes employees who leave voluntarily or due to dismissal, retirement or death in service. Voluntary attrition occurs when employees choose to leave (e.g. resignation, retirement, voluntary redundancy) and non-voluntary attrition occurs when employees leave for reasons other than a personal decision (e.g. compulsory redundancy, dismissal), excluding employees on temporary contracts. The attrition rate is based on the number of leavers as a percentage of the average number of Group employees in the year.

Commentary
In 2025, there were 6,048 leavers, resulting in an overall attrition rate of 8.0%. Of these, 4,710 employees (6.2%) left voluntarily and 1,338 (1.8%) left through non-voluntary attrition. Compared to 2024, voluntary attrition has reduced by 1.0 percentage point, while non-voluntary attrition reduced by 1.1 percentage points. Non-voluntary attrition was higher in the prior year due to legal employee transfers associated with the AENA licence awards for third-party handling services at Spanish airports.

Total number of employees by contract type (full-time/part-time) and by gender

	Full-time contracts			Part-time contracts		
Metric	vly	**2025**	2024	vly	**2025**	2024
Men	4%	**33,528**	32,193	(4)%	**8,821**	9,221
Women	3%	**21,092**	20,569	– %	**12,345**	12,395
Total	4%	**54,620**	52,762	(2)%	**21,166**	21,616

Total number of employees by contract type (full-time/part-time) and by region/country

	Full-time contracts			Part-time contracts		
Metric	vly	**2025**	2024	vly	**2025**	2024
Europe	4 %	**50,748**	49,018	(2)%	**20,558**	21,013
United Kingdom	(4)%	**25,894**	26,874	9 %	**13,618**	12,444
Spain	16 %	**19,104**	16,520	(24)%	**5,741**	7,510
Ireland	4 %	**4,587**	4,400	15 %	**1,059**	923
Rest of Europe	(5)%	**1,163**	1,224	3 %	**140**	136
Africa, Middle East and South Asia	4 %	**2,807**	2,708	2 %	**125**	123
North America	5 %	**634**	602	– %	**344**	343
Latin America and Caribbean	1 %	**246**	244	6 %	**89**	84
Asia Pacific	(3)%	**185**	190	(6)%	**50**	53
Total	4 %	**54,620**	52,762	(2)%	**21,166**	21,616

Social (People and prosperity) *continued*

Description
Composition is a breakdown of headcount as at 31 December 2025. Full-time employees are defined as those working full contractual hours as at 31 December 2025.

Commentary
In 2025, the Group saw a 4% increase in full-time contracts and a 2% decrease in part-time contracts. The most significant change occurred in Spain, where part-time roles fell by 24%, alongside a corresponding 16% rise in full-time contracts, reflecting the transition of ground-handling employees into full-time roles in line with tenure. Contract mix in other regions remained broadly consistent with the prior year.

Working hours
Time worked and holidays are different in each operating company as per the respective collective bargaining agreements and local working-time directives.

S1-8 – Collective bargaining coverage and social dialogue
Distribution of employees covered by collective bargaining agreements and social dialogue

	Collective bargaining coverage		Social dialogue
Coverage rate	Employees – EEA (for countries with >50 employees representing >10% total employees)	Employees – Non-EEA (estimate for regions with >50 employees representing >10% total employees)	Workplace representation (EEA only) (for countries with >50 employees representing >10% total employees)
0–19%	–	–	–
20–39%	–	–	–
40–59%	–	–	–
60–79%	–	–	–
80–100%	Spain	United Kingdom	Spain

Description
Collective bargaining agreements cover a broad range of employment matters, including remuneration, working time, benefits and occupational health and safety. The coverage rate presented in this section reflects the proportion of employees who are covered by one or more collective agreements. This metric is calculated using headcount at the end of the reporting period.

Commentary
84% of our employees are covered by collective bargaining agreements, including 87% in the UK, 94% in Spain and 82% in Ireland. Coverage rates in these core markets have remained stable year-on-year, reflecting long-standing social dialogue structures and established sectoral arrangements.

In 2017, IAG and employee representatives signed a European Works Council (EWC) agreement, governed by Spanish law. The EWC provides a formal framework for information and consultation on transnational matters, supporting constructive engagement between employees and management across the Group.

S1-9 – Diversity metrics
Total number and distribution of senior leaders by gender

	Headcount			Headcount		
Metric	vly	**2025**	2024	vly	**2025**	2024
Men	3 %	**154**	150	1 pt	**65%**	64%
Women	(1)%	**84**	85	(1) pt	**35%**	36%
Total	1 %	**238**	235	– pts	**100%**	100%

Total number and distribution of IAG Management Committee and direct reports by gender

	Headcount			Headcount		
Metric	vly	**2025**	2024	vly	**2025**	2024
Men	3 %	**65**	63	2 pts	**75%**	73%
Women	(4)%	**22**	23	(2)pts	**25%**	27%
Total	1 %	**87**	86	– pts	**100%**	100%

Description
We define senior leaders as employees in IAG grades 0, 1 and 2, or equivalent roles across the Group, including senior executives who report directly to IAG's CEO. We also report the total number and gender distribution of members of the IAG Management Committee and their direct reports. All figures are presented as at 31 December 2025.

Commentary
Senior leader numbers at IAG grades 0, 1 and 2 remained stable in 2025. While overall headcount increased slightly, we saw a modest year-on-year reduction in the proportion of women, reflecting normal movements within small senior-leader populations and changes in team composition during the year. We continue to take a merit-based approach to vacancies, enabling applications from across IAG and externally for most roles.

In 2025, there was also a slight reduction in the representation of women within the IAG Management Committee and their direct reports, reflecting the timing of appointments and natural turnover. We remain focused on developing our leadership pipeline and supporting a merit-based approach.

Total number and distribution of employees by age

	Headcount			Headcount		
Metric	vly	2025	2024	vly	2025	2024
Under 30	4%	**15,877**	15,310	– pts	**21%**	21%
30–50	2%	**36,130**	35,375	– pts	**48%**	48%
Over 50	–%	**23,779**	23,693	– pts	**31%**	32%
Total	2%	**75,786**	74,378	– pts	**100%**	100%

Description
The share of headcount across the Group by age (under 30, 30–50 and over 50) as at 31 December 2025.

Commentary
Headcount increased across all age groups in 2025, and the overall age distribution remained broadly unchanged year-on-year. The proportion of employees aged over 50 decreased slightly, reflecting natural attrition, largely within ground-handling roles. Representation among employees under 30 and those aged 30–50 remained stable.

S1-10 – Adequate wages

At IAG, we are committed to ensuring that all our employees receive an adequate wage in line with applicable regulations, with over 84% of colleagues covered by collective agreements that ensure pay rates are competitive and sustainable. Remuneration includes both fixed and variable elements, as is common in our sector, and reflects the dynamic and varied working patterns on the ground and in the air. Colleagues are also eligible for a range of attractive benefits including voluntary salary sacrifice benefits, making calculations of remuneration understandably complex. Operating companies have processes in place to consolidate and review all elements of remuneration in the context of the minimum wage legislation, and where any issues or potential breaches are identified take action as necessary to address the specific issue and root cause. This includes investing in core people processes and systems to ensure accuracy of reported hours worked and remuneration paid.

S1-12 – Persons with disabilities

Total number and distribution of employees with a disability

	Headcount			Headcount		
Metric	vly	2025	2024	vly	2025	2024
Employees with a disability	12%	**1,031**	920	0.12pts	**1.36%**	1.24%

Description
Employees with disabilities are reported as a percentage of total headcount at the end of the year. Collecting disability information is not a legal requirement in the UK or Ireland, unlike in Spain. As a result, disabilities included in this disclosure are medically certified in Spain and self-declared in all other jurisdictions.

Commentary
The percentage of employees with a disability increased slightly from 1.24% in 2024 to 1.36% in 2025. As in previous years, the majority of employees recorded in this category are either based in the UK, where disclosure is self-declared, or have a medically certified disability in Spain, where formal registration processes apply.

S1-14 – Health and safety metrics

100% of employees across IAG are covered by comprehensive health and safety management systems, ensuring their wellbeing and compliance with legal requirements and recognised standards.

Workplace fatalities

	Number of instances	
Metric	2025	2024
Airport operations	**1**	–
Cabin crew	**–**	–
Corporate functions	**–**	1
Maintenance	**–**	–
Pilots	**–**	–
Total	**1**	1

Lost time injuries (LTI)

	Workplace accidents			LTI severity rate			LTI frequency rate		
Metric	vly	2025	2024	vly	2025	2024	vly	2025	2024
Airport operations	11%	**999**	902	(25)%	**23.4**	31.2	7%	**7.5**	7.0
Cabin crew	10%	**984**	894	(12)%	**9.6**	10.9	2%	**6.2**	6.1
Corporate functions	72%	**242**	141	(41)%	**8.7**	14.7	70%	**1.7**	1.0
Maintenance	44%	**144**	100	13 %	**22.0**	19.5	35%	**2.3**	1.7
Pilots	28%	**97**	76	40 %	**11.5**	8.2	15%	**1.5**	1.3
Total	17%	**2,466**	2,113	(21)%	**15.9**	20.1	10%	**4.4**	4.0

Social (People and prosperity) *continued*

	Workplace accidents			LTI severity rate			LTI frequency rate		
Metric	vly	**2025**	2024	vly	**2025**	2024	vly	**2025**	2024
Men	19%	**1,320**	1,108	(23)%	**17.9**	23.1	14%	**4.0**	3.5
Women	14%	**1,146**	1,005	(19)%	**13.6**	16.8	7%	**4.9**	4.6
Total	17%	**2,466**	2,113	(21)%	**15.9**	20.1	10%	**4.4**	4.0

Occupational illness

	Number of instances		
Metric	vly	**2025**	2024
Men	(16)%	**16**	19
Women	40 %	**7**	5
Total	(4)%	**23**	24

Absenteeism

	Hours absent			Absenteeism rate		
Metric	vly	**2025**	2024	vly	**2025**	2024
Airport operations	(12)%	**2,167,770**	2,466,647	(1.2)pts	**8.5%**	9.7%
Cabin crew	(13)%	**1,815,920**	2,084,521	(0.9)pts	**5.6%**	6.5%
Corporate functions	– %	**821,691**	820,652	– pts	**2.9%**	2.9%
Maintenance	– %	**556,414**	558,418	(0.2)pts	**4.2%**	4.4%
Pilots	(7)%	**573,521**	617,843	(0.6)pts	**4.4%**	5.0%
Total	(9)%	**5,935,316**	6,548,081	(0.7)pts	**5.2%**	5.9%

Commentary

There was one recorded fatality in 2025, related to a road traffic incident in Spain during a commute from work. The prior year (2024) also recorded one commuting-related fatality. Under Spanish law, accidents that occur while travelling to or from the workplace are classified as workplace accidents.

In 2025, there were 8,489 workplace accidents (a rate of 75 workplace accidents per one million hours worked). This includes 2,466 workplace accidents that resulted in lost working time.

The lost-time injury (LTI) frequency rate increased from 4.0 in 2024 to 4.4 in 2025. This movement reflects improvements in reporting practices rather than a deterioration in safety performance. During the year, we invested in strengthening our safety culture and the reporting of minor incidents, supporting better identification of potential risks and helping to reduce future incidents.

The severity rate decreased from 20.1 to 15.9, indicating that while more incidents are being reported, they generally result in less working time lost. This suggests that our improved reporting processes are capturing a broader range of lower-severity cases.

There were 23 recorded instances of occupational illness in 2025, broadly in line with the prior year. Given the small number of instances overall, year-on-year movements are sensitive to individual cases and do not indicate a material change in underlying trends. All reported cases are managed in line with established health and safety procedures.

The absenteeism rate decreased from 5.9% in 2024 to 5.2% in 2025, with reductions observed across all job roles. This year-on-year decrease reflects fewer hours lost to sickness and our continued focus on supporting employee wellbeing and attendance. Cabin crew may have higher absence reporting rates due to the requirements of their role regarding fitness to operate.

Description and methodology

Metric	Description	Formula for calculation
LTI severity rate	This measures the impact of occupational accidents as reflected in time off work by the affected workers	(Working days lost)/(Number of LTIs)
LTI frequency rate	An LTI is a non-fatal injury arising out of, or during work, which leads to a loss of productive work time. The unit of measurement is LTIs per 200,000 hours worked, using actual hours worked.	((Number of LTIs)/(Hours worked)) x 200,000
Hours absent	For the purpose of this metric, only unplanned or unauthorised absences – which means employees missing partial or whole days of work – are included. Examples in scope are short-term and long-term sickness, time off due to injuries, and no-shows – absences without leave or permission.	Sum (hours absent)
Absenteeism rate	The absenteeism rate is calculated as total employee absences divided by total scheduled hours in the reporting period, expressed as a percentage. In general, most Group companies record absence in hours. Where days are recorded (mostly in pilots and cabin crew category), days are converted to hours at a rate of 7.5 hours per day (Group average full day).	(Number of hours absent)/ (Number of hours scheduled)
Occupational illness	An occupational illness is a medical condition or disease that develops gradually over time as a result of work performed and/or exposure to risk factors in the workplace. The illness must be confirmed by a medical diagnosis. Occupational illnesses in scope for the UK follow Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) standards and can be found on the Health and Safety Executive's (HSE) website. Occupational illnesses in scope for Spain are published in Royal Decree 1299/2006.	Number of occupational illnesses medically diagnosed
Fatalities	Work-related fatalities linked to an occupational illness or disease. To align with GRI guidance, fatalities as a result of commuting accidents are only included in cases where the transport has been organised by the business, such as via a company or contracted bus or vehicle. The exception is employees in Spain, where inclusion of these types of fatalities is a legal requirement.	Number of work-related fatalities

S1-16 – Remuneration metrics (pay gap and total remuneration)

Average remuneration by gender, age and job category – salary gap

		Overall				Men				Women				Salary gap			
	Category	vly	**2025**	2024	2023	vly	**2025**	2024	2023	vly	**2025**	2024	2023	vly	**2025**	2024	2023
Seniority	Senior executives	16 %	**381,185**	329,572	313,457	14 %	**404,381**	354,303	344,118	20 %	**358,771**	299,756	299,596	(4.1)pts	**11.3 %**	15.4 %	12.9 %
	Other management	(5)%	**222,169**	234,288	234,453	(6)%	**249,888**	264,485	251,282	(2)%	**113,694**	116,372	120,206	(1.5)pts	**54.5 %**	56.0 %	52.2 %
	All other employees	2 %	**56,246**	55,184	52,279	4 %	**57,646**	55,187	52,357	(1)%	**54,540**	55,174	52,184	5.4 pts	**5.4 %**	– %	0.3 %
	Total workforce	5 %	**61,099**	58,163	55,476	8 %	**64,656**	59,630	58,189	– %	**56,637**	56,455	53,285	7.1 pts	**12.4 %**	5.3 %	8.4 %
Age group	<30	(1)%	**41,251**	41,706	39,024	(2)%	**39,985**	40,871	37,273	(1)%	**42,170**	42,732	40,307	(0.9)pts	**(5.5)%**	(4.6)%	(8.1)%
	30–50	6 %	**61,418**	58,039	56,351	10 %	**66,046**	59,861	59,255	– %	**55,733**	55,767	53,638	8.8 pts	**15.6 %**	6.8 %	9.5 %
	>50	13 %	**76,078**	67,369	67,108	16 %	**80,960**	69,780	69,992	10 %	**71,712**	65,282	64,437	5.0 pts	**11.4 %**	6.4 %	7.9 %
	Total workforce	5 %	**61,099**	58,163	55,476	8 %	**64,656**	59,630	58,189	– %	**56,637**	56,455	53,285	7.1 pts	**12.4 %**	5.3 %	8.4 %

The difference between the gender pay gap and pay equity

The gender pay gap is a measure based on average pay across an organisation. It does not account for the different roles that people occupy.

