



2004

Annual Report on
Corporate Responsibility

IBERIA 

2004. IBERIA Corporate Responsibility in figures



Economic Aspects

Destinations: **98 destinations 38 countries**
with oneworld 500 destinations 134 countries
 Flights: **1000 daily***
 Passengers: **over 30 million/year***
 Fleet: **154 aircraft**
 Profit after tax: **€ 218.4 million**
 Market capitalisation year-end: **€ 2,391 million**
 Annual Trend in Shares: **11.8%**
 Tonnes/Kilometres Transported (TKT): **1,033 million**
 Occupation ratio: **75.2%**
 Customer satisfaction rate: **85.7%**

*Including Air Nostrum

Environmental Aspects

Specific fuel consumption in flight operations: **0.46 litres per TKT**
 Total fleet emissions of NOx in L.T.O cycles (landing and take-off): **3,096 tonnes**
 Specific NOx emissions: **12.58 kg/flight**
 Total energy consumption: **2,439,478*10⁹J**
 Total water consumption: **520,606 m³**
 Environmental expenditure: **€ 2,765,000**
 Certified environmental management systems: **67% of ground staff**
 Environmental training: **3,199 student*hours**

Social Aspects

Average staff: **26,266 employees**
 Number of full-time permanent contracts: **19,495 (79%)**
 Investment in training over personnel costs: **4.24%**
 Number of women on staff: **9,611 (36%)**
 Personnel expenditure: **€ 1411.8 million**
 Investment in sponsorship: **€ 7,895,584**
 Contributions to social causes:
 • In kind: **€ 1,509,305**
 (Sending 200 tonnes of aid, 108 organs transported, donation of 44 tickets)
 • Financial: **€ 3,033,010**



Index

1. Letter from the President	6
2. Presentation of the Report	9
3. IBERIA: Who we are?	13
3.1 Our profile	14
3.2 Our governing structure	14
4. Vision and strategy: how we manage Corporate Responsibility	17
4.1 Integration of management into Corporate Responsibility	18
4.2 A snapshot of IBERIA's Corporate Responsibility: sustainability indicators	19
4.3 Our commitment to society and the environment	22
4.4 How we relate to our stakeholders	26
4.5 IBERIA: an innovative company	35
4.6 Awards, distinctions and certificates 2004	38
4.7 Renewal of IBERIA's corporate website	42
5. Our economic responsibility	45
5.1 Key economic data	46
5.2 The importance of our customers	47
6. Our social responsibility	53
6.1 The driving force of IBERIA: our employees	55
6.2 Social action projects promoted by IBERIA	71
7. Our environmental responsibility	87
7.1 Environmental management	89
7.2 Noise control in our operations	94
7.3 Climate change	97
7.4 Local air quality	100
7.5 Consumption of resources	102
7.6 Waste management	105
7.7 Summary of environmental actions during the last ten years	108
Appendix I: Content and indicators as per the Global Reporting Initiative	112
Content	112
Indicators	114
Appendix II: Towards a sustainable model	120
Family Regrouping: not without my family	120
Staff and suppliers have made a bid for them	122
Air transport and sustainability	124
The environment: everyone's commitment	125
Climate change: some keys to the future	126
Appendix III: More social and environmental information on IBERIA	128
Appendix IV: Glossary and abbreviations	129
Glossary	129
Abbreviations	132
Appendix V: Validation report	133
Appendix VI: Associations IBERIA belongs to or collaborates with	134
Index of tables and figures	134
We are interested in your opinion on this Annual Report	135

6



Dear shareholder,

This Corporate Responsibility Report completes the information provided by the economic and financial report on the company's activity during the last business year, in addition to the corporate governance report that details the criteria underlying the basic principles of action of Iberia's board of directors. As a whole, these three reports go to make up the greatest exercise in guaranteeing transparency of information carried out on a yearly basis by a listed company at its annual meeting with all its shareholders. This Corporate Responsibility Report has been drawn up in accordance with the 2002 Global Reporting Initiative Guide and is a balanced and reasonable presentation of the economic, social and environmental achievements of our organisation.

Once again, Iberia has been one of the most profitable scheduled airlines in the sector, in spite of the tough competition typifying the present-day market, and the company has increased its profits by 52% year on year. Its board of directors has carried out its work responsibly and effectively, at all times following the standards and recommendations regarding the good governance of companies and even anticipating many of these. Our good practice in the area of social action and the environment has been demonstrated by the fact that, in September 2004, the company was included on the Dow Jones Stoxx Sustainability Index, grouping together the most outstanding European companies in terms of their degree of commitment to customers, employees, shareholders and society as a whole.

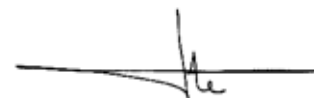
Our strategy and vision as a company, and therefore our corporate responsibility, are supported by ten values that go to make up the culture and objectives of the more than 26,000 Iberia employees. These values are: a customer focus; creation of value; search for excellence in management; social commitment; the importance of people; leadership; teamwork; ongoing improvement; adaptation to change; and innovation. We are the result of these values and our challenge is to incorporate them into how we manage the company's daily work, always with the clear idea that, wherever required, an attempt will be made to go beyond the legally established obligations.

In fact, one of the greatest boosts to employee collaboration in the area of social action was a campaign to collect funds, carried out during the months of November and December 2004, where we managed to involve ninety of our suppliers and whose results were truly gratifying.

In the area of human resources, we have made a firm commitment to improving the prevention of work-related hazards, as well as being clearly oriented towards training, with the aim of ensuring greater quality of service in line with our customers' demands.

With respect to our environmental actions, the company's fleet renewal plan is one of its key stratagems to minimise impact on the environment, both in acoustic and atmospheric terms, ensuring our levels are lower than those established by current legislation.

Once again, in 2004 the Global Reporting Initiative has been the guiding force behind this Corporate Responsibility Report, whose selection and application criteria we have been progressively adapting. All the company's employees have made a great effort to achieve the targets set, as reflected in the respective accounts in this Report, and I would therefore like to thank all of them. 2004 was not a year free from difficulties from which we managed to come out unscathed, but it was another step towards achieving the full satisfaction of our customers and to creating value.



Fernando Conte
Chairman of Iberia



Presentation of the Report

The 2004 Annual Report on Corporate Responsibility, as the report from the previous year, details all the commitments acquired in terms of **social and environmental action**, as well as their degree of compliance with internationally recognised standards, reflecting two out of the three key pillars of sustainable development. This report complements financial and corporate management information presented to the General Shareholders' Meeting. This information, as well as this report, may be downloaded from IBERIA's website, renewed significantly over the course of 2004: <http://grupo.iberia.es>.