Pay equity is the principle that people doing the same work should receive the same pay, allowing for legitimate differences such as tenure, performance and experience.

It is possible for an organisation that pays its employees fairly and equitably in different roles to still have a gender pay gap. The existence of a gender pay gap does not necessarily indicate a problem with pay equity.

Description

Remuneration data is presented at the median for gender, age and seniority population groupings. The reported components of remuneration continue to include basic salary, shift pay, allowances, employer pension contributions, taxable benefits and annual incentives, providing a clear view of overall total remuneration.

Social (People and prosperity) *continued*

During 2025, the presentation of remuneration values and the population included continued unchanged, as follows:

- All values are calculated on an hourly rate and shown on an annualised basis;
- All values are shown on a full-time-equivalent basis;
- Values are only reported for time worked. Remuneration received for not working is excluded from reported values;
- To ensure consistency, 2023 and 2024 non-euro remuneration has been restated using 2025 exchange rates;
- The reported salary gap for each population continues to represent the difference between men's and women's median remuneration, expressed as a percentage of men's remuneration; and
- Regarding seniority population groupings, 'senior executives' includes Group Management Committee members, operating company management committee members, directors and other senior/executive positions. 'Other management' includes all other management roles, including pilots at the captain seniority level. The 'All other employees' grouping includes all other roles across the group, including the majority of pilots and cabin crew.

Commentary

Within IAG's operating model, operating companies are responsible for reward frameworks and terms and conditions, aligned to local markets and roles to ensure they remain sustainable and competitive in attracting the best talent. The majority (84%) of employees are covered by collective bargaining agreements. Senior leader remuneration balances fixed pay with variable pay and long-term incentives to align leadership compensation with performance and achievement of long-term strategic goals. Senior leader remuneration decisions take into account performance, market competitiveness and broader workforce experience.

Salary gap analysis

In 2025, headcount increased and the workforce composition shifted in ways that moved the median pay point for both men and women. Pilot and maintenance headcount grew faster than other roles, resulting in these professions representing a slightly larger share of the workforce. As pilot and maintenance roles typically exhibit higher gender pay gaps, this change in workforce composition largely explains the year-on-year movement in the Group's salary gap.

At Group level, this contributed to an increase in the median salary gap from 5.3% in 2024 to 12.4% in 2025, and in the mean salary gap from 26.6% to 43.4%.

Pilot pay remains the most significant driver of the gender pay gap, reflecting both the lower number of female pilots and the impact of seniority. The gender pay gap in the 'other management' category is driven by the inclusion of senior pilot roles (captain level) within this group. In 2025, over 190 cadet pilot training positions were opened across Aer Lingus, British Airways and Iberia. These programmes provide financial support, helping to remove barriers to entry and make a career as a pilot more accessible.

Operating companies continue to review people processes to ensure they are inclusive and free from bias. Recruitment and selection decisions are merit-based, open, transparent and fair, encouraging applications from underrepresented groups.

Further details on the steps IAG is taking to promote diversity and inclusion across the Group are provided in section S1-1 of this Sustainability statement.

Board and Management Committee remuneration

Average remuneration of Board members and Management Committee, including variable remuneration, allowances, professional indemnity, contributions to pension and welfare systems and any other aspects of the remuneration, broken down by gender.

	vly	**2025**	2024	2023	2022	2021	2020
Board							
Men	28%	**952,500**	745,467	668,333	836,667	510,167	407,326
Women	7%	**162,250**	151,000	141,400	138,000	114,600	109,798
Management Committee							
Overall	141%	**4,051,315**	1,677,819	1,451,375	1,523,328	1,287,780	653,403

Description

- The components of remuneration include:
  - Executive directors: Basic salary, taxable benefits (company car and private health insurance), employer pension contributions, annual incentives paid in the reporting period and long-term incentives vesting in the reporting period, and personal accident and life insurance.
  - Non-executive directors: All fees (Board, Chair, committee membership, etc) and (taxable) personal travel benefits.
- Using the methodology established in previous years, only directors or Management Committee members who were in service for the full-year reporting period are included in the year-on-year comparison.
- As per previous years, the remuneration of the IAG CEO is omitted from Management Committee remuneration reporting on the basis that it is already reported as part of Board director remuneration.
- These figures are derived from the methodology used in the remuneration report filed with the Spanish CNMV.

Explanation for Board remuneration

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

In 2025, the remuneration of seven non-executive directors and the IAG CEO is included, with the same split of four male and four female (2024, nine non-executive directors and the IAG CEO with five 5 male and five female).

The key factors influencing the increased remuneration for directors are:

- The increase in IAG CEO remuneration from 2024 to 2025, driven by following factors:
  - An increase of 3% in basic salary for 2025;
  - Payment of approved 2025 annual incentive award; and
  - The inclusion of an estimated value of the 2023 RSP award, which will vest in full in March 2026, and be released at the end of the normal two-year holding period.
- Non-executive directors' fees remained unchanged in 2025. By contrast, effective 1 January 2024, the additional fee for chairing the Audit and Compliance Committee and the Remuneration Committee were increased (reflecting the complexity and time commitment involved in these roles).
- There was an increase in the take-up of personal flight benefits.
- More generally, female director remuneration is less volatile as there are no female executive directors.

Further detail of Board remuneration is set out in the director's remuneration report within this Annual Report.

Explanation for Management Committee remuneration
Both the components of remuneration and the opportunity associated with those components for Management Committee members remained unchanged from 2024 to 2025. The increase in average Management Committee member remuneration in 2025 was driven by factors such as:

- The release from the holding period of historical 2020 share awards;
- Payment of the approved 2025 Annual Incentive Award;
- The vesting in 2025 of the 2022 Restricted Share Plan (RSP); and
- The vesting of Full Potential Incentive Plan (FPIP), reflecting the achievement of stretch performance targets for 2024.

In 2024 and 2025, there were 10 Management Committee members, seven male and three female. No gender breakout is shown for confidentiality reasons, given the female data set relates to only three employees.

The IAG Remuneration Committee's terms of reference state that the Committee oversees the general application of the Remuneration Policy for the Management Committee.

Annual total remuneration ratio

This ratio compares the total annual remuneration of the highest-paid individual to the median total annual remuneration of all employees (excluding the highest-paid individual). The table below sets out IAG's CEO pay ratio for 2025 and 2024.

Year	CEO single figure (€'000)	Median pay ratio
2025	7,159	117:1
2024	6,346	109:1

The information in this table follows the CSRD methodology. The CEO pay ratio shown in the remuneration report within the Corporate Governance section reflects the UK methodology.

S1-17 – Incidents, complaints and severe human rights impacts

Discrimination and human rights

IAG is committed to promoting a work environment free from discrimination, where all colleagues are treated with dignity and respect regardless of age, sex, disability, race, religion or belief, marital or civil partnership status, pregnancy and maternity, sexual orientation, gender or any other protected characteristic. Our principles of fair and equal treatment, non-discrimination and respect for human rights are set out in the IAG Code of Conduct, which applies to all employees and directors across the Group.

We monitor concerns reported through formal channels and take appropriate action. In 2025, there were 147 complaints of discrimination relating to employees across the Group that are either under investigation or were found to be unsubstantiated. In addition, 27 incidents were found to be substantiated. This compares with 97 complaints and 23 substantiated incidents in 2024.

The increase in reported cases reflects strengthened reporting channels, enhanced awareness and training, and a culture in which employees and third parties feel confident to raise concerns. Over the past couple of years, IAG has launched a new code of conduct and enhanced training, with continued emphasis on the Speak Up process, helping to ensure reporting mechanisms are accessible and trusted.

Where applicable, we take appropriate action to address issues identified, which may include disciplinary action.

In 2025, IAG paid no fines, penalties or compensation related to incidents of discrimination (2024: £45,000).

There were no reported incidents of severe human rights breaches connected with IAG's own workforce in 2025, and no associated fines, penalties or compensation.

Additional social disclosures required by Spanish Law 11/2018

Relevant standards: GRI-404-1

S1-13 – Training and skills development metrics

Training by gender

	Training hours completed			% of employees trained			Average training hours		
Metric	vly	**2025**	2024	vly	**2025**	2024	vly	**2025**	2024
Men	(11)%	**1,752,672**	1,968,547	5 pts	**95 %**	90 %	(16)%	**45.1**	53.8
Women	(18)%	**1,368,402**	1,677,638	3 pts	**93 %**	90 %	(22)%	**48.7**	62.6
Total	(14)%	**3,121,074**	3,646,185	4 pts	**94 %**	90 %	(19)%	**46.6**	57.5

Training by employee category

	Training hours completed			% of employees trained			Average training hours		
Metric	vly	**2025**	2024	vly	**2025**	2024	vly	**2025**	2024
Airport operations	19 %	**673,829**	568,156	12 pts	**93 %**	81 %	3 %	**47.7**	46.4
Cabin crew	(29)%	**1,122,350**	1,579,609	(1) pt	**93 %**	94 %	(31)%	**53.0**	76.4
Corporate functions	(14)%	**653,093**	757,217	– pts	**94 %**	94 %	(16)%	**40.7**	48.7
Maintenance	(7)%	**344,618**	371,101	– pts	**98 %**	98 %	(12)%	**46.4**	52.5
Pilots	(12)%	**327,184**	370,102	– pts	**97 %**	97 %	(15)%	**40.0**	46.9
Total	(14)%	**3,121,074**	3,646,185	4 pts	**94 %**	90 %	(19)%	**46.6**	57.5

Description

All mandatory and non-mandatory training is included within scope and covers a wide range of topics, including human rights, anti-corruption, flight simulator training and e-learning courses. The percentage of employees trained refers to the proportion of employees who completed training during the reporting period. Average training hours are calculated based on the total training hours completed, divided by the average headcount and prorated to full-time equivalent (FTE).

Commentary

Average training hours declined in 2025, largely reflecting a return to more typical activity levels after exceptionally high volumes in the prior year. In 2024, training hours were elevated by higher recruitment, additional mandatory learning requirements and specific operational initiatives that temporarily increased training needs. In 2025, fewer new-entrant courses, shorter durations for certain mandatory modules and seasonal variations in operational training contributed to lower overall hours. Despite this, the percentage of employees trained increased year-on-year, indicating broader participation across the workforce.

ESRS S2 Workers in the value chain

SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

Topic	Name	Impact, risk or opportunity	Description	Location
Social external				
Ethical business and regulatory compliance	Protection of whistleblowers	i	Without protection for whistleblowers, the likelihood that employees would come forward with reports of unethical or illegal behaviour is severely decreased. This could lead to poorer detection of and reduced prevention of corporate misconduct. This could lead to legal and reputational consequences for suppliers and IAG.	Upstream and own operations
Modern slavery and human trafficking	Modern slavery and human trafficking	i	Violating human rights, particularly through cases of human trafficking and modern slavery, has profound and far-reaching effects on individuals, communities and society.	Upstream and own operations
Responsible supply chain	Assurance of ethical practices of suppliers	i	External audits entail reviewing labour conditions and environmental practices, among other things, which ensures that suppliers operate ethically and responsibly. Failure to do so carries reputational risks to IAG.	Upstream
	Unfavourable working conditions in the supply chain	i	The violation of the third party code of conduct regarding people and workplace standards results in significant negative impacts. This includes breaches in areas such as health, safety and security protocols and employment practices. Unfavourable working conditions can reduce productivity and negatively impact IAG's goods and services. It also presents a reputational risk to the Group.	Upstream
	Disparities in treatment and opportunities among supplier workers	i	Disparities in treatment and opportunities among suppliers extend to various dimensions, including gender, training and development, diversity, and inclusion of persons with disabilities. This could negatively impact the goods and services received by IAG.	Upstream
	Violation of human rights standards within supply chains	i	The violation of human rights standards within supply chains refers to instances where suppliers fail to uphold fundamental human rights principles such as child or forced labour. This presents a reputational and legal risk to IAG.	Upstream

Refer to section 'ESRS G1 Business conduct' for disclosure requirements relating to 'Protection of whistleblowers' and 'Assurance of ethical practices of suppliers'.

i Positive impact i Negative impact

Overview

The Stakeholder engagement section of this Annual Report and 'SBM-2 Interests and the views of stakeholders' section of this Sustainability statement describe the steps IAG takes to identify and manage material impacts relating to workers in the value chain as presented in our double materiality assessment. The majority of these impacts exist upstream of IAG operations, in sectors as listed per the scope of our value chain in section 'BP-1 General basis for preparation of this Sustainability statement'.

To address material issues in its supply chain, IAG implements a proactive risk management approach, identifying high-risk regions and industries where such impacts are more likely to occur.

IAG Transform launched its supply chain sustainability programme in 2024 to identify more prevalent negative risks in areas such as uniforms, catering, hotels and on-board products. This information has guided IAG's engagement with these supplier categories to better understand their labour and that of their supply chains. The programme aims to deliver closer cooperation with these key stakeholders to mitigate the material impacts identified and aims to identify opportunities that could deliver reciprocal benefits for IAG, including long-term working relationships, centred on clear and proactive contract management, shared goals and mutual brand association.

IAG also conducted a third-party review with Deloitte to improve our analysis and assessment of supply chain labour standards. The review delivered an overview of the sustainability risk domain and activities regarding prospective suppliers, suitable means of engaging suppliers (such as questionnaire approaches, red-lines and mitigation measures to ensure that IAG's sustainability commitments are not compromised), and identified policies, procedures and other methods for the operationalisation of sustainability measures for current third parties.

Responsible supply chain

Our approach and policies

The IAG Transform Sustainability team focuses on strengthening the Group's approach towards sustainable procurement, with a goal to ensure that sustainability is embedded into purchasing decisions across the Group.

Actions, metrics and targets

In 2025, work has focused on the assessment of the Group's procurement practices to understand how different ESG topics are considered in the supplier selection process. Our framework to assess sustainability across the complete supplier lifecycle includes:

Supplier sustainability scoring

To embed sustainability at the earliest stage of the supplier sourcing process, Group Procurement includes ESG criteria into the supplier evaluation.

Sustainability contract clause

IAG has developed an additional 'sustainability clause' to support delivery of IAG's sustainability programme within the requirements of the third party code of conduct. The clause is included in all contracts with suppliers, including renewed or amended contracts across the Group.

The clause highlights the support of the supplier to achieve IAG's target of net zero Scope 3 emissions by 2050 and the interim target of a 20% reduction of Scope 3 emissions by 2030. It includes an improvement plan to share their emissions data from products and/or services provided to the Group. Finally, it includes an invitation to participate in third party sustainability supply-chain assessments, such as EcoVadis.

Third party code of conduct

IAG places a strong emphasis on its position and responsibilities to workers in the value and supply chain. Recognising the importance of shared values throughout the IAG value chain, IAG published a new third party code of conduct in December 2024. Suppliers are required to adhere to the IAG third party code of conduct, which requires suppliers to apply ethical and legal standards to their employees and subcontractors.

Social (People and prosperity) *continued*

Supplier sustainability assessments
Supplier sustainability assessments are a key component of IAG's Sustainable Procurement Programme. These assessments enable us to identify potential ESG risks within the value chain, understand challenges faced by suppliers, drive continuous improvement and make more informed business decisions by integrating sustainability criteria into our supplier selection and evaluation processes.

Risk-based assessment
In 2025, we identified 12 focus areas (categories) as part of a human rights risk assessment and identified key suppliers in each category for follow-up engagement. IAG mapped all the suppliers in each category and carried out an exercise to source further information from platforms including EcoVadis, Sedex and Moody's indices to support our assessment.

In respect of mitigating modern slavery, the Group has focused on the following areas: ground-handling, catering, uniforms, hotels, on-board products, aircraft and engines, fuel, cleaning, agency workforce, loyalty, call centres and IT services.

Independent supplier sustainability assessment
Where the aforementioned framework still presents an inherent risk in our value chain, an independent supplier sustainability assessment is conducted via EcoVadis, an ESG audit or equivalent.

ESG audits
In 2025, IAG Transform obtained and analysed 63 ESG audits, down from 109 audits obtained in 2024. The audit findings were analysed and remedial actions were implemented, tracked and escalated with identified suppliers, with the support of Group Procurement.

EcoVadis
IAG has partnered with EcoVadis to provide supplier sustainability ratings across four key themes: environment, labour and human rights, ethics and sustainable procurement.

All suppliers
The total number of scorecards received for 2025 is 590. Of these, 392 were reassessed last year and 73% of them improved their scores, with an average increase of 2.9 points in their EcoVadis overall score.

Key suppliers
In 2025, we implemented a new strategy focusing on 146 key suppliers – those representing the highest spend and operational criticality. During the reporting year, we received seven new key supplier assessments. We achieved 75% coverage of our key suppliers through EcoVadis's sustainability assessments.

Through the use of EcoVadis, suppliers whose performance falls below the accepted threshold (45/100) in their sustainability assessment receive a request to complete a Corrective Action Plan (CAP).

IAG collaborates with its key suppliers by discussing challenges and providing targeted support and specific actions to enhance performance. The IAG Transform supply chain sustainability programme continues to prioritise engagement with our key suppliers.

IATA Sustainable Procurement Programme pilot

In 2025, IAG Transform, British Airways and Iberia worked with IATA and other industry partners in a pilot programme to develop the first aviation sector-specific sustainable procurement certification.

Representatives from British Airways, Iberia and IAG Transform participated in the pilot to develop the standard and identify learnings to align the IAG Transform supply chain sustainability programme to the standard's requirements. These efforts were formally recognised at the launch of the certification process during the 2025 IATA World Sustainability Symposium in Hong Kong. IAG received a thank-you plaque from IATA for our contribution.

Supplier engagement initiatives
The IAG Transform sustainability team engages on different ESG topics across the value chain together with procurement and sustainability teams across the Group. For matters relating to the environment, our focus is to identify and support carbon reduction initiatives across the value chain. For more details, refer to E1-3 – Actions and resources in relation to climate change policies.

Unfavourable working conditions in the value chain

Our approach and policies

IAG places a strong emphasis on its position and responsibilities to workers in the value and supply chain. Our approach is integrated into the supply chain sustainability programme and is detailed under the responsible supply chain section of this Sustainability statement.

Actions, metrics and targets

IAG's actions towards mitigating negative impacts of unfavourable working conditions in the value chain include:

- Collaborating with third-party organisations specialising in worker engagement and human rights, including regulatory authorities and charities.
- Commitment to providing accessible channels for concerns to be raised and to ensuring remediation of any negative impacts identified. The Group maintains a whistleblowing mechanism.
- Ongoing work to strengthen the Group's due diligence practices, developing a targeted approach for suppliers operating in high-risk areas/industries.

Violation of human rights standards within supply chains

Our approach and policies

IAG recognises that failure to address human rights violations, including modern slavery and human trafficking within its supply chains, could lead to significant legal, social and reputational consequences. Such violations directly impact the victim and their families and could also result in financial penalties, compliance challenges, social harm, business interruptions and damage to IAG's reputation.

The IAG third party code of conduct expressly prohibits the use of child labour and any form of slave, bonded, forced or involuntary prison labour, and human trafficking or exploitation. IAG also implemented a standalone human rights policy in 2024, alongside the existing code of conduct and third party code of conduct.

Actions, metrics and targets

IAG responds to evidence of human rights violations within the supply chain, for example, from external ESG audits carried out on suppliers. In 2025, we received 63 such audits, and any potential human rights violations are subject to corrective actions that we are tracking to resolution.

On receiving an audit report via SEDEX, IAG logs any non-conformities reported in its own audit tracker, including the specific topic and severity. The independent auditor will have agreed corrective actions with target dates for the supplier. Until this date, IAG tracks progress on the action in SEDEX. Any actions that go beyond the agreed date are identified as overdue, and IAG reaches out to these suppliers directly to escalate our concerns. This work is performed by a combination of nominated procurement leads and IAG Transform Sustainability team members.

Modern slavery and human trafficking

Human trafficking is a particular risk in the aviation industry and its value chains. We transport millions of passengers every year and work closely with the authorities where any trafficking on our flights is suspected.

IAG supports the 2018 IATA resolution denouncing human trafficking and the ICAO Guidelines for Reporting Trafficking in Persons by Flight and Cabin Crew. IAG has actively contributed to the ICAO Ad Hoc Working Group on Combatting Trafficking in Supply Chain (AHWG-TSP), an international, joint industry-

regulatory group, which has led to the Guidelines for Combatting Trafficking in Persons in the Air Operator Supply Chain (Cir 362) that were approved by the ICAO general Assembly in 2025.

IAG will take swift and robust action if any evidence relating to slavery or human trafficking in our business supply chain is identified. Operating airlines train staff to recognise and respond to the signs of potential human trafficking situations and provide procedures for reporting where any cases are suspected.

In 2025, 21 suspected incidents of trafficking were reported by our employees. All suspected incidents were reported to the relevant authorities.

Actions, metrics and targets

IAG has developed several workstreams to improve the Group's understanding and identification of potential human rights violations in the value chain, including actions to address the potential impacts of modern slavery and human trafficking as described above.

IAG refreshed its modern slavery and human trafficking policy in 2025, following the update of the Modern Slavery Registry in 2024. The IAG slavery and human trafficking statement is available on the IAG website and complies with section 54, part 5 of the UK Modern Slavery Act 2015 and Section 11(4)(b)(ii) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act 2023 and relevant legislation in Canada and Australia.

IAG also offers training to its employees and high-risk suppliers to help them recognise signs of human trafficking and other human rights violations. The training includes guidelines and reporting processes.

IAG will be issuing more corrective action plans for the audit reports it has received in 2025 as necessary. IAG reviews the methodology for obtaining and scheduling ESG audits of its suppliers using country and category risks to improve mapping of potentially high-risk suppliers in the value chain.

Disparities in the treatment of and opportunities for value chain workers

Our approach and policies

IAG is committed to promoting fair treatment for all workers in its supply chain. The third party code of conduct requires suppliers to ensure non-discrimination, equal opportunities and respect for diversity in their employment practices.

Suppliers must comply with all applicable labour laws and regulations, including those related to wages, working hours and fair treatment.

Actions, metrics and targets

In 2025, IAG created a new framework to assess suppliers in 12 key focus areas defined by the Group. These areas include Modern Slavery Act compliance, conformance with modern slavery guidelines, 'Find it', 'Fix it' and 'Prevent it' controls.

The framework's assessment consists of providing a standardised questionnaire to suppliers, holding in-person interviews, performing structured document analysis and a review of ESG scorecards, audits and publicly available information. From this assessment, a summary report is produced that profiles the supplier's social performance and indicates if any further actions are required.

As part of the continuous improvement process, the framework will continue to be developed for identified high-risk suppliers, while enhancing supplier on-boarding with industry-specific questionnaires, increasing awareness campaigns and training and sharing best practices across the industry.

Metric	vly	2025	2024
Total number of EcoVadis sustainability assessments	(1)%	**590**	597
Average overall EcoVadis score of IAG's suppliers	5 %	**63**	60
Total number of key suppliers identified	– %	**146**	n/a
Total number of key suppliers with an EcoVadis scorecard	– %	**109**	n/a
Average overall EcoVadis score of IAG's key suppliers	– %	**64**	n/a
Critical suppliers under regular financial risk monitoring	25 %	**15**	12
Independent ESG audits received through SEDEX	(42)%	**63**	109

For more information regarding our engagement with supply chain stakeholders on the material impacts identified by IAG's double materiality assessment, please refer to the Stakeholder engagement section of this Annual Report.

ESRS S4 Consumers and end-users

SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

Topic	Name	Impact, risk or opportunity	Description	Location
Social external				
Customer experience	Connecting people, businesses and countries	i	Fostering global interactions between people, businesses and countries worldwide. By connecting diverse destinations across numerous countries, passenger and cargo airlines contribute to economic growth, cultural exchange and international cooperation.	Downstream
	Enhanced customer experience through new products and investments	i	New product and service developments generate a positive impact on customer experience, leading to greater customer attraction and satisfaction.	Downstream
	Enhanced customer experience through loyalty programmes	i	Loyalty programmes enhance customer satisfaction by offering personalised rewards and unique experiences, which in turn strengthens their loyalty to the brand and fosters a more solid and enduring relationship.	Downstream
	Informed customer decisions	i	Giving customers access to more information in a clearer way allows them to make more confident decisions.	Downstream

i Positive impact

Overview

IAG's double materiality assessment focused on our customers, including recreational and business passengers, corporate customers, freight customers and customers who engage with Group airlines through participation in their loyalty programmes. All customers who engage with IAG's products and services are covered by the positive impact materiality topics identified (outlined under SBM-3 above). Refer to the Stakeholder Engagement and Strategic sections of this Annual Report for more details regarding the engagement and initiatives employed to address the material impacts identified relating to our customers.

Across the Group, initiatives to manage the material impacts identified above are implemented and managed by the Group's operating companies for the benefit of their customers.

Initiatives that concern customer engagement on environmental issues, including emission reductions, are reported into the ISN, SSG and the Environment and Corporate Responsibility Committee as required. The IAG CEO holds ultimate accountability for the day-to-day operations of the Group, including our transformation plan to deliver better customer experiences. This includes a customer satisfaction-related management incentive as set by the Board at the beginning of the year, following a recommendation by the Remuneration Committee. The KPI for this incentive is measured using the IAG NPS to gauge the loyalty and experience of the Group's customer relationships. It is calculated based on survey responses to the likelihood to recommend, by subtracting the percentage of customers who are 'detractors' from the percentage of customers who are 'promoters'. IAG uses this KPI to reflect customer complaints and other feedback in its analysis. Please refer to the report of the Remuneration Committee for more information.

Approach and policies

Our customers are central to the success of IAG. Customers choose us primarily for our extensive network and schedule and because they trust our brands. We fly from Europe to five continents. Through our wide range of partnerships, our customers benefit from an even larger global network covering most countries in the world. Our commitment to sustainability is made available for our customers in the environmental sustainability policy available on the IAG website.

Connecting people, businesses and countries

Our network provides opportunities for people and businesses to connect. This is important for IAG's performance but also has a positive impact on the economies in which we operate. Aviation boosts economies, supports jobs and develops supply chains globally.

Informing customer decisions

We aim to provide unrivalled customer propositions and a portfolio of world-class brands targeting specific demand spaces and travel occasions. Delivering outstanding customer experience at all levels of the business and all brands will give us a leading market position.

To do this, giving customers access to more information in a clearer way allows them to make more confident decisions. An example of this includes providing customers with information on the sustainability programme of each company in the Group. By effectively communicating its efforts to reduce emissions, IAG demonstrates its commitment to sustainability and environmental responsibility to customers, which can help build confidence among this stakeholder group to make more informed and confident decisions, including contributions to our sustainability programme.



Earning tier points and Avios from SAF contributions

In April 2025, the newly relaunched British Airways Club introduced (in collaboration with software platform Chooose) an innovative proposition for its members who can now purchase SAF while earning Avios and tier points.

Customers can also redeem Avios to purchase SAF. This innovative approach not only empowers our customers to make more sustainable choices but also reinforces our commitment to rewarding loyalty in meaningful ways, while supporting the Group's objectives to reduce its carbon emissions.

Enhanced customer experience through new products and investments

Investing in product enhancements to enrich the customer experience aligns with the brand propositions of the Group's airlines and fosters greater customer attraction, satisfaction and loyalty among passengers. Each airline tailors these enhancements to meet specific customer needs. For example, the Group's airlines have catered to specific dietary preferences such as vegan menus, demonstrating our commitment to accommodating our customer needs and preferences.

Enhanced customer experience through loyalty programmes

The Group's airlines recognise our most loyal customers and offer loyalty programmes to enable customers to earn rewards on a broad range of items when flying with our airlines and partners. Doing so creates value for both IAG and our customers and builds this relationship. IAG Loyalty allows members of Avios-based loyalty programmes to collect and redeem Avios. Members can unlock rewards by redeeming Avios for flights, hotels and additional products.

Actions, metrics and targets

Actions taken (in addition to those provided in the Strategic section of the Annual Report) include:

Connecting people, businesses and countries

IAG commissioned a study with consultants PwC in 2023 to analyse IAG's economic impact across the EU and UK. The study took 2019 as the reference period (as the last full year of flying before the pandemic). PwC found that IAG supports more than 600,000 jobs in the region directly and indirectly, contributing nearly €70 billion to the GDP of the EU and UK.

IAG views work experience as a valuable way of supporting local employment by engaging young people with IAG's operating companies and platform businesses, building their skills and preparing them for potential careers. Many of our operating companies offer programmes and initiatives that support this aim.

Informing customer decisions

IAG aims to provide clear communication on key sustainability issues such as emissions reductions through the development of emissions dashboards and the expansion of communication channels. This includes publication of sustainability reports at Group level and by some of our airlines. Group airlines also provide customers with information on their websites to support them during their journey, through services such as British Airways' 'Customer Commitment', Iberia's service commitment, Aer Lingus's experience and support webpages, Vueling's 'Helpful info' and LEVEL's help centre webpage.

Through these channels, along with on-board magazines and airport lounge information desks, the Group's airlines offer customers the opportunity to learn more about our business and sustainability programme. Group airlines also continue to offer customers the opportunity to contribute towards climate projects including carbon removals and SAF and community projects.

Using customer feedback

IAG airline customers are able to provide feedback and details of complaints in multiple ways, including via IAG airlines' websites, by mail or by phoning customer contact centres. The types of customer complaints received vary significantly, but typically relate to delays and cancellations, baggage, journey experience, bookings and reservations.

To handle customer complaints, IAG airlines have dedicated customer relations teams who are specially trained to deliver excellent customer service and resolve issues quickly and in a satisfactory manner. Through their complaint systems, IAG airlines actively track and monitor resolution of customer complaints using metrics, which include the time between a complaint being received and the first communication provided back to the customer or the number of cases raised that have been successfully closed.

All IAG airlines also provide facilities for customers to exercise their rights to claim compensation under Regulation (EC) No. 261/2004 of the European Parliament and of the Council of 11 February 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights. Customers are additionally able to use the IAG airlines' contact channels to submit claims for financial compensation relating to baggage incidents and other out-of-pocket expenses, which are assessed and resolved by IAG's customer relations teams.

Group airlines measure customer feedback using NPS and CSAT scores to inform business priorities during the business-planning stage and prioritise internal initiatives to drive customer satisfaction improvements. The NPS feedback helps guide business priorities during the business-planning stage; contact centre KPIs assess our efficiency, effectiveness and quality of our customer interactions. CSAT engagement rates a customers' experience on key touchpoints in their customer journey.