The intention of this report is to continue as a useful instrument for communicating to the company's stakeholders, both internal and external, the activity and results achieved by IBERIA in the social and environmental area. There are various changes with respect to the report for 2003, the following being of particular significance:

- Definition of the mission, vision and overall strategy of the company, integrating all social, economic and environmental aspects: we should note that a new diagram has been included in this report identifying the **integration of Corporate Responsibility management** within the rest of the actions carried out in the company. This representation is shown below and is detailed in section 4.1 on page 18. It is important to note that this diagram is included, **small scale**, in various sections of this report, in each case identifying the fundamental block in question as indicators, values or stakeholders.

Figure 1. Diagram of the integration of Corporate Responsibility management into IBERIA's strategy





- Improvements in stakeholder relationships
- Classification of the Global Reporting Initiative (GRI) indicators, as in the assessment process in order to include companies on the Dow Jones Sustainability Index or the FTSE4Good.
- Introduction of new GRI indicators with respect to 2003
- Increase in historical data to provide more in-depth and extensive information on IBERIA's evolution.

This report covers the activities of Iberia, L.A.E. The methodology used to gather the necessary information required to draw up this report has been based fundamentally on that set out by the *Global Reporting Initiative (GRI)*, this being the most widely recognised standard worldwide. Other international standards have also been taken into account, such as the Greenhouse Gases Protocol¹ and the ISO standards², as well as the study of good practice in social and environmental management.

The information contained in this report has been **validated internally** by the company and **externally** by AENOR, the Spanish association responsible for certification (see the validation report in Appendix V to this report).



Iberia: Who we are?

3.1 Our profile

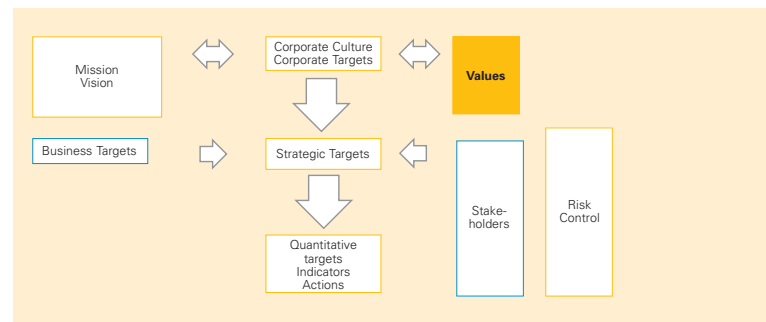
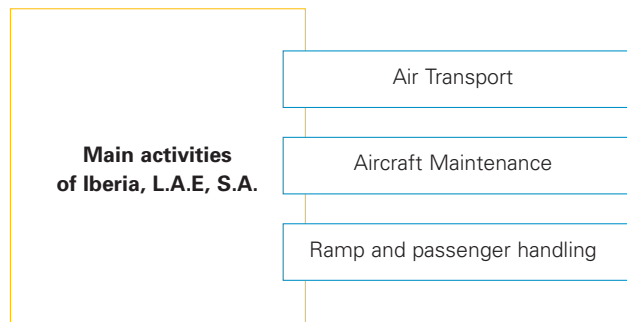
IBERIA is an international air transport group that has remained in the market without interruption since it was founded in 1927. The transport of passengers and freight is its main business, but not the only one. IBERIA also conducts aircraft maintenance on its own fleet and those of nearly 50 other companies, including some leading European airlines. IBERIA is also active in aircraft and passenger handling services in all Spanish airports, where it serves more than 250 carriers, among other activities.

Since IBERIA was founded and commenced its flights, more than 575 million people have flown with the company, making IBERIA not only Spain's leading airline and the leading airline for routes between Europe and Latin America but also the only European scheduled company that has reported a profit for each of the last nine years, as well as being a model of corporate responsibility. This is demonstrated by the company being included on the Dow Jones Stoxx Index for sustainability. Furthermore, since 2002, just one year after it was first quoted on the stock exchange, IBERIA has formed part of the Ibex 35 selective index of the Spanish stock market.

IBERIA essentially operates in three markets: Spain, Europe and America, and is actually the main airline linking Europe and Latin America. Its presence at almost one hundred destinations, 98 destinations in 38 countries, to which we should add a further 69 destinations in 28 countries under code-sharing agreements with other airlines, places IBERIA among the leading European airlines. The company also belongs to **oneworld**, an international alliance between airlines the world over, which means it can offer its clients over 500 destinations in 134 countries.

IBERIA's main activities are shown in the diagram below:

Figure 2. Main activities of IBERIA



3.2 Our governing structure

The structure and operation of IBERIA's company bodies are based on the latest standards and recommendations for Corporate Governance approved and/or modified during 2004: the Internal Code of Conduct in areas regarding the stock market and the company's Articles of Association, both having been modified, as well as the approvals of the Regulations for the General Shareholders' Meeting and of the Internal Auditing Rules.

In 2000, IBERIA published its first Corporate Governance report in accordance with current recommendations in this area, this report having become habitual practice in 2004.

For more information on the governing structure, we recommend you read the **2004 Corporate Governance Report**, which can also be downloaded directly from the website at <http://grupo.iberia.es/>.