Cases related to human rights involving consumers or end-users are not reported for 2025.

Metric	2025 target	**2025**	**2024**
IAG NPS	25.5	**29.5**	22.6

Enhanced customer experience through new products and investments

The Group's operating companies continue to introduce new products to improve the customer experience. For example, in 2025, IAG Loyalty enhanced the Avios app with new features that help customers easily find Avios redemption availability for their preferred routes and set personalised goals to track their Avios earnings.

For corporate customers, Iberia launched *Círculo SAF* in October, an initiative designed to promote collaboration among its corporate customers to work together to increase the use of SAF. The goal of this initiative is to make it easier for companies from different sectors to participate in a collective effort and link the use of SAF to a portion of the emissions generated by their business travel and freight transport (Scope 3 emissions).

Enhanced customer experience through loyalty programmes

In 2025, IAG Loyalty experienced significant growth in customer engagement with its programmes. Customers earned 13% more Avios and redeemed 9% more than in 2024. This growth was driven by various enhancements to the Group's airline loyalty programmes.

In April 2025, we introduced new ways to earn tier points beyond flying. For instance, members of the British Airways Club can now earn tier points and Avios by contributing to SAF, spending on their American Express credit card and on their British Airways Holidays package. Additionally, IAG Loyalty launched the Avios Shop in September – a new one-stop-shop platform where members can earn Avios on everyday purchases.

G Governance

ESRS G1 Business conduct

SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

Topic	Name	Impact, risk or opportunity	Description	Location
Business conduct				
Ethical business and regulatory compliance	Protection of whistleblowers	i	If whistleblowers are safeguarded from retaliation, employees are more likely to come forward with reports of unethical or illegal behaviour, leading to the early detection and prevention of corporate misconduct.	Upstream and own operations
Responsible supply chain	Assurance of ethical practices of suppliers	i	External audits entail reviewing labour conditions and environmental practices, which ensures that suppliers operate ethically and responsibly.	Upstream
Corporate governance	Sustainability embedded into overall business strategy	i	The integration of sustainability practices, targets and goals into the company's overall business framework signals a commitment to long-term value creation and responsible business practices, aligning governance structures with sustainability goals.	Own operations
	Provision of internal sustainability governance bodies	i	The establishment of internal governance bodies within the company to oversee and ensure compliance with regulatory requirements, positively impacts a company by enhancing oversight, accountability and risk management related to sustainability issues.	Own operations
	Financial management incentives linked to carbon efficiency	i	IAG aligns sustainability goals with financial management incentives, encouraging innovation and investment in environmentally friendly practices.	Own operations

i Positive impact i Negative impact

G1-1 – Business conduct policies and corporate culture

At IAG, our core principles include fair and equal treatment, non-discrimination, fairness and respect for human rights. These are central to our IAG Code of Conduct, which applies to all employees and directors across the Group. Employees have access to comprehensive training and development opportunities, ensuring they are well versed in essential topics such as the code of conduct and compliance with competition laws.

Operating companies are responsible for their own supplementary employee policies and procedures, including appropriate reward frameworks aligned to local markets and roles, so they remain competitive in attracting the best talent. A wide selection of employee benefits and recognition schemes have been introduced in the operating companies.

For senior leader remuneration across our operating companies, we have deliberately focused on variable pay and long-term incentives, aligning leadership compensation with performance and the Group's long-term strategic goals. We have taken a restrained approach to executive pay, remaining committed to fairness and competitiveness.

Our operating companies have focused on securing collective bargaining agreements with unions to ensure fair, competitive and sustainable pay – providing stability for our business and colleagues in challenging times. These arrangements are in place for 84% of the workforce.

IAG complies with ILO conventions. These conventions cover fundamental principles and rights at work: freedom of association, the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour and the elimination of discrimination in respect of employment and occupation.

IAG operating companies have effective dialogue through employee forums and through trade unions where they are recognised. In addition, the IAG EWC facilitates communication and consultation between employees and management on transnational European matters. The EWC includes representatives from the different EEA countries. It meets regularly throughout the year.

Each operating company continues to focus on engagement, listening to and acting on colleague feedback. In addition to specific initiatives to measure employee satisfaction, IAG runs a twice-yearly OHI survey to track our transformation and culture development and to benchmark management practices and leaders against a global external framework. Alongside leadership support, each operating company has established teams to identify themes and incorporate these into broader people plans.

Finally, Board members carry out workforce engagement visits with colleagues across our operating companies – meeting a variety of employees and leaders in their work context to better understand the challenges and opportunities of the different businesses, employee issues and levels of engagement. This provides the Board with a balanced perspective of stakeholder views and supports broader decision-making.

Training and development

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

While training policies and programmes are implemented at the operating company and functional levels, all our businesses are required to run mandatory corporate training courses on topics such as the code of conduct, compliance with competition laws, anti-bribery and corruption compliance, and data privacy, security and protection.

Whistleblowing policy

IAG has in place a Group-wide 'Speak Up' (whistleblowing) policy and a consolidated 'Speak Up' channel provided by an independent third-party provider, where concerns can be raised on an anonymous and confidential basis. This channel is available to members of staff as well as suppliers, with information on how to access it published in IAG's Code of Conduct and third party code of conduct. If any employee has a concern about unethical behaviour or organisational integrity, they are encouraged to first speak with their manager or a member of the Legal, Compliance or Human Resource teams. Similarly, suppliers are encouraged to contact their primary contact within the business. Regardless, the whistleblowing channel is available for anyone who wishes to report a concern.

IAG does not tolerate any retaliation against individuals reporting concerns or contributing to investigations arising from the independent 'Speak Up' channel or any other format. All relevant reports or concerns received, whether through the independent 'Speak Up' platform or other reporting systems across the Group are expected to be triaged by the Compliance teams to ensure that they are assessed and, where appropriate, investigated in accordance with IAG 'Speak Up' procedures.

The reports received for each operating company are triaged by the Compliance teams and assigned to the appropriate area for investigation, maintaining independence in this investigation process.

The code of conduct and 'Speak Up' policy explicitly outline protections for whistleblowers to ensure that individuals who report concerns in good faith are protected from retaliation.

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

During 2025, IAG received 502 reports through its independent 'Speak Up' platform. Each report was carefully assessed, and all relevant cases were investigated independently under the supervision of the compliance officers of each operating company, in line with IAG 'Speak Up' procedures.

	vly	2025	2024
'Speak up' (whistleblower) reports	26 %	**502**	399

Refer to sections 'ESRS S1 Own Workforce' and 'ESRS S2 Workers in the Value Chain' of this Sustainability statement for more information regarding the IAG Code of Conduct and 'Speak Up' policies.

G1-2 – Management of relationships with suppliers

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

Approach and policies

The IAG Transform Procurement team leads IAG's supply chain sustainability programme by delivering in four key areas:

- Sharing the third party code of conduct with suppliers;
- Facilitating independent risk screening and sustainability assessments;
- Coordinating corporate social responsibility audits; and
- Embedding sustainability as standard in the procurement process.

IAG Transform implemented a sustainability committee in 2024 with representation by IAG Transform Sustainability, IAG Transform Procurement, IAG Sustainability and IAG Legal. The committee develops the objectives related to the key areas above and monitors progress through reporting on relevant KPIs as listed in section ESRS S2 Workers in the Value Chain of this Sustainability statement.

Updates on the programme are fed into the ISN, SSG and Environmental and Corporate Responsibility Committee as required.

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

IAG Transform has verified the existing, active supplier base and IAG's airlines' interline relationships in Russia and Belarus in order to determine the potential implications of, and actions to be taken, due to the trade sanctions issued as a response to the war in Ukraine. IAG has provided operating companies with support on mitigation actions to be taken (e.g. payment stop/blockage). This has been performed in coordination with the Compliance teams.

Actions, metrics and targets

The third party code of conduct continues to be shared with new suppliers as part of the on-boarding 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 Transform is also partnering with EcoVadis, a provider of business sustainability ratings, to assess supplier scorecards with a methodology that covers environment, labour and human rights, ethics and sustainable procurement. This gives IAG and its suppliers a baseline for improvements, and suppliers can share their scorecards with customers and other stakeholders, which benefits wider industry sustainability.

Once a scorecard is shared with IAG Transform, results are reviewed to ensure the supplier's sustainability performance is aligned with IAG's vision and strategy. If a supplier's performance score is assessed as less than 45 (out of 100), a CAP is requested for improvement.

IAG became a SEDEX member in 2023. SEDEX provides data insights to help companies improve ESG performance. Under the third party code of conduct, suppliers are subject to analysis under a labour and human rights protocol such as the SEDEX Members Ethical Trade Audit methodology. IAG aims to understand information about the ethical practices of its suppliers, including audits.

IAG Transform has embedded sustainability aspects into the day-to-day operation of the organisation and includes sustainability targets in the performance objectives of all IAG Transform employees.

G1-3 – Prevention and detection of corruption and bribery

Our approach and policies

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

IAG has in place a Group-wide anti-bribery and corruption policy, which was refreshed in 2025. This document sets out the minimum standards that are expected by the Group, its directors and employees, including definitions and guidance for bribery, gifts and hospitality guidance, political and charitable donations, public officials and facilitation payments among other things.

Each Group operating company has a compliance officer, responsible for managing the anti-bribery programme in its business. The compliance teams from across the Group meet regularly through working groups and steering groups, under the coordination of IAG's Group Head of Ethics and Compliance. They conduct an annual review of bribery risks at operating company and Group level.

Actions, metrics and targets

The main compliance risks identified for 2025 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 2025, as in 2024.

Anti-bribery and corruption training is mandatory for all relevant personnel in IAG operating companies and Group functions. Individual training requirements are set by each operating company and function and are determined by factors such as the level and responsibilities of an employee. A Group-wide anti-bribery e-learning module was rolled out in 2019 and is required to be completed every three years.

To identify, manage and mitigate potential bribery and corruption risks, IAG uses risk-based third-party due diligence, which includes screenings, external reports, interviews and site visits depending on the level of risk that a third party presents. Any risks identified during the due diligence process are analysed and a mitigation plan is 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.

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

Metric	Unit	**2025**	2024	vly
Number of employees who completed annual code of conduct training	#	**66,922**	56,495	18 %
Number of employees who completed the annual anti-bribery training*	#	**12,403**	12,088	3 %

*Denotes total training completed over a period of 3 years

G1-4 – Incidents of corruption or bribery

There were no legal cases regarding corruption brought against the Group and its operating companies in 2025, as in 2024, and management is not aware of any impending cases or underlying issues.

G1-5 – Political influence and lobbying activities

The aviation industry will reduce its lifecycle carbon emissions faster with stakeholder and policy support. The Group and its operating airlines regularly engage with key stakeholders, including governments and regulators, shareholders, lenders and other financial stakeholders, trade associations, customers, suppliers, employees, communities, NGOs and academic institutions. Internal governance ensures that wider stakeholder engagement on climate change is consistent with addressing our material issues and environmental goals.

Principles for climate-related engagement

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

Actions taken by IAG within associations focused on UK aviation, Spanish aviation and global aviation policy are listed in the table below. If the climate-related positions of trade associations are deemed to be substantially weaker than or inconsistent with IAG's internal stances, IAG representatives take roles on task forces and working groups and respond to consultations to communicate our position and constructively move to alignment.

IAG is proud to have views on climate change that are consistent with all the organisations of which it is a member (see 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 organisations such as SA, A4E, **one**world and ATAG. IAG has also driven and encouraged higher SAF ambitions across JZT, **one**world and WEF. IAG and key trade associations are listed on the EU Transparency Register.

Key stances on climate change

Aviation is a global industry and IAG remains committed to global policy approaches. IAG supports carbon pricing as a key instrument to determine both the pace of emissions reductions for the aviation industry and the balance of in-sector and out-of-sector reductions.

We advocate for the use of carbon removal technologies in carbon markets, by both natural and engineered means. By 2050, we are committed to using only carbon removals to cover our carbon emissions.

IAG also prioritises policy advocacy on SAF, as this will be a key lifecycle emissions reduction driver in the next decade, and supports policies on operational efficiency, carbon offsets and removals. The Group seeks to ensure that policies delivered are effective and fair across multiple airlines.

G1-6 – Payment practices

IAG maintains internally a written procedure for its payment terms to suppliers. The Group's standard payment terms with suppliers are payment within net 30 days of receipt of the invoice meeting the requirements of applicable legislation. In 2025, the average time to pay invoices from the date of the invoice (from invoices posted in 2025) was 39 days. The percentage of payments aligned with standard payment terms was 69%. There are no legal proceedings concerning late payments due to suppliers. In addition, a number of the operating companies have additional statutory and voluntary reporting obligations that they comply with. Payments to suppliers are actively monitored with a focus on ensuring payment terms are complied with suppliers who are small and medium businesses.

IAG membership in organisations working on sustainable initiatives

Member of organisation	IAG involvement in organisation and actions to ensure, or move to, consistent stances
Global focus	
Coalition for Negative Emissions	Founding member in 2020. Steering group member and active contributor to consultation responses to UK Government on how to scale up carbon removals
oneworld **(represents 15 airlines)**	Chaired the Environment Strategy Board and coordinated net zero roadmap and 10% SAF ambition by 2030. In 2025, IAG was involved with other member airlines to provide funding in partnership with BEV, to launch a new investment fund aimed at addressing the limited availability and high cost of SAF
Air Transport Action Group	Significant airline contributor to global aviation roadmap to net zero, which helped to inform industry priorities for continual advancement of low-carbon solutions
World Economic Forum – Clean Skies for Tomorrow Coalition	Regular contributor to reports on how to scale up SAF production as a low-carbon solution; advocated for 10% SAF ambition by 2030
IATA (represents more than 300 airlines worldwide)	The IAG Sustainability Director represents IAG at the IATA working groups to advance policies for low-carbon solutions. IAG has previously chaired the Safety and Environment Advisory Committee

Member of organisation	IAG involvement in organisation and actions to ensure, or move to, consistent stances
Spain/Europe focus	
***Grupo Español para el Crecimiento Verde* (Spanish Group for Green Growth)**	Formed in 2023. Iberia is one of over 50 corporate members supporting green growth across the Spanish economy.
***Alianza para la Sostenibilidad del Transporte Aéreo en España* (AST) (Spanish Alliance for Sustainable Air Transport)**	This group brings together the main stakeholders of the Spanish air transport sector with the objective of promoting the development of sustainable aviation. Three working groups have been established to respond to the main challenges that the sector now faces: operational efficiency; SAF; and policy.
Airlines 4 Europe	Founding member. Drove development of the first A4E net zero roadmap in 2021 and supported ReFuelEU consultation responses and other work to advance low-carbon solutions. In 2025, IAG supported the update of the A4E decarbonisation roadmap and participated in working groups looking to develop solutions for non-CO_2 emissions. IAG has also contributed towards work to review the impact of climate policy in the EU on the industry's competitiveness, including a study published in May 2025.
UK focus	
Sustainable Aviation	Sustainable Aviation is a coalition of UK airlines, airports, aerospace manufacturers, fuel producers and partners all committed to delivering carbon net zero aviation by 2050 and to minimising the impact of aviation noise. IAG is one of 13 members on the council, which governs activities for 44 members. IAG is an active participant in the membership's different workstreams to advance low-carbon solutions.
Jet Zero Taskforce	IAG supported the creation of the UK Government's Jet Zero Strategy in 2022 to deliver net zero UK aviation by 2050. The UK Government launched the JZT in November 2024 to provide strategic leadership and an outcome-focused approach to support the innovation, economic growth and decarbonisation of the UK aviation sector. The British Airways CEO is a member of the plenary group and the IAG Sustainability Director chairs the expert group focused on SAF (known as the SAF Delivery Group). In 2025, the JZT established four task and finish groups to undertake the work programme. The British Airways Director of Sustainability was appointed as the carbon removals task group lead.
Royal Aeronautical Society (RAeS) – Greener by Design group (GbD)	Member of the Executive Committee of GbD.