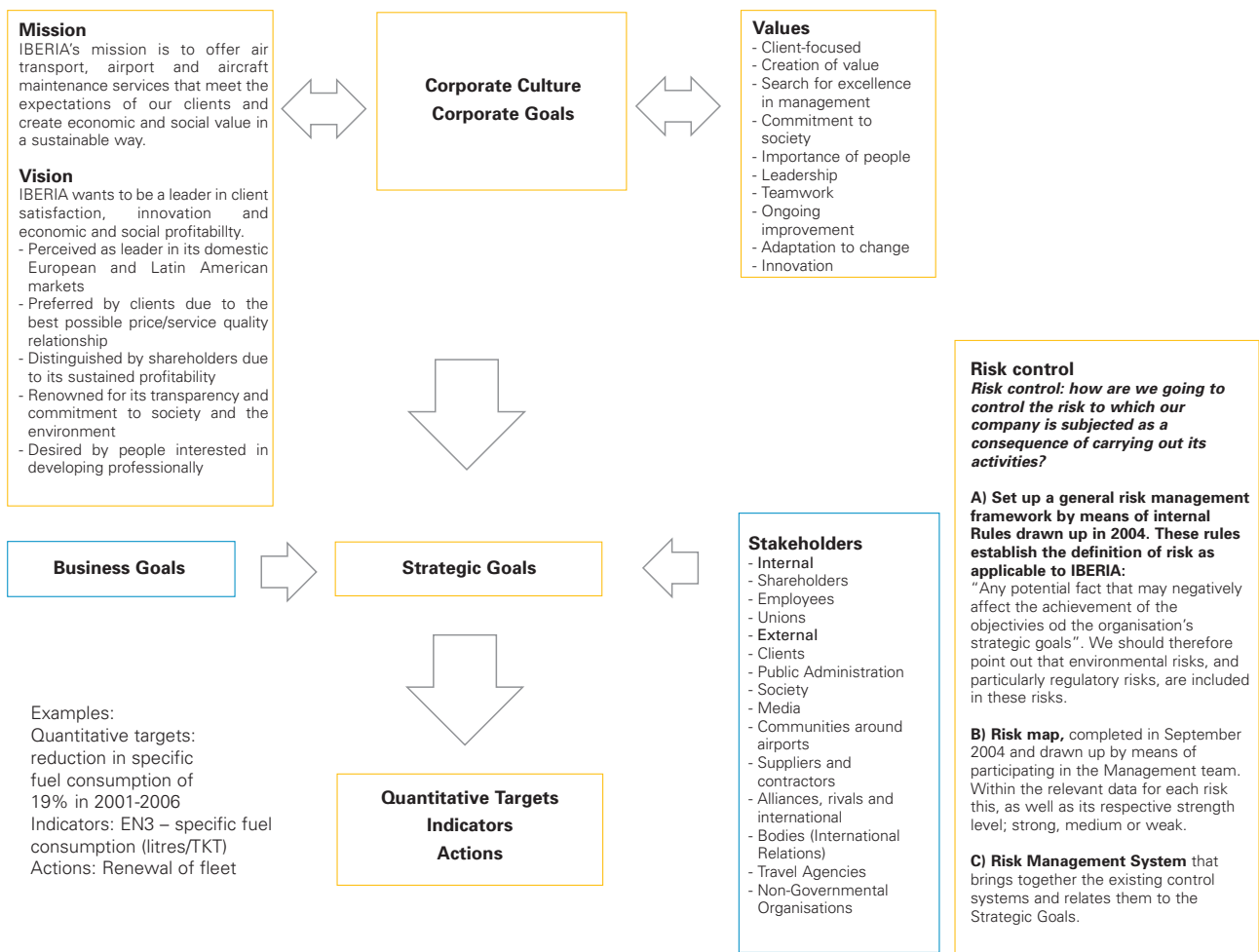
**Vision and
strategy:
how we manage
Corporate
Responsibility**

4.1 Integration of management into Corporate Responsibility

As can be observed in Figure 3, at IBERIA we have a **mission** for our activity, a **vision** of where we want to go, **corporate** and **strategic goals** as well as **quantitative** targets and actions to achieve these. All

this is supported by respect for certain **values**, the carrying out of **risk control** in the company's operations, measurement by means of **indicators** of how much progress has been made and permanent interaction with our **stakeholders**, both internal and external.

Figure 3. Integration of Corporate Responsibility management within IBERIA's strategy



At IBERIA we share a mission, a vision and certain values which form the basis of our corporate culture, a reference that guides all the company's management strategy.

Table 1. The values of IBERIA

- **Customer focus:** “The client is our point of reference. Supported by our brand image, we strive to offer our customers services that meet their needs and exceed their expectations”.
- **Creation of value:** “Our unmistakable orientation towards profitability ensures the future of our business and our investors' confidence”.
- **Search for excellence in management:** “Our orientation towards results and the effort to continuously improve our management and process quality is key to taking on the economic, social, technological and market challenges arising from a constantly changing context”.
- **Commitment to society:** “We contribute to the process of society by means of responsible and transparent management of our business, a commitment to the environment, social collaboration and participation in improving living conditions”.
- **Importance of people:** “We are looking to achieve maximum development of people and to generate a climate of confidence in the organisation, necessary to tackle the changing demands to which the company is subjected”.
- **Leadership:** “We want to generate leaders who are capable of guiding the development of the organisation's strategy and of motivating and involving people”.
- **Teamwork:** “Teamwork allows us to complement our skills and abilities, increasing performance in our work and favouring the integration and involvement of people”.
- **Ongoing improvement:** “The key to our competitiveness resides in continuously promoting the identification and application of opportunities in order to improve in all our activities”.
- **Adaptation to change:** “Change management is vital to the successful achievement of our vision”.
- **Innovation:** “The correct use of cutting edge technological resources helps us reach higher levels of service and strengthen our image as a leading company”.

The aspects regarding risk control are described in more detail in the Corporate Governance Report 2004, which can be downloaded at the following website: <http://grupo.iberia.es>.

4.2 A snapshot of IBERIA's Corporate Responsibility: sustainability indicators

The following diagram contains IBERIA's Corporate Responsibility Factbook, showing the main environmental and social indicators, which are described in more detail in the rest of the sections in the report. A complete table of indicators as per the Global Reporting Initiative (GRI) is contained in Appendix I.

The key used in the description of the indicators is described briefly below:


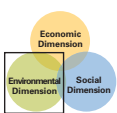

- a) Indicator status
- 
- b) Indicator dimension: economic, social or environmental
- 
- c) Indicator GRI coding, indicating whether core or additional
- 

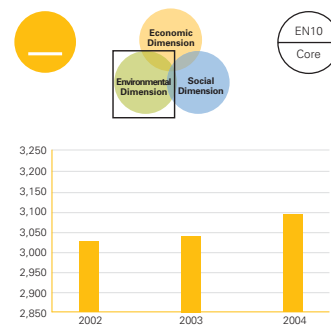
Figure 4. IBERIA's Corporate Responsibility Factbook

Specific fuel consumption in flight operations (litres/TKT)

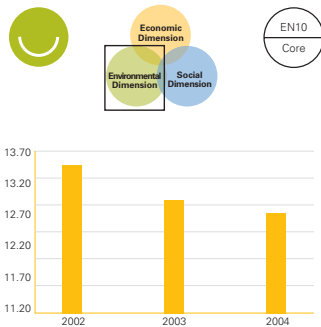


Note: Specific CO₂ emissions are proportional to specific fuel consumption.

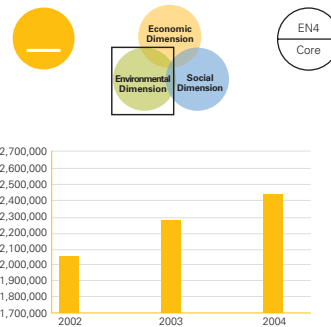
Total IBERIA fleet NOx emissions per LTO cycle (kg NOx/flight)



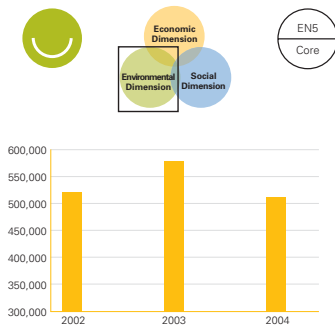
Specific IBERIA fleet NOx emissions per LTO cycle (kg NOx/flight)



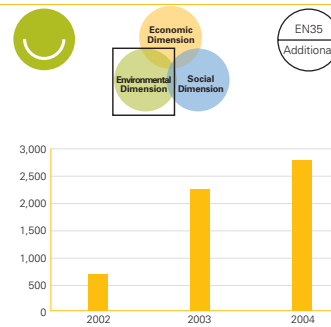
Total energy consumption (J*10⁹)



Total water consumption (m³)



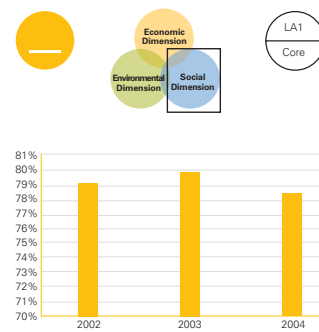
Additional environmental costs of IBERIA (thousands of euros)



Average staff (number of employees)



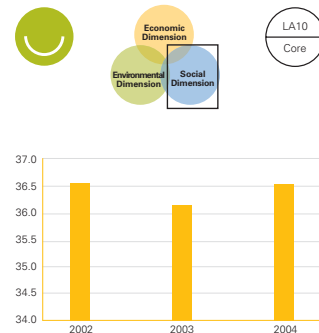
Percentage of permanent contracts (%)



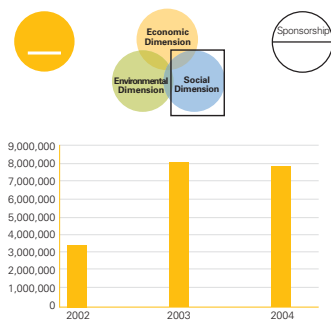
Training - Investment / Total personnel costs (%)



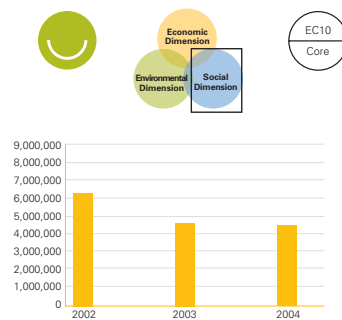
Percentage of women (%)



Sponsorship (euros)

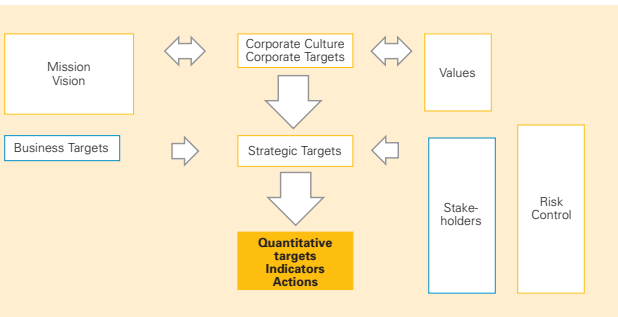


IBERIA contributions to social causes (euros)





4.3 Our commitment to society and the environment



During 2004, IBERIA set a series of **social and environmental goals** to be achieved in the short and medium term. These goals, as well as the **measures** to be put into action in order to achieve them and their degree of success, are shown in the following tables. Also shown below are the goals established in 2004 for the current business year of 2005 (identified as "New" in the table).

It should be pointed out that the **economic goals** established for IBERIA are contained in the Management Report 2004, which may be accessed via the following website:
<http://grupo.iberia.es/castellano/inversores/evolucion/informes.html>.

Table 2. Social goals, measures and status

Goals and specific measures of a social nature		
Goals	Measures	Current status
Improvement in employee services	Set up an online ticket system for employees via the portal (<i>miBillete.free</i>)	COMPLETED
	Improve the IT system for employee access to the portal via IBERIA's Intranet (<i>Ibpróxima</i>) from their homes	COMPLETED
	Set up an online training management and administration system	COMPLETED
	Query system for salaries and unique employee database	COMPLETED
Encourage employment stability and job satisfaction in the medium term	Negotiate collective agreements for ground staff, technical crews and Passenger Cabin Crews (PCC)	NEW
	Negotiate Agreement for the handling sector	NEW
Guarantee employee access to the new Terminal 4 at Barajas airport	Set up group transport services	NEW
	Create parking services for ground staff	NEW
	Location of the control area for crews	NEW
	Refit rest rooms for crews	NEW
Renew uniforms in order to offer greater versatility	Introduce new uniform for cabin and ground staff designed by Adolfo Domínguez	NEW
Open up new channels of collaboration with institutions of a social nature	Collaboration agreements	UNDERWAY
Establish collaboration agreements with <i>Reporteros sin Fronteras</i> (Reporters Without Frontiers) and with the <i>Fundación para la Diabetes</i> (Diabetes Foundation)	Facilities in cargo and passenger transport	COMPLETED
Ensure the sustainability of projects carried out by the NGO <i>Mano a Mano</i> and the APMIB (Iberia Association for Parents of Disabled Children)	Win work contracts from companies and organisations, both public and private	UNDERWAY
Implement measures to ensure and verify that the Global Compact principles are complied with	Ask suppliers of the company for certificates to ensure they do not use any products resulting from child labour	UNDERWAY
Carry out projects and actions of a social nature increasing our contribution as much as possible	Christmas campaign, sponsorship agreements, collaboration with <i>Mano a Mano</i> , collaboration with the Iberia Association for Parents of Disabled Children, ONT, Special Olympics, among others	UNDERWAY
Establish a collaboration agreement with <i>Bomberos en Acción</i> (Firemen in Action) and <i>Bomberos Sin Fronteras</i> (Firemen Without Frontiers)	Free transport for rubble clearing material and specialist search dogs	COMPLETED
Maintain our collaboration agreement with the Spanish Red Cross	Provide transport in their Family Regrouping project	COMPLETED

Improvement in the communication and services offered to employees via *Ibpróxima*, the company's Intranet

Our goal: to ensure the long-term sustainability of projects of a social nature

Table 3. Environmental goals, measures and status

Goals and specific measures of an environmental nature		
Goals	Measures	Current status
Flight operations		
Reduce specific fuel consumption by 19% in the period 2001-2006	Continuous updating of fleet renewal plans with the consequent increase in efficiency	UNDERWAY
	Collaboration with manufacturers in developing new technologies to reduce specific consumption	UNDERWAY
	Work together with air transport regulatory organisations at all levels	UNDERWAY
	Assess the possibility of including air transport in emissions trading at a European level	NEW
Reduce aircraft operations emissions	Development of procedures and programmes to optimise fuel consumption	UNDERWAY
	Increase hours of simulator training	UNDERWAY
	Define new environmental practices in aircraft operations in collaboration with the IATA	UNDERWAY
Reduce impact on quality of local air deriving from the company's operations	Support the ICAO in the area of gas emission standards regulation at a local level	NEW
	Collaborate with stakeholders (airlines, airport authorities and local authorities) to develop voluntary measures that improve local air quality around airports	UNDERWAY
Reduce impact of noise during operations over the community	New inclusions of A-340/600 and withdrawal of B-747 200/300, with the consequent reduction in perceived noise. Renew short-range fleet (MD 87/88)	UNDERWAY
	Collaborate with local authorities of airports in defining and following new anti-noise operational procedures, especially with the new configuration of runways at Madrid's Barajas airport	NEW
	Assist and collaborate with international working groups of the ICAO and IATA (CAEP and ENTAF)	UNDERWAY
	Adapt IBERIA's operations to the new aeronautical procedures in order to minimise noise pollution around airports	NEW
Study and develop possible inter-modality with railway transport	Support to establish fast train-aircraft intermodality at key airports	UNDERWAY
	Encourage Underground-Airport intermodality for travel to airports	UNDERWAY