Additional governance disclosures required under Spanish Law 11/2018

Public subsidies received

Relevant standards: GRI 201-4

	Unit	vly	2025	2024
Total public subsidies	€ million	25 %	**197**	157
UK ETS and EU ETS allowances at zero cost	€ million	27 %	**195**	153

Description

Public subsidies are defined as EU ETS, Swiss ETS and UK ETS allowances received at zero cost and those held at prices paid, and personnel training grants, fuel grants and route support grants in the Group.

Commentary

Operating companies in the Group receive some EU and UK ETS emission allowances at zero cost and purchase the remaining allowances required for fulfilling annual compliance obligations in the EU and UK ETS markets.

Accounting profit before tax

Relevant standards: GRI 207-4

	Unit	vly	2025	2024
UK	€ million	44 %	**2,812**	1,946
Spain	€ million	(3)%	**1,415**	1,460
Republic of Ireland	€ million	82 %	**256**	141
Other countries	€ million	38 %	**22**	16

Description

Profits by country – the Group's consolidated accounting profit or loss before tax for the year broken down by the country in which it is taxable.

Income tax paid

Relevant standards: GRI 207-4

	Unit	vly	2025	2024
UK	€ million	54 %	**252**	164
Spain	€ million	203 %	**227**	75
Republic of Ireland	€ million	– %	**–**	–
Other countries	€ million	50 %	**9**	6

Description

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

Commentary

The total net payment of €488 million is less than the tax charge for the Group of €1,163 million. The difference arises primarily due to the variance between when losses and depreciation are included in the accounting result and the period when these amounts are taken into account in calculating tax payments, and the timing of receipt of tax refunds.

'Other countries' comprises Belgium, Bermuda, Dominican Republic, France, Germany, Guatemala, Honduras, Hong Kong, India, Italy, Japan, Kenya, Maldives, Netherlands, Nicaragua, Philippines, Poland, Puerto Rico, Singapore, Sweden, Switzerland, and the United States.

Appendix

1. Sustainability due diligence

Core elements of due diligence	Section	Incorporation by reference in the Annual Report	Page number
a) Embedding due diligence in governance, strategy and business model	ESRS 2 General disclosures	Business model, Corporate governance	14-17, 96-150, 260-269
b) Engaging with affected stakeholders in all key steps of the due diligence	ESRS 2 General disclosures	Stakeholder engagement	22-27, 260-269
c) Identifying and assessing adverse impacts	ESRS 2 General disclosures, E1 Climate change	Risk management and principal risk factors	71-89, 260-269, 270-287
d) Taking actions to address those adverse impacts	E1 Climate change, S1 Own workforce, S2 Workers in the value chain, S4 Consumers and end-users, G1 Business conduct, EU Taxonomy	Stakeholder engagement	22-27, 270-330
e) Tracking the effectiveness of these efforts and communicating	E1 Climate change, S1 Own workforce, S2 Workers in the value chain, S4 Consumers and end-users, G1 Business conduct, EU Taxonomy	Stakeholder engagement	22-27, 270-329

2. Phase in reliefs taken

Phase in reliefs under the CSRD are defined within the ESRS. On 26 February 2025, the European Commission adopted a package of proposals called the 'Omnibus package' which aim to simplify future corporate sustainability reporting requirements. In this package, a 'quick-fix' delegated act was adopted on 11 July 2025 that permits 'wave one' undertakings to apply phase in reliefs available for the first year of the preparation of the sustainability statement to the 2025 and 2026 financial years. A joint letter by the CNMV and ICAC released on 19 November 2025 confirmed that this relief would also be eligible for entities regulated under Spanish Law Royal Decree 11/2018.

IAG has applied phase in reliefs to the disclosure requirements below.

Disclosure requirement name	Paragraph and related application requirement	Relief taken	Page number (if applicable)
Breakdown of total revenue by material ESRS sectors	SBM-1, 40b	Not applicable under 'quick-fix' delegated act	n/a
List of additional relevant ESRS sectors	SBM-1, 40c	Not applicable under 'quick-fix' delegated act	n/a
Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	E1-9	The Group may omit reporting for all information in this disclosure requirement	n/a
Characteristics of non-employees in the undertaking's own workforce	S1-7	The Group may omit reporting for all information in this disclosure requirement	n/a
Social protection	S1-11	The Group may omit reporting for all information in this disclosure requirement	n/a
Health and safety metrics	S1-14, 88e	The Group may omit reporting on non-employees	n/a
Work-life balance	S1-15	The Group may omit reporting for all information in this disclosure requirement	n/a

3. Calculation methodology and factors

Footprint metric	Unit	Description
Carbon emissions and energy consumption		
Scope 1 emissions (gross)	$ktCO_2e$	Direct emissions associated with IAG's operations including use of jet fuel, diesel, petrol, natural gas and halons. Sources of emissions include aircraft engines, aircraft auxiliary power units, ground vehicle engines and boilers. Gross emissions include reductions from SAF, in line with globally recognised accounting standards. SAF emission reductions are calculated using the volume of SAF uplifted, multiplied by the lifecycle analysis (LCA) carbon saving of the fuel, relative to conventional jet kerosene and subtracted from our jet fuel emissions.
Scope 2 emissions	$ktCO_2e$	Indirect emissions associated with electricity use in ground facilities like offices, lounges, data centres and hangars. Market-based emissions are based on the carbon intensity of electricity purchased from suppliers. Location-based emissions are based on the carbon intensity of national electricity grids. CO_2e is calculated using gCO_2e/kWh factors from national agencies in Ireland, Spain and the UK and IEA national electricity emissions factors.
Scope 3 emissions	$ktCO_2e$	Indirect emissions associated with Group activities across its value chain. Please refer to the description of Scope 3 emission metrics later in this section for more details.
Flight-only carbon intensity	gCO_2/pkm	Grammes of CO_2 per passenger kilometre (gCO_2/pkm) is a standard industry measure of flight fuel efficiency. It is calculated by dividing total jet fuel use by total passenger-km, assuming one cargo-tonne-km is equivalent to 10 passenger-km – then multiplying this value by a conversion factor of 3.15. IAG discloses this figure without emission reductions from the use of SAF for the purpose of third-party corporate reporting. This calculation excludes the jet fuel used by franchises and cargo carried on other airlines. It excludes no-show passengers, in line with industry guidance.
Flight-only carbon intensity (inclusive of emission reductions from use of SAF)	gCO_2/pkm	As per 'Flight-only carbon intensity' but with emission reductions from the use of SAF included. This metric is used for the calculation of the IAG-specific carbon efficiency management incentive. SAF produces similar levels of GHGs to conventional aviation fuels when burned, but the GHGs generated are already part of the carbon cycle and are not extracted from the ground specifically for creating aviation fuel. This means that using SAF results in a reduction in GHG emissions compared to the conventional aviation fuel it replaces over the lifecycle of the fuel. IAG uses the lifecycle assessment emissions savings from each batch of SAF received from its supplier using proof of sustainability or proof of compliance information where available. In 2025, regulatory requirements in the EU and the UK for mandated SAF supply obligates suppliers to deliver its sustainability paperwork to airlines after the delivery and payment of each batch. Therefore, for some later batches, this sustainability paperwork has not been received at the time of preparing this sustainability statement. For these batches, an appropriate lifecycle emission reduction has been applied using paperwork received for other batches in the reporting year.
Scope 1 emissions (net)	$ktCO_2e$	Net emissions are calculated based on gross emissions less any carbon savings from EU ETS, Swiss ETS and UK ETS compliance obligations, volumes of offsets purchased to meet CORSIA compliance obligations, and volumes of offsets voluntarily purchased by IAG. EU ETS allowances purchased from other sectors equate to a net reduction, aligned to European Commission guidance.
EU ETS SAF allowances received	$ktCO_2$	The volume of EU ETS allowances received by Group airlines for the use of SAF claimed under the scheme in the prior year though the participation in the FEETS programme. This support system covers from 50% to 95% of the price difference between fossil kerosene and the eligible SAF used by individual airlines on their flights covered by effective carbon pricing through the EU ETS. A 100% coverage is provided for small airports under EU definition or located in an EU outermost region.
Renewable electricity	MWh	The share of electricity generated by renewable sources such as solar power and wind, based on volumes procured from renewable electricity suppliers. In overseas offices where data on electricity sources was unavailable, the source of electricity is assumed to be the national grid.
Carbon intensity (Scope 2)	gCO_2/pkm	Based on Scope 2 location-based emissions divided by business activity, as measured in revenue passenger-km, including cargo. Complements the flight-only emissions intensity metric.
GHG reduction initiatives	tonnes CO_2e	Reductions in CO_2e as a result of specific efficiency initiatives, which started in the reporting year. This excludes reductions from externally driven changes applicable to all airlines, such as airspace changes. It also excludes emission savings from the operation of new fleet compared to the aircraft they replace.
Electricity	MWh	Consumption of electricity across IAG ground facilities, in millions of kWh. This includes usage in main offices, overseas offices, hub airports and maintenance facilities.

Footprint metric	Unit	Description
Energy	MWh	The sum of the electricity across IAG ground facilities and energy use from fuel. Fuel energy use is based on volumes of jet fuel, diesel, petrol, natural gas and gas oil, multiplied by the latest available UK Government conversion factors. UK factors are used across the Group as these are considered the most robust available.
Energy intensity per net revenue (also known as revenue per tonne CO_2e)	$tCO_2e/€$	Calculated by dividing total Group revenue by the sum of Scope 1 emissions and Scope 2 location-based emissions.
Fleet age	years	The average age of aircraft in the IAG fleet as of 31 December in a given year. The average age of operational aircraft increases each year. This is offset by the impact of new deliveries and retirements.
Jet fuel consumed	tonnes	Jet fuel used within the aircraft fleet and for engine testing during the reporting year.
SAF consumed	tonnes	SAF used within the aircraft fleet and for engine testing during the reporting year. SAF is the main term used by the aviation industry to describe a non-conventional (fossil derived) aviation fuel. SAF is the preferred IATA term for this type of fuel although when other terms such as sustainable alternative fuel, sustainable alternative jet fuel, renewable jet fuel or biojet fuel are used, in general, the same intent is meant. Please refer to section 'E1-3 – Actions and resources in relation to climate change policies' of this statement for more information. 'Mandated SAF' is equivalent to IAG's share of SAF to be consumed to fulfil mandate requirements the EU, the UK, and other jurisdictions. Voluntary SAF denotes SAF used by Group airlines above this share. SAF consumed includes SAF received physically by the Group's airlines, or volumes which the Group has purchased the Scope 1 emission rights for in the reporting year. IAG calculates the volume of SAF consumed based on product transfer documentation, which is aligned to our financial accounting.
CO_2 per revenue tonne kilometre	gCO_2e/RTK	The total number of revenue-generating tonnes of both passengers and freight, multiplied by the distance flown. Grammes of CO_2 per revenue tonne kilometre (gCO_2e/RTK) is an activity statistics indicator commonly used by the aviation industry and third parties including the EU Commission and TPI. This metric represents the distance flown and weight transported associated with the revenue passengers of a flight. The great circle distance, which is the shortest distance between two points on the surface of a sphere, is used for the distance flown and the mass and balance documentation of the flight for the weight which, according to the policy of each airline, a default value of 100kg can be used (or a different value approved by the competent authorities, representing the assumed weight of the passenger plus their hand luggage).
Scope 3 emission categories		
Category 1: Purchased goods and services	$ktCO_2e$	Emissions from all purchased goods and services not captured in other upstream Scope 3 categories. Calculated using a spend based methodology and Watershed's Comprehensive Environmental Data Archive (CEDA), supplier specific emission factors, for those with CDP disclosures or high quality emissions disclosures with an external verification. Standardised conversion factors are used where data from suppliers is not available, and as more data from suppliers becomes available some values may be restated. Any significant restatements will be made in future reports with explanations provided.
Category 2: Capital goods	$ktCO_2e$	Emissions associated with aircraft manufacture were previously included in this category, now the emissions associated with the purchase of new aircraft will remain under Scope 3.1 as CAPEX is included under the Group's spend.
Category 3: Fuel and energy-related production	$ktCO_2e$	The well-to-tank emissions from jet fuel use, Scope 1 fuel use and Scope 2 electricity kWh. CO_2e values are calculated by multiplying the weight or energy content of various fuels by the latest standardised UK Government greenhouse gas conversion factors. Emissions now apply the well-to-wake LCA carbon saving of SAF to upstream fuel production, based on the EU Renewable Energy Directive.
Category 4: Upstream transportation and distribution	$ktCO_2e$	Emissions from subcontracted vehicles used in hub operations or cargo operations. The emissions generated through the transportation and distribution product that IAG's operating companies purchase from outside of the Group. This methodology uses both spend and activity-based approach, depending on the availability of data.
Category 5: Waste generated in operations	$ktCO_2e$	Emissions associated with processing waste via recycling, recovery, incineration or landfill, including disposed aircraft. These are calculated by multiplying total extrapolated global waste volumes by appropriate CO_2e/tonne conversion factors from international recognised sources (including the UK Government and the US Environmental Protection Agency).
Category 6: Business travel	$ktCO_2e$	Emissions from fuel related to IAG staff travel on rail and other airline carriers. Staff travel on IAG aircraft is captured in Scope 1 emissions. Emissions from crew hotels were included in 2025, where such data was available.