In 2004 we set another ambitious target for our reduction in specific fuel consumption for the period 2000-2006, going from a reduction of 16% to 19%

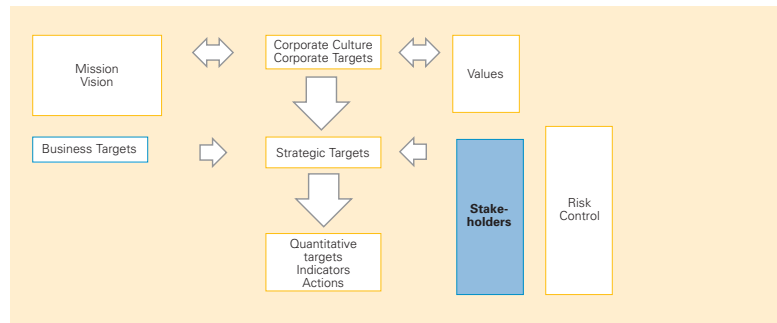
Goals and specific measures of an environmental nature		
Goals	Measures	Current status
Ground operations		
Improve indicator system	Update environmental indicator system	NEW
Promote efficient and rational consumption of resources used in carrying out our activities	Ensure suitable management of resource consumption in the new cargo terminal at Barcelona's El Prat airport via a centralised facility management system	NEW
Reduce paper consumption in offices	Use electronic versions of documents for Flight Operations Manuals	UNDERWAY
	Awareness campaign to reduce paper consumption and adopt good practices in its use	COMPLETED
Implement Environmental Management Systems in different areas	Implement and certify an ISO 14001 Environmental Management System (EMS) in maintaining aircraft at the industrial facilities in Madrid	COMPLETED
	Transfer the two certified systems to adapt them to the requirements of the new standard UNE-EN ISO 14001:2004, published in November 2004	NEW
	Carry out simultaneous audits on ground operations with significant impact: airports, maintenance and handling	NEW
	Update and implement environmental management procedures in the Handling Department	UNDERWAY
Reduce the volume of hazardous waste in maintenance activities	Develop a Minimisation Plan for hazardous waste in the Material Department	UNDERWAY
	Study to replace aircraft maintenance products with others that are more environment-friendly in collaboration with manufacturers and the AEA	UNDERWAY
	Introduce improvements in the storage system of special products	UNDERWAY
	Improve the signage system at deposit points for hazardous materials in the aircraft maintenance workshops in Madrid (Material Dept.)	NEW
	Adapt the storage facilities for hazardous waste from handling (Airport Dept.)	NEW
Improve the management of sanitary waste	Optimise the management of bio-sanitary waste generated by the Medical Service	NEW
Reduce the consumption of water and the volume of pollutants in aircraft maintenance	Develop a new cleaning line in the Material Department	COMPLETED

IBERIA has also completed its first year as part of the worldwide UN "Global Compact"³ to respect its principles in the areas of human rights, labour standards and the environment. Our company currently complies with the 10 principles established in this agreement, mentioned in the enclosed table. However, over the coming years IBERIA will continue to promote reinforcement actions to ensure and safeguard the utmost compliance with these principles in its activities.

Table 4. Principles of the United Nations Global Compact

Global Compact principles
Support and respect for human rights within our area of influence
Guarantee that the companies themselves are not involved in cases of human rights abuse
Freedom of association and recognition of the right to collective bargaining
Elimination of all kinds of forced or obligatory labour
Effective abolition of child labour
Elimination of discrimination with respect to employment and occupation
Support a cautious focus on environmental issues
Undertake initiatives to encourage greater environmental responsibility
Stimulate the development and spread of environment-friendly technologies
Companies must work against corruption in all its forms, including extortion and bribery

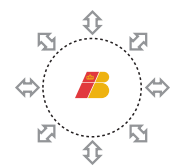
4.4 How we relate to our stakeholders



As a consequence of its size and its activities, IBERIA establishes relations with many **stakeholders**, both at an external and internal level. Since it was founded, the company has gradually identified these stakeholders by carrying out its operations and directly observing the interest shown by these groups. The main stakeholders are those shown below:

Table 5. IBERIA's internal and external agents

Internal stakeholders
Shareholders
Employees
Unions
External stakeholders
Customers
Public Administration
Society
Media
Communities around airports
Suppliers and service providers
Alliances, rivals and international organisations (International Relations)
Travel agencies
Ecological organisations



³ <http://www.unglobalcompact.org>

4.4.1 Internal stakeholders

a) Shareholders

IBERIA contact channel

Financial Department
(Shareholder Relations section)
Contact person: Ms. Elena Baillo
E-mail: invesrel@iberia.es

- Stakeholder description: a detailed description of the shareholders is contained in section 5 of this annual report.
- Stakeholder expectations with regard to IBERIA: strive to achieve maximum value and profitability of the company shares, ensuring rigorous application of the relevant financial and corporate management standards.
- IBERIA's main actions:
 - i. IBERIA holds its General Shareholders' Meeting every year to present the Annual accounts and Quality Report, as well as the Corporate Governance Report and this Corporate Responsibility Annual Report, which includes social and environmental information for the year. Throughout the year numerous meetings are also held with investors and analysts, both individual and group meetings, concerning purchases and sales. Once a year there is also a specific meeting for investors entitled Investor's Day. The Company Management Team, including the Executive President, also visits investors and receives analysts. These meetings serve to present financial, social and environmental data. In terms of periodic information, the financial results are published every quarter and the traffic statistics every month. The company also communicates any other fact or circumstance that could be relevant to the stakeholders. All this information can be found in the section dedicated to shareholders on IBERIA's website.
 - ii. IBERIA therefore has very close communication with its shareholders, both institutional investors

and fund managers, insurance companies and pension funds, as well as minority shareholders. For the latter, the company has a telephone attention service and an email address for receiving comments, as well as to resolve any possible questions they may have. The most frequently addressed themes are those concerning the perspectives of the company, business trends, market projections, current financial targets and risks such as fuel coverage or exchange rates, as well as any other matter of interest that may affect the company's activity. In the area of transparency towards shareholders, IBERIA supplies significantly more financial information than that required legally by the Spanish Investment and Securities Board in terms of quarterly reports.