Appendix *continued*

Footprint metric	Unit	Description
Category 7: Employee commuting	$ktCO_2e$	Emissions from staff travelling to and from workplaces and the emissions from the energy used when employees work from home. In the absence of detailed staff travel data, emissions were estimated using employee numbers, locations and work patterns.
Category 8: Upstream leased assets	$ktCO_2e$	Upstream leased assets are those that a company leases for its operations, where the lessor retains ownership and control over the assets. This can include office spaces, machinery and vehicles used in business activities. In 2025, this category was not applicable to IAG. Emissions from upstream leased aircraft used within IAG's operations are included in the Scope 1 emissions.
Category 9: Downstream transportation and distribution	$ktCO_2e$	This category is not applicable to IAG in 2025. Emissions previously captured under this category have been reallocated to category 4, following ongoing review of our emissions accounting for all Scope 3 emissions categories.
Category 10: Processing of sold products	$ktCO_2e$	This category is not applicable to IAG.
Category 11: Use of sold products	$ktCO_2e$	Emissions related to products purchased by IAG Loyalty programme members redeeming Avios for IAG flights are reported under Scope 1 emissions. Product categories reported here include flights on non-IAG carriers, hotel stays and car hire, as these are the most material categories. Emissions associated with aircraft sold during the year are included up until their departure from the Group. The average expected life of an aircraft for passenger or freight use is considered for the calculations.
Category 12: End-of-life treatment of sold products	$ktCO_2e$	Total expected end-of-life emissions from all products sold in the reporting year. The methodology is consistent with disposed aircraft in Category 5.
Category 13: Downstream leased assets	$ktCO_2e$	Jet fuel emissions from any aircraft leased to other carriers on a seasonal basis.
Category 14: Franchises	$ktCO_2e$	Emissions from the jet fuel burn of aircraft franchises, such as from Air Nostrum and Emerald Airlines.
Category 15: Investments	$ktCO_2e$	Emissions associated with Group investments (associates, joint ventures and other equity investments) in the reporting year that are not already included in our Scope 1 or Scope 2 footprint.
Waste metric		(as per GRI 306 standards)
SUP	Volume	Items made wholly or partly of plastic that are typically intended to be used just once or for a short period of time before they are thrown away.
On-board	kg/ passenger	Numerator: On-board waste is both cabin and catering waste. Cabin waste is defined as items collected from the cabin following flights, including newspapers, blanket and headphone wrapping, and packaging that passengers have brought onto the aircraft. Includes rubbish bins from toilets and excludes lost luggage. Catering waste is defined as food and packaging left over from on-board catering, including drinks cans and IAG-owned waste from food preparation at catering facilities. Includes all categories of catering waste covering international and domestic flights.
		Denominator: The number of inbound passengers at hub airports, plus outbound passengers on short-haul flights whose waste was kept on-board the aircraft and offloaded at the hub when the plane returned.
Cargo	kg/tonne of cargo handled	Numerator: Total waste from handling and packaging cargo. This consists largely of recyclable materials such as plastic, wood and cardboard but is impacted heavily by ad hoc disposal of perishable or hazardous cargo.
		Denominator: Tonnes of cargo and mail handled in three main hubs: Dublin, Madrid and London Heathrow.
Maintenance	kg/person-hour	Numerator: Materials from specific maintenance/engineering facilities including paper, metal and hazardous waste. Excludes airport waste, aircraft disposal, construction waste and effluent.
		Denominator: Number of available person-hours at maintenance facilities, as compiled by maintenance teams.
Office	kg/ employee	Numerator: Materials from printing, office stationery and on-site catering. Includes offices, training facilities, and Irish, Spanish and UK call centres. Includes technology waste, defined as primarily data centre equipment and IAG-owned IT equipment.
		Denominator: Total FTE employees at the end of the reporting period.

Footprint metric	Unit	Description
Waste disposal method		(as per GRI 306 standards)
Landfilled	These categories and their definitions are used within the calculation of IAG's waste metrics	Defined as final depositing of solid waste at, below, or above ground level at engineered disposal sites. Includes: waste sent directly to disposal. Excludes: waste sent to third parties.
Incinerated		Defined as controlled burning of waste at high temperatures. Includes: incineration with energy recovery.
Recovered		Defined as any operation wherein products, components of products, or materials that have become waste are used or prepared to be used to fulfil a purpose in place of new products, components, or materials that would otherwise have been used for that purpose. Includes: incineration including energy from waste if the incinerator meets set standards. Excludes: reprocessing into materials that are to be used as fuels.
Recycled		Defined as reprocessing of products or components of products that have become waste, to make new materials. Includes: downcycling, upcycling, composting and anaerobic digestion, uniforms reused and plastics turned into new plastic products. Excludes: reprocessing into materials that are to be used as fuels.
Noise metric		
Noise per LTO	QC/LTO	Average noise per flight considering arrival and departure noise for each aircraft type. Based on the number of flights of all aircraft that operated during the year, including leased aircraft. Quota Count (QC) values from the UK Government are used to create a relative categorisation based on certified noise levels. An aircraft quota count score of 0.5 is generally considered good and indicates that an aircraft is relatively quiet and has a low impact on noise levels around airports. For example, an Airbus A380 has a rating of 2 on take-off (compared to a Boeing 747 operated previously, which had a rating of more than 6), while an Airbus A320neo would have a score of 0.5 on take-off, compared to an Airbus A320 which would have a score of 1.
NOx per LTO	kg/LTO	Average emissions of the air pollutants nitrogen oxides (NOx) as aircraft take off and land. This calculation considers the engine certifications and aircraft types of all aircraft that operated during the year, including leased aircraft, referencing information from the ICAO emissions database.
ICAO Chapter 14	% of fleet at standard	ICAO Chapter standards compare aircraft noise against standardised limits that are a combination of lateral, approach and flyover noise levels. Higher standards are more stringent. Chapter 14 applies to new aircraft certified from 1 January 2017.
CAEP Chapter 6	% of fleet at standard	ICAO CAEP standards are for NOx emissions from aircraft engines. Higher standards are more stringent. The CAEP 6 NOx standard applies to engines manufactured from 1 January 2008.
CAEP Chapter 8	% of fleet at standard	The CAEP 8 standard applies to engines manufactured from 1 January 2014.

4. Datapoints from other legislation

Disclosure points reported with alignment to ESRS

Disclosure requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Page number
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	✓		✓		262-264
ESRS 2 GOV-1 Percentage of Board members who are independent paragraph 21 (e)			✓		262-264
ESRS 2 GOV-4 Statement on due diligence paragraph 30	✓				311
ESRS 2 SBM-1 Involvement in activities related to fossil-fuel-related activities paragraph 40 (d) i	✓	✓	✓		14-17, 265
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	✓		✓		not material
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	✓		✓		not material
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			✓		not material
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				✓	270-287
ESRS E1-1 Undertakings excluded from Paris-aligned benchmarks paragraph 16 (g)		✓	✓		270-287
ESRS E1-4 GHG emission reduction targets paragraph 34	✓	✓	✓		282
ESRS E1-5 Energy consumption from fossil source disaggregated by sources (only 'high-climate-impact' sectors) paragraph 38	✓				283
ESRS E1-5 Energy consumption and mix paragraph 37	✓				283
ESRS E1-5 Energy intensity associated with activities in 'high-climate-impact' sectors paragraphs 40 to 43	✓				283
ESRS E1-6 Gross Scope 1, 2, 3 and total GHG emissions paragraph 44	✓	✓	✓		283
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	✓	✓	✓		283
ESRS E1-7 GHG removals and carbon credits paragraph 56				✓	285
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			✓		not disclosed, subject to phase in
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a); ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		✓			not disclosed, subject to phase in
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		✓			not disclosed, subject to phase in
ESRS E1-9 Exposure of the portfolio to climate-related opportunities paragraph 69	✓		✓		not disclosed, subject to phase in
ESRS E1-9 Breakdown of the carrying value of real estate assets by energy-efficiency classes paragraph 67 (c).	✓				not disclosed, subject to phase in
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69	✓				not disclosed, subject to phase in
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil paragraph 28	✓				not material
ESRS E3-1 Water and marine resources paragraph 9	✓				not material
ESRS E3-1 Dedicated policy paragraph 13	✓				not material
ESRS E3-1 Sustainable oceans and seas paragraph 14	✓				not material
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	✓				not material
ESRS E3-4 Total water consumption in m^3 per net revenue from own operations paragraph 29	✓				not material
ESRS 2- IRO 1 - E4 paragraph 16(a)i	✓				not material
ESRS 2- IRO 1 - E4 paragraph 16(b)	✓				not material
ESRS 2- IRO 1 - E4 paragraph 16(c)	✓				not material
ESRS E4-2 Sustainable land/agriculture practices or policies paragraph 24(b)	✓				not material
ESRS E4-2 Sustainable oceans/seas practices or policies paragraph 24(c)	✓				not material
ESRS E4-2 Policies to address deforestation paragraph 24(d)	✓				not material
ESRS E5-5 Non-recycled waste paragraph 37(d)	✓				not material

Disclosure requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Page number
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	✓				not material
ESRS 2 - SBM3 - S1 Risk of incidents of forced labour paragraph 14(f)	✓				288
ESRS 2 - SBM3 - S1 Risk of incidents of child labour paragraph 14(g)	✓				288
ESRS S1-1 Human rights policy commitments paragraph 20	✓				288-290
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labour Organization (ILO) Conventions 1 to 8, paragraph 21			✓		288-290
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	✓				288-290
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	✓				288-290
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32(c)	✓				290
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88(b) and (c)	✓		✓		295-297
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	✓				295-297
ESRS S1-16 Unadjusted gender pay gap paragraph 97(a)	✓		✓		297-299
ESRS S1-16 CEO pay ratio paragraph 97(b)	✓				297-299
ESRS S1-17 Incidents of discrimination paragraph 103(a)	✓				299
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 104(a)	✓				299
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11(b)	✓				301
ESRS S2-1 Human rights policy commitments paragraph 17	✓				301-303
ESRS S2-1 Policies related to value chain workers paragraph 18	✓				301-303
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 19	✓		✓		301-303
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8, paragraph 19			✓		301-303
ESRS S2-4 Human rights issues and incidents connected to upstream and downstream value chain paragraph 36	✓				301-303
ESRS S3-1 Human rights policy commitments paragraph 16	✓				not material
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	✓		✓		not material
ESRS S3-4 Human rights issues and incidents paragraph 36	✓				not material
ESRS S4-1 Policies related to consumers and end-users paragraph 16	✓		✓		304-305
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	✓				304-305
ESRS S4-4 Human rights issues and incidents paragraph 35	✓				304-305
ESRS G1-1 United Nations Convention against Corruption paragraph 10(b)	✓				306-307
ESRS G1-1 Protection of whistleblowers paragraph 10(d)	✓				306-307
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24(a)	✓		✓		308
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24(b)	✓				308

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EU Taxonomy

Overview

What is the EU Taxonomy Regulation?

Regulation EU 2020/852 (the 'EU Taxonomy Regulation') is a framework to identify and to facilitate sustainable investment across the EU. This framework operates through a classification system for determining when an economic activity can be considered environmentally sustainable according to EU standards, to promote a transition to a zero-carbon future. The taxonomy regulation aims to guide funding towards solutions that tackle the climate crisis and prevent further environmental degradation. It aims to encourage investment in a low-carbon economy by creating common definitions of sustainability and mandatory disclosures to help investors make informed decisions.

How does it work?

The EU Taxonomy Regulation includes economic activities against which companies can report their business activities. These economic activities are then screened against the technical criteria of each of the environmental objectives and minimum safeguard requirements to arrive at the taxonomy-aligned activities.

Having identified the relevant (eligible) economic activities, the Group calculates and reports the aligned revenue (turnover), capital expenditure (capex) and operating expenditure (opex), collectively referred to as the EU Taxonomy KPIs, for the financial year.

The reporting scope

The EU Taxonomy Regulation's reporting scope covers the Group's business activities, based on the same principles of consolidation as the consolidated financial statements, adjusted for the various narrower scope definitions of the EU Taxonomy Regulation. The period for the EU Taxonomy Regulation is the year to 31 December.

The Group's eligible activities principally relate to the activities of our airline operations and associated MRO operations.

The reporting basis of the EU Taxonomy Regulation differs from that of our consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Such differences include, but are not limited to, not recognising the investment in or results from equity-accounted investments, as well as a very narrow scope definition for opex. These and other differences result in lower reported eligible turnover, capex and opex under the EU Taxonomy Regulation when compared to other financial and sustainability disclosures.

While the Group is supportive of efforts to enhance and increase the comparability of climate disclosures more broadly, the limited scope of the EU Taxonomy Regulation does not enable the Group to outline all of our investment activity in our Flightpath Net Zero transition. The limitations of the Regulation in the following areas prevent the Group from fully disclosing our investment in sustainability: (i) any joint ventures to produce SAF or hydrogen-fuelled aircraft do not fall within the scope of our reporting; and (ii) our long-term purchase agreements for SAF and other renewable power products, which underpin investment and enable financing of large-scale renewable production, are excluded. The additional reporting restrictions on aviation, where the growth of the entire global aviation fleet is used to discount an individual company's investment in best-in-class aircraft, as well as the ability to increase the quantification of aligned economic activities for each KPI by the use of SAF, limit the Group's ability to fully express its financial commitment to the transition to a low-carbon environment. This approach, requiring company-specific performance to be adjusted based on global trends, is unique to the aviation sector and, we feel, dilutes the impact of the taxonomy in driving more investment at an individual company level.

Changes in EU Taxonomy Regulation in 2025

On 4 July 2025, the European Commission adopted Delegated Regulation EU2025/4568, which amended Delegated Regulation EU 2021/2178. The amendments simplify the application of the EU Taxonomy Regulation, aiming to reduce administrative burdens while preserving its climate and environmental goals. The amendments introduce a materiality threshold for the reporting of economic activities for each KPI as well as simplifying the tabular disclosure requirements.

In addition, Delegated Regulation EU 2025/4568 provides specific exceptions to ozone-depleting substances referred to in Annex II of Regulation EU 2024/590, where those substances are used in fire suppression equipment on aircraft.

The Group will continue to monitor ongoing reporting by the sector and any updates and guidance issued by the European Commission.

Further details regarding the application of the aviation specific economic activities are given below in the section entitled 'Understanding the aviation economic activities'.

EU Taxonomy *continued*

Snapshot of eligible and aligned activities

For the years to 31 December 2025 and 2024, the Group's eligible and aligned KPIs were as follows:

	Eligible		Aligned	
Year to 31 December 2025	Absolute € million	% of denominator	Absolute € million	% of denominator
Turnover	31,252	94%	13,874	42%
Capex	2,603	72%	2,158	60%
Opex	2,758	97%	1,874	66%

	Eligible		Aligned[1]	
Year to 31 December 2024	Absolute € million	% of denominator	Absolute € million	% of denominator
Turnover	30,328	94%	11,190	35%
Capex	2,779	78%	2,318	65%
Opex	2,673	98%	1,558	57%

1 Results for 2024 have been restated to conform with the current basis of presentation, where only economic activities material to the operations of the Group have been disclosed.

Understanding the EU Taxonomy Regulation

Basis of preparation

The Group prepares its disclosures in accordance with the Delegated Act EU 2021/2178 (enacted 4 June 2021), the associated Delegated Regulation EU 2021/2139 (enacted 6 July 2021), the amendments to Delegated Regulation EU 2021/2139 (enacted 21 November 2023), the Delegated Regulation EU 2025/4568 (enacted 4 July 2025) (referred to as the Amended Delegated Regulation), several Commission Notices containing answers to frequently asked questions, the annually updated EU Taxonomy User Guide and the EU Taxonomy Compass (a website that offers a range of online tools to enable users to better understand the EU Taxonomy Regulation and the associated reporting obligations).

In accordance with the disclosure requirements of Article 8 of the EU Taxonomy Regulation, the Group confirms that it does not carry out, fund or have exposures to nuclear and fossil gas-related activities.

The EU Taxonomy Regulation framework

The EU Taxonomy Regulation establishes 150 predefined and prescriptive economic activities across the following six environmental objectives:

1 Climate change mitigation;
2 Climate change adaptation;
3 Sustainable use and protection of water and marine resources;
4 Transition to a circular economy;
5 Pollution prevention and control; and
6 Protection and restoration of biodiversity and ecosystems.

The EU Taxonomy Regulation also sets out four overarching conditions that an economic activity must meet in order to qualify as environmentally sustainable and accordingly able to be reported as taxonomy-aligned:

1 Making a substantial contribution to at least one environmental objective;
2 Doing no significant harm to any of the other five environmental objectives;
3 Complying with minimum safeguards; and,
4 Complying with the detailed technical screening criteria set out in the EU Taxonomy Regulation delegated acts.

Taxonomy eligible

The EU Taxonomy Regulation defines taxonomy-eligible economic activities as those activities of the Group that comply with any of the aforementioned 150 economic activities across nine sectors. Such activities are eligible whether they comply with the technical screening criteria or not.