- IBERIA's main goals for the future: supply information to the most reliable organisations in the area of sustainability and/or corporate governance rating, including the DJSI and the FTSE4Good indices; encourage the supply of information of an environmental nature with business implications in which analysts and investors have shown an interest.

b) Employees

IBERIA contact channel

Human Resources Department
Contact person: Mr. Pedro Sobrino /
Mr. Juan Potrero
E-mail: psobrino@iberia.es; jpotrero@iberia.es

- Stakeholder description: see section 6.1 of this annual report.
- Stakeholder expectations with regard to IBERIA: see section 6.1 of this annual report.
- Main actions:
 - i. IBERIA has various communication channels in order to respond to its employees' needs. On the Intranet page, in addition to all kinds of information

related to the company, employees also have access to the "Employee Portal", now called IB@Personas, which provides access to personal information and provides facilities to carry out all kinds of internal labour-related procedures, as well as issuing staff tickets, consulting salaries, a job market and skills profiles, as well as access to press summaries.

ii. IBERIA has also set up an Intranet-based suggestion box as yet another channel for the system that has been in operation for some years now. The main aim of this suggestion box is to recognise employees who can opt for prizes in cash by providing technical or procedural innovations which lead to increased profitability for the company. These prizes are awarded by the Recognition Committee, a body made up of Company Managers. In the area of administrative improvements, since 2004 employees receive their salary electronically via the Iberia Personas portal. Staff can also acquire, annually and free of charge, a certain number of tickets subject to specific conditions. With respect to maternity, IBERIA complies with all applicable legislative requirements and offers a reduction in the working day of between 25% and 50%, as well as granting unpaid leave. The significant efforts made in the area of ongoing training should also be noted, carried out by IBERIA throughout the employee's employment.

- Main goals for the future: the main goals with respect to staff are a progressive reduction in the absentee rate, a reduction in the number of work-related accidents and guaranteeing staff access to the new Terminal 4 at Madrid Barajas airport.

c) Unions

IBERIA contact channel

Human Resources Department

Contact person:

Mr. Pedro Sobrino; Mr. Juan Potrero

E-mail: psobrino@iberia.es; jpotrero@iberia.es

- Stakeholder description: see section 6.1.12 of this annual report.
- Stakeholder expectations with regard to IBERIA: see section 6.1.9 of this annual report.
- Main actions: IBERIA has a close and totally transparent relationship with the company's unions. In addition to the general means of communication available, IBERIA also informs its unions on social and environmental areas by means of its Safety and Health Committees, in which the unions take part. IBERIA also negotiates its union agreements proactively and has a Committee of Economic and Corporate Monitoring with the participation of those unions who formed part of the company's Executive Board during IBERIA's previous public stage: UGT⁴, CC.OO⁵, SEPLA⁶ and SITCPLA⁷. This Committee provides information on how the Company and the sector are evolving. In 2004, productivity and flexibility agreements have been reached with different labour groups (Aircraft Maintenance Technicians and Passenger Cabin Crews, among others), based on an initial proposal made by the company in order to adapt operations to the current situation of the sector.
- Main goals for the future: establish the Collective Agreements for Ground and Flight staff and guarantee employee access to the new Terminal 4 at Madrid Barajas airport.

4.4.2 External stakeholders

a) Customers

IBERIA contact channel

Customer Relations Department

Contact person: Mr. José Gómez Pérez

E-mail: jgomez@iberia.es

- Stakeholder description: IBERIA's customers are mostly passengers, although IBERIA also transports cargo, goods and post for companies, as well as serving other airlines by offering services such as

⁴ Unión General de Trabajadores (General Union of Workers)

⁵ Comisiones Obreras (Worker Committees)

⁶ Sindicato Español de Pilotos de Líneas Aéreas (Spanish Airline Pilot Union)

⁷ Sindicato Independiente de Tripulantes de Cabina de Pasajeros de Líneas Aéreas (Independent Union of Airline Passenger Cabin Crews)

passenger and ramp handling, information and telecommunication services and aircraft maintenance, all these groups being clearly differentiated from passengers in terms of their interests.

- Stakeholder expectations with regard to IBERIA: obtain a service that provides appropriate value for money according to their expectations
- Main actions: in order to improve the service offered to customers, two kinds of measurements of service quality are carried out on a monthly basis; one objective measurement based on the monitoring parameters established by the industry, and another concerning customer perception via on-board surveys. The first measurement allows the company to monitor service standards over time and the second reflects how our customers perceive these levels of service. With respect to the latter, the findings are analysed by the Customer Relations Department Committee and, in cases of particular relevance, by the Airline Management Committee in order to take action and/or modify the service. Moreover, as punctuality is seen by our clients as the most decisive factor in customer satisfaction, there is an IBERIA Punctuality Committee that meets three times a week, the Managing Director attending this meeting given its importance, where the different factors and causes of unpunctuality are thoroughly monitored in order to maintain and constantly improve this area. With respect to customer data, IBERIA manages this information by means of its Customer Relationship Management or CRM system, used to evaluate loyalty and other variables in order to differentiate fundamentally those clients who form part of the Iberia Plus programme, using various ways to reward their loyalty such as access to VIP lounges or upgradings. The Iberia Plus Loyalty Scheme also provides clients with access to many benefits by exchanging their points, this service only being offered by certain airlines.

- Main goals for the future: Maintain appropriate value for money so that each client segment can continue to choose our services, in particular our frequent flyers, achieving a steady influx to the Iberia Plus loyalty scheme as recognition of interest in our services. Maintain or even reduce after-sales service response times, which we managed to lower in 2004 to an average period of under one week. Adapt internal processes to new European legislation concerning denied boarding and cancellations, required as from the 17th of February 2005 as a consequence of European standards⁹ approved in 2004. In fact, IBERIA is one of the companies that give passengers greater financial compensation than the currently required legal minimum.

b) Public Administration

There are currently many points of contact in the company to maintain this relationship, depending on whether these contacts are carried out at an international level (see section on "Institutional Relations"), national (e.g. with the General Directorate of Civil Aviation of the Ministry of Public Works and Development and with AENA, IBERIA's relationship with the latter being almost on the daily basis), regional or local.

c) Society

IBERIA contact channel

Communication Department and Customer Relations Department and Shareholder Relations section
E-mail: dcomunicación@iberia.es; invesrel@iberia.es; jgomezp@iberia.es

- Stakeholder description: this stakeholder includes the whole of society.
- Stakeholder expectations with regard to IBERIA: provide service with maximum value for money, respecting fundamental environmental and social principles, encouraging stability and creating employment.