The most important of those, which relate to the aviation sector, are those activities associated with the (i) manufacturing of aircraft, and (ii) passenger and freight air transport.

If an activity is not included in the EU Taxonomy Regulation, then it is not considered to be eligible. The main categories for eligible spend in 2025 are set out in the table below:

Identified economic activities of the Group

For 2025, the Group has identified a total of 15 economic activities as eligible for reporting. Of these, under Delegated Regulation EU 2025/4568, two of these economic activities are considered material for reporting purposes, while the remaining 13 economic activities are considered immaterial and not reported against. The eligible economic activities are as follows:

Material economic activities
Aviation
Manufacturing of aircraft (CM)
Passenger and freight air transport (CM)

Immaterial economic activities
Aviation
Air transport ground-handling operations (CM)
Construction and real estate activities
Renovation of existing buildings (CM)
Acquisition and ownership of buildings (CM)
Installation, maintenance and repair of energy–efficiency equipment (CM)
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) (CM)
Installation, maintenance and repair of renewable energy technologies (CM)
Energy
Electricity generation using solar photovoltaic technology (CM)
Information and communication
Data-driven solutions for greenhouse gas emissions reductions (CM)
Technical, scientific and professional activities
Research into innovative low-carbon technologies (CM)
Transport
Transport by motorbikes, passenger cars and light commercial vehicles (CM)
Urban and suburban transport, road passenger transport (CM)
Water supply, sewerage, waste management and remediation
Depollution and dismantling of end-of-life products (CE)
Manufacturing
Sale of spare parts (CE)
Preparation for reuse of end-of-life products and product components (CE)

Key: CA – climate adaptation; CM – climate mitigation; CE – circular economy

In practical terms, identifying taxonomy-eligible economic activities is the first step towards assessing the alignment of economic activities against the technical screening criteria.

In addition, companies are required to ensure that and explain how taxonomy-eligible turnover, capex or opex are not double counted where the activities of the Group fall under more than one economic activity.

Taxonomy aligned

A taxonomy-aligned activity is one that, having identified eligibility, contributes substantially to at least one of the six environmental objectives, does no significant harm to the other environmental objectives and complies with the minimum safeguards. Details on substantial contribution, do no significant harm (DNSH) and minimum safeguards are given below.

Substantial contribution

The EU Taxonomy Regulation provides detailed substantial contribution criteria to ensure that the associated economic activity has either a substantial positive impact on one of the six aforementioned environmental objectives or substantially reduces the negative impact on the environment. The most relevant objective for the Group is climate mitigation; however, the categories of circular economy, pollution prevention and water also have relevant activities for the Group. These substantial contribution criteria vary by economic activity and each economic activity can apply to more than one environmental objective.

Do no significant harm

Together with the criteria to assess if an activity substantially contributes to at least one of the EU Taxonomy Regulations environmental objectives, the criteria for DNSH specify the minimum requirements that the economic activity should meet to avoid harming any of the other five environmental objectives. The DNSH criteria differ by economic activity and by environmental objective.

Any breach of the DNSH criteria would automatically disqualify an activity from being environmentally sustainable and as such lead to the associated activities not meeting the criteria for alignment.

In addition, there are four generic DNSH criteria that apply to all economic activities, being: (i) climate change adaptation; (ii) water and marine resources; (iii) pollution prevention and control regarding the use and presence of chemicals; and (iv) protection and restoration of biodiversity and ecosystems. These generic criteria apply to several of the Group's identified economic activities.

EU Taxonomy *continued*

Minimum safeguards

The EU Taxonomy Regulation defines the minimum safeguards as due diligence and remedy procedures implemented by a company that is carrying out an economic activity in order to ensure alignment with the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (OECD MNEs) and the UN Guiding Principles on Business and Human Rights (UNGP). The latter includes the principles and rights set out in eight of the ten fundamental conventions identified in the ILO Declaration of the Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The Group complies at all times with the requirements of the OECD MNEs. In addition, the Group considers respect and the upholding of human rights as a critical cornerstone of its operations and this is embedded within its code of conduct. The Group considers that it complies with the UNGP.

Accordingly, the Group considers that all taxonomy-eligible activities are compliant with the minimum safeguard requirements of the EU Taxonomy Regulation.

Technical screening criteria

Each of the detailed technical screening criteria, under each environmental objective, are based on stringent levels of environmental performance as opposed to transitional activities or alternative acceptable approaches. In certain instances, such requirements go significantly beyond other existing legislation and what is theoretically technically and operationally possible at the reporting date.

Due to their complexity and reliance on EU standards, the technical screening criteria can be difficult to interpret, especially for activities and key suppliers based outside the EU.

Capex plan

The EU Taxonomy Regulation permits capex and opex to be treated as taxonomy-aligned when such expenditure form part of a 'capex plan'. A capex plan is defined as a plan that either aims to expand the Group's taxonomy-aligned economic activities or to upgrade pre-existing taxonomy-eligible economic activities to taxonomy-aligned economic activities within a five-year period. In addition, the relevant plan must be approved by management and detailed at the taxonomy economic activity level.

Given the uncertainty of definitions and lack of guidance pertaining to capex plans within the EU Taxonomy Regulation, the Group has elected not to report any capex or opex as taxonomy-aligned as a result of the capex plan provisions.

Reporting financially eligible and aligned activities under the EU Taxonomy Regulation

The EU Taxonomy Regulation requires the reporting of KPIs associated with turnover, capex and opex, both for eligible and aligned activities. These KPIs differ to those determined by the Group in assessing and monitoring the Group's performance and should only be considered with reference to the EU Taxonomy Regulation. Each KPI is calculated as the amount associated with the eligible and aligned economic activities (the numerator) divided by the total (denominator).

The reporting basis of the EU Taxonomy Regulation differs to our consolidated financial statements, which are prepared in accordance with IFRS. Such differences include, but are not limited to, not recognising the investment in or results from equity-accounted investments, as well as a very narrow-scope definition of opex. These and other differences result in a lower reported turnover, capex and opex under the EU Taxonomy Regulation when compared to other financial disclosures.

Turnover KPI

The turnover KPI comprises the total revenue line from the income statement of the consolidated financial statements and is detailed below:

	Year to 31 December	
€ million	**2025**	2024
Passenger revenue	28,969	28,274
Cargo revenue	1,238	1,234
Other revenue	3,006	2,592
Total taxonomy turnover (denominators)	**33,213**	**32,100**

The following table provides a summary of the taxonomy-eligible and taxonomy-aligned revenues by major economic activity, both as absolute figures (being the numerator) and as a percentage of the aforementioned denominator:

	Eligible		Aligned		Non-assessed activities considered immaterial	
Year to 31 December 2025	Absolute € million	% of denominator	Absolute € million	% of denominator	Absolute € million	% of denominator
Passenger and freight air transport	30,207	90.9%	13,874	41.8%	n/a	n/a
Manufacturing of aircraft	1,045	3.1%	–	–%	n/a	n/a
Air transport ground operations	n/a	n/a	n/a	n/a	191	0.6%
Total taxonomy eligible and aligned turnover	**31,252**	**94.0%**	**13,874**	**41.8%**	**191**	**0.6%**

	Eligible		Aligned[1]		Non-assessed activities considered immaterial[1]	
Year to 31 December 2024	Absolute € million	% of denominator	Absolute € million	% of denominator	Absolute € million	% of denominator
Passenger and freight air transport	29,508	91.9%	11,190	34.9%	n/a	n/a
Manufacturing of aircraft	820	2.6%	–	–%	n/a	n/a
Air transport ground operations[1]	n/a	n/a	n/a	n/a	159	0.5%
Total taxonomy-eligible and aligned turnover[1]	**30,328**	**94.5%**	**11,190**	**34.9%**	**159**	**0.5%**

1 Results for 2024 have been restated to conform with the current basis of presentation, where only economic activities material to the operations of the Group have been disclosed.

Capex KPI

The capex KPI comprises the Additions to property, plant and equipment (note 13 of the consolidated financial statements) and intangible assets (note 17 of the consolidated financial statements). The denominators are detailed as follows:

	Year to 31 December	
€ million	**2025**	2024
Additions to property, plant and equipment (note 13)	3,064	3,086
Additions to intangible assets (note 17)	535	494
Total taxonomy capex (denominators)	**3,599**	**3,580**

The numerator for aligned capex includes those expenditures included in the denominator that are any of the following: (i) related to taxonomy-aligned economic activities; (ii) part of the capex plan to expand taxonomy-aligned activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned; or (iii) the purchase of output from taxonomy-aligned economic activities. However, given the uncertainty of definitions and lack of guidance pertaining to parts (ii) and (iii), the Group has elected only to report financial data relating to taxonomy-aligned economic activities.

The following table provides a summary of the taxonomy-eligible and taxonomy-aligned capex by major economic activity, both as absolute figures (being the numerator) and as a percentage of the aforementioned denominator:

	Eligible		Aligned		Non-assessed activities considered immaterial	
Year to 31 December 2025	Absolute € million	% of denominator	Absolute € million	% of denominator	Absolute € million	% of denominator
Passenger and freight air transport	2,603	72.3%	2,158	60.0%	n/a	n/a
Air transport ground operations	n/a	n/a	n/a	n/a	302	8.4%
Total taxonomy eligible and aligned capex	**2,603**	**72.3%**	**2,158**	**60.0%**	**302**	**8.4%**

	Eligible		Aligned[1]		Non-assessed activities considered immaterial[1]	
Year to 31 December 2024	Absolute € million	% of denominator	Absolute € million	% of denominator	Absolute € million	Percentage of denominator
Passenger and freight air transport	2,779	77.6%	2,318	64.7%	n/a	n/a
Air transport ground operations	n/a	n/a	n/a	n/a	240	6.7%
Total taxonomy eligible and aligned capex	**2,779**	**77.6%**	**2,318**	**64.7%**	**240**	**6.7%**

1 Results for 2024 have been restated to conform with the current basis of presentation, where only economic activities material to the operations of the Group have been disclosed.

Opex KPI

The opex KPI is defined as those costs not capitalised that relate to: (i) research and development; (ii) building renovation measures; (iii) short-term leases; (iv) maintenance and repair; and (v) other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

Other direct expenditures relating to day-to-day servicing of assets of property, plant and equipment are further defined as including: (i) maintenance materials; (ii) the employee costs of repairing an asset; and (iii) IT dedicated to sustainability-orientated maintenance, other than that capitalised. For the avoidance of doubt, other direct expenditures exclude the following: (i) overheads; (ii) raw materials; (iii) the employee costs associated with operating the asset; (iv) the cost of managing research and development projects; (v) general IT costs; (vi) general professional service costs; and (vii) electricity, fluids or reagents needed to operate property, plant and equipment. The opex KPI definition is narrower than the Group's definition of operating expenditure and does not capture all of the expenditure on otherwise eligible activities. The opex KPI is reconciled to total operating expenditure as follows:

	Year to 31 December	
€ million	**2025**	2024
Maintenance and repair[1]	2,758	2,673
Expenses relating to short-term leases	92	56
Total taxonomy opex (denominators)	**2,850**	**2,729**
Other operating expenses outside the scope of the EU Taxonomy Regulation	25,339	25,088
Total operating expenditure per income statement	**28,189**	**27,817**

1 Referred to as 'Engineering and other aircraft costs' from the income statement of the consolidated financial statements.

The numerator for aligned opex includes those expenditures included the denominator that is any of the following: (i) related to taxonomy-aligned economic activities; (ii) part of the capex plan to expand taxonomy-aligned activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned; or (iii) the purchase of output from taxonomy-aligned economic activities. However, given the uncertainty of definitions and lack of guidance pertaining to parts (ii) and (iii), the Group has elected only to report against taxonomy-aligned economic activities.

EU Taxonomy *continued*

The Group considers that the definitions of the opex KPI, when considering the turnover KPI, do not reflect the economic reality of operating a taxonomy-aligned asset. For instance, all revenue associated with the operation of a taxonomy-aligned aircraft meets the definition of the turnover KPI; however, the costs associated with operating that aircraft are limited to the maintenance of that aircraft and, for example, exclude the expenditure on SAF used in the operation of those aircraft. The following table provides a summary of the taxonomy-eligible and taxonomy-aligned opex by major economic activity, both as absolute figures (being the numerator) and as a percentage of the aforementioned denominator:

	Eligible		Aligned		Non-assessed activities considered immaterial	
Year to 31 December 2025	Absolute € million	Percentage of denominator	Absolute € million	Percentage of denominator	Absolute € million	Percentage of denominator
Passenger and freight air transport	2,758	96.8%	1,874	65.8%	n/a	n/a
Expenses relating to short-term leases	n/a	n/a	n/a	n/a	92	3.2%
Total taxonomy eligible and aligned opex	**2,758**	**96.8%**	**1,874**	**65.8%**	**92**	**3.2%**

	Eligible		Aligned[1]		Non-assessed activities considered immaterial[1]	
Year to 31 December 2024	Absolute € million	Percentage of denominator	Absolute € million	Percentage of denominator	Absolute € million	Percentage of denominator
Passenger and freight air transport	2,673	97.9%	1,558	57.1%	n/a	n/a
Expenses relating to short-term leases	n/a	n/a	n/a	n/a	56	2.1%
Total taxonomy-eligible and aligned opex[1]	**2,673**	**97.9%**	**1,558**	**57.1%**	**56**	**2.1%**

1 Results for 2024 have been restated to conform with the current basis of presentation, where only economic activities material to the operations of the Group have been disclosed.

Methodology/data collection and validation

The Group has established internal processes for the collection, validation and reporting of taxonomy data through the established governance structure described in the Governance section of this Annual Report. The Group utilises a seven-step process in preparing its taxonomy disclosures:

1. **Identification of applicable economic activities** – IAG Sustainability and IAG Finance undertake the initial scoping as to which economic activities are applicable to the operations of the Group. Representatives from the sustainability and finance functions of each operating company validate the completeness of this identification. In undertaking the scoping of these activities, the Group has identified eligible activities associated only with the climate change mitigation objective.
2. **Determination of assessment factors** – where judgement is required to be applied in the application of the EU Taxonomy Regulation, IAG Sustainability and IAG Finance develop a standardised approach to such application.
3. **Training on existing and new regulation** – IAG Sustainability and IAG Finance undertake workshops across the Group annually to ensure all relevant members of the sustainability and finance communities involved in taxonomy are trained on the existing methodology, changes in regulations and key judgements applied.
4. **Standardised reporting** – IAG Sustainability and IAG Finance have developed standardised reporting templates for the quantification, by economic activity, of taxonomy-eligible activities. As well as the detailed specific technical screening criteria, the DNSH criteria and the minimum safeguards to derive the taxonomy-aligned quantification.
5. **Review and validation** – IAG Sustainability and IAG Finance validate this information across operating companies and consolidate the information.
6. **Quantitative threshold for reporting** – the Group has taken advantage of the alleviation within the EU Taxonomy that any economic activity that represents 10% or less of each of the KPIs is not assessed for taxonomy-alignment. This assessment is performed at an individual economic activity level and by each operating company.
7. **Reporting** – IAG Sustainability and IAG Finance calculate the associated consolidated KPI metrics for eligibility and alignment.

Understanding the aviation economic activities

The below information reflects the assessment criteria required in 2025.

Passenger and freight air transport

These economic activities cover all owned and leased aircraft that the Group operates for the transport of passengers and freight.