⁹ Regulation (EC) no. 261/2004 of the European Parliament and of the Council, 11th February 2004, whereby common regulations are established on compensation and assistance to air passengers in the event of denied boarding and cancellation or long delays in flights, derogating Regulation (EEC) no. 295/91

- Main actions:
 - i. IBERIA keeps in contact with citizens via the usual communication channels. Of note is the information regularly offered by the company on its website, whose content is periodically updated. In addition to providing corporate information, the company's new corporate website, renewed in the middle of 2004, also includes a section entitled "With society", providing information on all the actions and projects carried out over the year in collaboration with different organisations and institutions, both public and private. IBERIA also organises open-door days, forums and visits to the company's facilities, available to anyone who is interested in attending.
 - ii. In the area of commitment to society, of particular importance is the company's participation in the Global Compact⁹, via which IBERIA undertakes to supervise its compliance with the 10 principles concerning human rights, protection of the environment and respect for fundamental ethical principles. In order to exchange experiences with other companies and organisations, IBERIA attends the seminars that are periodically organised by Global Compact in Spain. In this same area the company is also present at the Corporate Reputation Forum¹⁰, taking an active part in its monthly meetings where information is exchanged on Corporate Responsibility, the aim being to reinforce the company's reputation and brand. Finally we should also note the contributions made by IBERIA to the Company and Society Foundation, of which it is a patron, as part of its objective to help promote social action within Spanish firms.
 - iii. Among the various mechanisms in IBERIA to meet the information needs shown by customers, of particular importance are the flight punctuality statistics, the implementation of ongoing improvements in customer service, responses to email messages with queries of all kinds from the website (16,500 in 2004) and the

resolution of complaints and claims, in addition to the ongoing work of measuring, analysing and communicating data on quality perceived by customers (PQL Index, Perceived Quality Level) and quality observed internally by the company (OQL Index, Observed Quality Level), periodically published by bodies such as the AEA (Association of European Airlines) and available to all internet users¹¹.

- Main goals for the future: start up an Action Plan to reinforce compliance with the public commitment taken on by IBERIA regarding the Global Compact principles.

d) Media

IBERIA contact channel

Communication Department

Contact person:

Ms. Margarita Blanco Gutiérrez

Mr. Jaime Pérez Guerra

E-mail: mblanco@iberia.es / jpguerra@iberia.es / prensa@iberia.es / prensaintl@iberia.es

- Stakeholder description: the whole of the media with whom IBERIA regularly communicates, both national and international, including press, radio and television, general or specialised economic media, society and tourism, and electronic channels, among others.
- Stakeholder expectations with regard to IBERIA: ensure speed, accuracy and transparency in supplying information on the actions of interest carried out by the company.
- IBERIA contact channel: Communication Department
- Main actions:
 - i. At its Communication Department, IBERIA has a National Press Unit and an International Press Unit, made up of 13 people in total, offering ongoing information services. The range of media

⁹ Voluntary agreement of a social and environmental nature under the auspices of the United Nations. For more information, please consult the following website: <http://www.unglobalcompact.org/>

¹⁰ <http://www.reputacioncorporativa.org/>

¹¹ <http://www.aea.be/>

attended on a regular basis is very extensive. The company issues approximately 150 press releases per year and holds around 10 press conferences annually, including those for the General Shareholders' Meeting and the conference offered by FITUR, both providing the information of greatest relevance and interest. In 2004, IBERIA renovated its official website, significantly extending the content provided over previous years, improving its appearance and user-friendliness, adding a Press Room to improve communication with the media and ensuring compliance with the main access standards¹² for people with disabilities. With respect to internal transparency, IBERIA publishes all news published about the company in the media in full on its Intranet. The company also always acts with maximum diligence in providing information to the media both on a day-to-day basis as well as when incidences or abnormal situations occur.

ii. During 2004, constant communication was carried out with the media concerning different aspects of social and environmental actions which, on numerous occasions, reflected the work being carried out by IBERIA. Visits were also organised for people to get to know the projects carried out by IBERIA at the centres of the Association of Parents of Handicapped Children of IBERIA and the development aid programmes carried out by *Mano a Mano*.

- Main goals for the future: continue to provide information effectively, quickly and transparently, meeting the expectations of the media and society at large. With respect to the corporate website, increase content and progress in the speed of adding and updating information.

e) Communities around airports

IBERIA contact channel

Operations Department

Contact person:

Mr. Francisco Javier González Alcalde

E-mail: fjgonzalez@iberia.es

- Stakeholder description: all the residents and other communities located close to the airports where IBERIA operates.
- Stakeholder expectations with regard to IBERIA: proactive attitude on the part of the company in the search for solutions to potential problems deriving from the company's operations at these airports, principally noise.
- Main actions:
 - i. Within the role played by IBERIA in this area, of note is that corresponding to the International airport of Madrid-Barajas, where a person from the company currently represents the Airline Association (ALA) on the Noise Control Committee, with other agents and organisations also taking part. This Committee periodically analyses cases that might not comply legally with respect to noise, such as night-time reversing, the starting up of engines in prohibited zones or the use of the APU¹³ on platform, carried out during operations by different airlines at the airport.
 - ii. It is also important to highlight the good relationship IBERIA maintains with local communities close to the main airports where the company operates (Madrid and Barcelona, among others). In this respect, our company regularly provides funds for specific social and sporting activities (clothes or sports equipment) as well as cultural events. A particular case in point is IBERIA's participation in the last Science Week organised by the Community of Madrid, arranging a guided visit of the facilities at "La Muñoza". Finally, we should also note the contribution made by an airport to the economic development and creation of employment in a municipality, something in which IBERIA plays a vital role in Spain.
- Main goals for the future: through the Noise Control Committee of Barajas, monitor the degree of effectiveness with respect to how much noise has been reduced in the affected neighbouring areas, and the procedures to lessen noise on arrival and departure routes, SID and STAR, use of reverses and APU and platform movements.

¹² To publish websites it is essential to apply certain standards of accessibility for the blind or people with impaired vision. This is the case of font size, the use of written text that can be recognised by reader software or the choice of colours. For more information, we recommend visiting <http://www.tawdis.net/>

¹³ Auxiliary Power Unit

f) Suppliers and service providers

IBERIA contact channel

Purchasing Department
 Person in charge: Ms. Belinda Collado /
 Mr. Esteban Pozo
 E-mail: bcollado@iberia.es; epozo@iberia.es

- Stakeholder description: all the suppliers and service providers with whom IBERIA has a contractual relationship to supply goods or services, among which those accounting for a larger percentage of total costs (approximately 80%) are: AENA, Air Nostrum, Repsol YPF, Amadeus, Iber-Swiss, Viva Tours, Musini, Masa, Cignus Air, Informática el Corte Inglés and CLH.
- Stakeholder expectations with regard to IBERIA: maintain a good commercial relationship, based on loyalty.
- Main actions: IBERIA monitors any incidences occurring with its suppliers and service providers by means of the corresponding technical units in the company, which works with the 13 large suppliers mentioned above, as well as with many others of a different kind. At a centralised level, IBERIA has two large units, General Purchases and Airline Purchases, responsible for establishing contractual relations with suppliers and service providers and for dealing with any relevant problematic aspect that is detected by the technical units, which maintain the everyday contact. Among the regulatory conditions in these contractual relations, of particular significance for this annual report are those of an environmental nature, established when subcontracting certain services such as waste management carried out by TPA (FCC Group) at the Industrial Zone of Barajas. Finally, the commercial contracts taken out between IBERIA and different Special Employment Centres are also of particular importance, among which we should note the IBERIA Association for Parents of Disabled Children (APMIB)¹⁴. The good relationship maintained between IBERIA and its suppliers has been reflected this year in the excellent participation of

over 90 suppliers in the Christmas Campaign organised by IBERIA in order to collect funds for Mano a Mano and the APMIB¹⁵.