This section does not attempt to detail all of the technical screening criteria, but the pertinent screening criteria for meeting alignment are:

a. The aircraft has zero direct (tailpipe) CO_2 emissions[1];

b. As at the date of the Amended Delegated Regulation coming into force, those aircraft determined to be 'compliant aircraft'[2];

c. Subsequent to the date of the Amended Delegated Regulation coming into force, those aircraft determined to be 'compliant aircraft'[2]; and with the commitment that a non-compliant aircraft in the fleet is either:

   i. Permanently withdrawn from use within six months of delivery of the compliant aircraft; or

   ii. Permanently withdrawn from the fleet within six months of delivery of the compliant aircraft, in which case the replacement ratio[3] is applied;

d. Or if not determined to be a compliant aircraft, the aircraft can still meet the criteria for eligibility and alignment if it operates with a minimum of 11% SAF in 2025[4] (2024: 9%), increasing by 2% for each subsequent year.

Further technical screening criteria that comes into force from 1 January 2030, have not been included in the above summary.

For aircraft operation, the DNSH criteria are limited to the aforementioned generic criteria and certain criteria relating to a number of topics, including an assessment of climate adaptation, prevention of waste generation, recycling of such assets, the control of hazardous substances and restrictions on noise pollution. For these criteria, the Group has only considered aircraft compliant if the associated manufacturer has provided confirmation of compliance.

Having identified the compliant aircraft, the Group is required to report the turnover, capex and opex by those individual aircraft[5].

Key judgements the Group considers will be relevant in interpreting and applying the Amended Delegated Regulation

1 Zero direct CO_2 emissions are not defined but are interpreted to be both electric- and hydrogen-powered aircraft. Both of these technologies are in their infancy and, while the Group expects both technologies to become commercially viable in due course, this is not expected before 2035, at the earliest. Accordingly, the Group will be unable to report any aligned spend in the foreseeable future.

2 A compliant aircraft is defined as that meeting the technical screening and DNSH criteria of the economic activity of the manufacturing of aircraft. These criteria include, but are not limited to: (i) a specific ratio of CO_2 emissions as a proportion of their maximum take-off mass; (ii) pollution prevention criteria, such as specific certification regarding noise pollution; and (iii) ensuring specific hazardous materials are not included in the construction of the aircraft, including certain anti-fouling paints, which are required by law, for safety reasons, to be included in the aircraft. Each aircraft manufacturer is required to provide a self-declaration as to which of their aircraft meet the criteria for being a compliant aircraft. While certain manufacturers have provided these declarations during 2025, not all manufacturers have, and, accordingly, the Group expects further developments and self-certification during 2026.

   The Group is required under local and international safety standards to have installed certain hazardous materials on its aircraft that are prohibited under the EU Taxonomy Regulation as defined in Appendix C of the DNSH category.

   The Group has conducted an analysis of all hazardous materials in its operations, as defined in the EU Taxonomy Regulation. The Group has identified a limited number of materials that are installed on our aircraft that are required by local and international law, for safety reasons, but are prohibited under the EU Taxonomy Regulation.

   Certain of these materials, including anti-fouling paints and fire suppressant equipment in the aircraft, have been clarified in the draft commission notice published by the European Commission on 29 November 2024 and Delegated Regulation EU 2025/458 on 4 July 2025 as being exempt from the alignment criteria of the EU Taxonomy Regulation.

   Consistent with 2024, the Group considers that there remains uncertainty in the EU Taxonomy Regulation as to whether the Group meets the DNSH criteria, given that exemptions are given for some, but not all, safety critical materials. Therefore, the Group has applied judgement in determining whether it meets all of the DNSH criteria and has concluded that it has met the alignment requirements. Had the Group not reached this conclusion, the Group would have reported no alignment for each of its KPIs in 2024 and 2025.

3 The replacement ratio is defined as the 10-year average of the total global number of aircraft permanently withdrawn from use divided by the total global number of aircraft delivered. The replacement ratio, confirmed by the appointed external expert to the European Commission, to be applied for 2025 was 0.46. In accordance with the Delegated Act 2023/2485, the application of the replacement ratio is limited to the revenues of the Group and does not apply to opex and capex. If the global number of aircraft delivered exceeds the global number of aircraft permanently withdrawn, then the taxonomy-aligned financial revenues of the Group are reduced. As a result, the replacement ratio does not reflect the individual activities of the Group as part of its transition to a low-carbon environment, but instead the entirety of the global aviation sector. Actions that influence such a global measure are outside the control of the Group and do not provide enhanced comparability within the airline sector to investors or users of our taxonomy reporting.

4 As detailed, the EU Taxonomy Regulation permits the allocation of SAF to non-compliant aircraft to make them compliant if a minimum of 11% of the fuel consumption is SAF. The EU Taxonomy Regulation does not provide any guidance as to how to undertake this allocation and, accordingly, the Group has applied judgement in such allocation. In undertaking this allocation, the Group has allocated SAF on the basis of the total fuel consumed by the aircraft family.

5 As of 31 December 2025, the Group operates 627 aircraft within its fleet and does not monitor or report all revenue and expenditure on an individual aircraft basis. Accordingly, the Group has applied judgement in determining the basis on which to allocate revenue and expenditure to the associated assets. The details of which are as follows:

   Revenues - the Group is able to monitor revenue denominated metrics by aircraft family (such as across all of the Airbus A320 family) using metrics such as ASKs and RPKs, but cannot monitor the level of such activity for an individual aircraft. Accordingly, the Group has allocated revenues to individual assets based on the proportion of ASKs for those compliant aircraft at the operating company level;

   Capex - the Group is able to monitor certain capex on an aircraft-by-aircraft basis and, accordingly, has not needed to apply judgement in the allocation of such capex. For other fleet-related capex, such as the purchase of rotable spare parts, the Group is unable to assign these to a specific aircraft family. As such, the Group has allocated capex to individual assets based on the proportion of ASKs for each aircraft family at the operating company level; and

   Opex - for expenditure related to the maintenance and repair of aircraft, those expenditures that do not form part of capex, the Group is not able to monitor the expenditure on an aircraft-by-aircraft basis. Accordingly, the Group has allocated maintenance and repair expenditure to individual assets based on the proportion of ASKs for those compliant aircraft at the operating company level.

   A reconciliation has been made to total turnover, capex and opex to avoid double counting. Further, to avoid double counting, all maintenance expenditure associated with aircraft operations, both capitalised and recorded within operating expenditure, is included in this economic activity and the economic activity of manufacturing of aircraft (see below) will only include the revenues associated with the performance of maintenance activities to parties external to the Group.

EU Taxonomy *continued*

Manufacturing of aircraft

The economic activity for manufacturing of aircraft covers a wider range of activities including: (i) manufacture; (ii) repair; (iii) maintenance; (iv) overhaul; (v) retrofitting; and (vi) repurposing and upgrade of aircraft and aircraft parts and equipment. While the Group does not manufacture aircraft, all other aspects of the activities detailed in parts (ii) to (vi) are undertaken by the Group, both internally on operating aircraft and externally to third parties as part of the MRO business operations.

The EU Taxonomy Regulation does not provide definitions as to the nature of these sub-activities and they do not align with the industry terminology. Absent such guidance, the Group has considered that all of the MRO business operations of the Group would fall under this economic activity, including airframes, engines and other components of aircraft.

From a technical screening perspective, points (a) to (c) as described above relating to passenger and freight air transport economic activities also apply. In addition, the DNSH criteria are limited to the aforementioned generic criteria and certain criteria relating to the prevention of waste generation, maximising the reuse and use of secondary materials and restrictions on noise pollution.

Having identified the taxonomy aligned activities, the Group is required to report the turnover, capex and opex by those individual services provided. The Group's accounting policy for maintenance events differs between those major maintenance events and those that are considered non-major, with further details given below:

1 Major maintenance events for owned aircraft are capitalised as incurred and monitored on a project-by-project basis;
2 Major maintenance events for leased aircraft are provided for in advance of the event and monitored on a project-by-project basis; and
3 Those maintenance events considered to be non-major by nature are expensed as incurred and the associated expenditure is not monitored on a project-by-project basis. Accordingly, for the purpose of reporting taxonomy-aligned expenditure, the total expenditure is allocated based on the total number of maintenance events on compliant aircraft as a proportion of total number of non-major maintenance events.

The provision of MRO services to third parties is monitored on a project-by-project basis. To ensure that maintenance activities on aircraft are not double counted, only revenues arising from transactions with parties external to the Group are included in this economic activity. All capex and opex associated with the MRO business operations are included within the economic activity of passenger and freight air transport. In addition, where one operating company provides MRO services to another operating company, then the intercompany expenditure incurred and the intercompany revenue earned by the provider of the services is eliminated on consolidation.

During the course of 2025 and 2024, the Group was unable to meet the DNSH criteria for reporting KPI alignment on the provision of MRO services.

KPIs of non-financial undertakings

As a result of the enactment of Delegated Regulation EU 2025/4568 on 4 July 2025, the reporting tables associated with the Taxonomy have been amended and simplified. The following tables reflect those changes, with comparative information restated, where applicable, to comply with the aforementioned amended and simplified reporting.

Financial year 2025

KPI (1)	Total (2)	Proportion of Taxonomy-eligible activities (3)	Taxonomy-aligned activities (4)	Proportion of Taxonomy-aligned activities (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)	Proportion of enabling activities (12)	Proportion of transitional activities (13)	Not assessed activities considered non-material (14)	Taxonomy-aligned activities in previous financial year (2024) (15)	Proportion of Taxonomy-aligned activities in previous financial year (2024) (16)
	€ million	%	€ million	%	%	%	%	%	%	%	%	%	%	€ million	%
Turnover	33,213	94.0%	13,874	41.8%	100%	–%	–%	–%	–%	–%	–%	100%	0.6%	11,190	34.9%
Capex	3,599	72.3%	2,158	60.0%	100%	–%	–%	–%	–%	–%	–%	100%	8.4%	2,318	64.7%
Opex	2,850	96.8%	1,874	65.8%	100%	–%	–%	–%	–%	–%	–%	100%	3.2%	1,558	57.1%

Proportion of turnover from products or services associated with taxonomy-aligned economic activities – disclosure covering year 2025

Financial year 2025

					Environmental objective of taxonomy-aligned activities								
Economic Activities (1)	Code (2)	Taxonomy-eligible KPI (Proportion of taxonomy eligible turnover) (3)	Taxonomy-aligned KPI (monetary value of turnover) (4)	Taxonomy-aligned KPI (Proportion of taxonomy-aligned turnover) (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)	Enabling activity (12)	Transitional activity (13)	Proportion of Taxonomy-aligned in Taxonomy-eligible (14)
	Unit	%	€'m	%	%	%	%	%	%	%	E	T	%
Manufacturing of aircraft	CCM 3.21	3.1%	–	–%	100%	–%	–%	–%	–%	–%		T	–%
Passenger and freight air transport	CCM 6.19	90.9%	13,874	41.8%	100%	–%	–%	–%	–%	–%		T	46.0%
Sum of alignment per objective					100%	–%	–%	–%	–%	–%			
Total turnover KPI		**94.0%**	**13,874**	**41.8%**	**100%**	**–%**	**–%**	**–%**	**–%**	**–%**			**44.5%**

EU Taxonomy *continued*

Proportion of capex from products or services associated with taxonomy-aligned economic activities – disclosure covering year 2025

Financial year 2025					Environmental objective of taxonomy-aligned activities								
Economic Activities (1)	Code (2)	Taxonomy-eligible KPI (Proportion of taxonomy-eligible capex) (3)	Taxonomy-aligned KPI (monetary value of capex) (4)	Taxonomy-aligned KPI (Proportion of taxonomy-aligned capex) (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)	Enabling activity (12)	Transitional activity (13)	Proportion of Taxonomy-aligned in Taxonomy-eligible (14)
	Unit	%	€'m	%	%	%	%	%	%	%	E	T	%
Passenger and freight air transport	CCM 6.19	72.3%	2,158	60.0%	100%	–%	–%	–%	–%	–%		T	82.9%
Sum of alignment per objective					100%	–%	–%	–%	–%	–%			
Total capex KPI		**72.3%**	**2,158**	**60.0%**	**100%**	**–%**	**–%**	**–%**	**–%**	**–%**			**82.9%**

Proportion of opex from products or services associated with taxonomy-aligned economic activities – disclosure covering year 2025

Financial year 2025					Environmental objective of taxonomy-aligned activities								
Economic Activities (1)	Code (2)	Taxonomy-eligible KPI (Proportion of taxonomy-eligible opex) (3)	Taxonomy-aligned KPI (monetary value of opex) (4)	Taxonomy-aligned KPI (Proportion of taxonomy-aligned opex) (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)	Enabling activity (12)	Transitional activity (13)	Proportion of Taxonomy-aligned in Taxonomy-eligible (14)
	Unit	%	€'m	%	%	%	%	%	%	%	E	T	%
Passenger and freight air transport	CCM 6.19	96.8%	1,874	65.8%	100%	–%	–%	–%	–%	–%		T	67.9%
Sum of alignment per objective					100%	–%	–%	–%	–%	–%			
Total opex KPI		**96.8%**	**1,874**	**65.8%**	**100%**	**–%**	**–%**	**–%**	**–%**	**–%**			**67.9%**

Shareholder information

Registered office
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Madrid Commercial Registrar tomo 27312, folio 11, hoja M-492129 C.I.F. A85845535

UK branch registered address
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UK registrar
Computershare Investor Services PLC

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Online: www.investorcentre.co.uk/iag

IAG Investor Relations team
Institutional investors: investor.relations@iairgroup.com

Private shareholders: shareholder.services@iairgroup.com

American Depositary Receipt programme
IAG has a Sponsored Level 1 American Depositary Receipt (ADR) facility that trades on the OTC market in the US (see www.otcmarkets.com). Deutsche Bank is the ADR depositary bank.

For shareholder enquiries, contact:

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Financial calendar
Financial year end: 31 December 2025

Q1 results: 8 May 2026

Half-year results: 31 July 2026

Q3 results: 6 November 2026

Other key dates can be found on our website: www.iairgroup.com

ShareGift
UK shareholders with a small number of shares may like to consider donating their shares to charity under ShareGift, administered by Orr Mackintosh Foundation. Details are available from the UK Registrar.

Certain statements included in this report are forward-looking. These statements can be identified by the fact that they do not relate only to historical or current facts. By their nature, they involve risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Actual results could differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements often use words such as ‘expects’, ‘believes’, ‘may’, ‘will’, ‘could’, ‘should’, ‘continues’, ‘intends’, ‘plans’, ‘targets’, ‘predicts’, ‘estimates’, ‘envisages’ or ‘anticipates’ or other words of similar meaning or their negatives. They include, without limitation, any and all projections relating to the results of operations and financial conditions of International Consolidated Airlines Group, S.A. and its subsidiary undertakings from time to time (the ‘Group’), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure, acquisitions and divestments relating to the Group and discussions of the Group’s business plans, and its assumptions, expectations, objectives and resilience with respect to climate scenarios. All forward-looking statements in this report are based upon information known to the Group on the date of this report and speak as of the date of this report. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

Actual results may differ from those expressed or implied in the forward-looking statements in this report as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, economic and geopolitical, market, regulatory, climate, supply chain or other significant external events, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this report are cautioned against relying on forward-looking statements. Further information on the primary risks of the business and the Group’s risk management process are set out in the Risk management and principal risk factors section in this report. All forward-looking statements made on or after the date of this report and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section.



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