- Main goals for the future: IBERIA is currently carrying out its Supplier Portal remote access project, which provides greater agility in resolving incidences and improves communication, with significant benefits for both parties.

g) International Relations: alliances, rivals and international organisations

IBERIA contact channel

International Relations Department
 Contact person: Ms. Elvira Herrero
 E-mail: eherrero@iberia.es

- Stakeholder description: the International Relations Department coordinates relations with the global oneworld alliance to which IBERIA belongs, as well as with the rest of the airlines with whom IBERIA has collaboration agreements. Relations with the aeronautical authorities and public administrations are also managed, both in Spain and other countries, as well as obtaining traffic rights and permits from these authorities to fly to different countries. Relations are also managed with international organisations, such as the ICAO, comprising the civil aviation organisations from around the world, the ECAC, which covers the European civil aviation authorities, and CLAC, grouping together the Latin American authorities. The Department of International Relations also represents IBERIA and coordinates the company's representation before the IATA and AEA, the main air transport associations at a global and European level, respectively.
- Stakeholder expectations with regard to IBERIA: within the framework of competition between airlines, there are areas for cooperation that provide IBERIA and its customers with added value and the

¹⁴ See the social section of this Annual Report.

¹⁵ See the social section of this Annual Report.

company with global coverage at the level of service clients demand, thanks to shared products. With respect to IBERIA's relationship with authorities, public administrations and international bodies and organisations, IBERIA is one of the most relevant companies worldwide and efforts are therefore being made to ensure that the company's position is reflected in all the regulations and rules that may affect it.

- Main actions:
 - i. The International Relations Department acts as the advisor of the company in managing the **oneworld** alliance.
 - ii. In the area of company agreements, of note is that taken out with British Airways, approved by the European Commission, for the joint exploitation of the Madrid-London and Barcelona-London routes as from the 1st of January 2005.
 - iii. Also of relevance is the agreement with the Central American company, Taca, distributing the traffic from IBERIA's flights to Central America, from San José de Costa Rica, Guatemala and Panama to other Central American cities.
 - iv. The International Relations Department also manages the company's traffic rights, as well as being responsible for obtaining and renewing permits to fly to different countries.
 - v. IBERIA takes part in various working groups of the IATA and AEA, with a significant role in the aeropolitical groups, responsible for managing political matters in international air transport.
- Main goals for the future: it is expected that, in the near future, the current barriers for departure flights by European Union airlines will disappear, allowing IBERIA to carry out flights leaving from key cities, which would be an organisational and logistical challenge for this company.

h) Travel agencies

IBERIA contact channel

Commercial Department-DVE-Agencies
and Tour Operators Unit
Contact person: Mr. Víctor Moneo
E-mail: vmoneo@iberia.es

- Stakeholder description: the Travel Agencies that IBERIA works with, totalling approximately 7,300.
- Stakeholder expectations with regard to IBERIA: the availability of a wide range of products with excellent value for money, via which travel agencies can offer their customers products and services, maximising their satisfaction at the same time as maximising profit.
- Main actions: IBERIA has a total of 7,300 sales outlets, travel agencies, in order to distribute its tickets. The company has a centralised relationship with the largest 12 travel agencies, assigning each one an Account Manager in order to ensure the best communication possible and to attend to their needs in an agile and personal way. IBERIA also has a close relationship with smaller agencies via its Commercial Managers and corresponding sales network. In our commercial relationship with agencies there is no exclusivity contract regarding sales, so that they are completely free to establish commercial relations with other airlines. One of the advantages provided to travel agencies that work with IBERIA is the chance to reserve flights both via the reserve centres, especially Amadeus, as well as via the portal iberia.com. Another of the facilities provided to these agencies is the absolute freedom in determining the final price of the ticket, this being the total of the transport, taxes and the issuing or handling costs decided by each one, as IBERIA does for its direct sales. This initiative has been adopted later by other airlines in view of its many advantages. Finally, we should also note the existence of the *Serviagencias* and *Serviberia* services as customer attention centres for travel agencies and end clients, respectively.
- Main goals for the future: IBERIA's main goal with respect to the travel agencies it works with is to maintain its current good relationship, facilitating commercial flexibility and reinforcing the advantages provided by iberia.com in the sales process.

i) Non-Governmental Organizations (NGO)

IBERIA contact channel

Communication Department / Internal Auditing and Quality Department (Environment and Innovation Unit)

Contact person: Ms. Berta Valverde (Communication Department) and Ms. Marta Cózar (Quality and Internal Auditing Department)

E-mail: bvalverde@iberia.es; mcozar@iberia.es

- Stakeholder description: IBERIA collaborates closely with numerous non-governmental organisations, both in social and environmental areas, providing its services free of charge to this kind of institution in order to contribute towards a social or environmental cause of general interest. The main collaboration projects are related to access to employment for people with disabilities, staff volunteers, the transport of people and humanitarian aid in emergency situations and collaboration in environmental projects, among others.
- Stakeholder expectations with regard to IBERIA: IBERIA's involvement in social and environmental causes that have a direct social benefit and help to create a more sustainable society.
- Main actions:
 - i. The social action carried out by IBERIA in collaboration with non-governmental organisations is channelled mostly through collaboration agreements established with the Spanish Agency of International Cooperation and with the Ministry of Social Affairs, via which IBERIA offers special conditions for the transport of cargo and people. This collaboration agreement is at the disposal of over 1,500 renowned NGO's in Spain, which are informed every year of the possibility of using, should they wish, the cargo and passenger transport facilities offered by IBERIA in all flights operated by the company. In some cases, and depending on the project and on the help requested, IBERIA provides direct collaboration,

as may be the case of the Spanish Red Cross, *Bomberos Sin Fronteras* (Firemen Without Frontiers) and Amnesty International, among others. Also of note in this area is the close collaboration at all times with *Mano a Mano*, the company's NGO, which is given all kinds of assistance to carry out its humanitarian aid projects. In section 6 of this annual report you can find detailed information on the numerous social action projects carried out during 2004.

- ii. With respect to the environmental plan, IBERIA has an open, receptive attitude to the demands and concerns of groups defending the environment, striving to respond effectively and providing the resources at its disposal to advance towards sustainable development. One of the main concerns of these organisations at present is the global problem of climate change and greenhouse gas emissions from transport. In this respect, IBERIA has a policy of fleet renewal in order to use the most efficient aircraft available, apart from participating in numerous groups at a national and international level to define measures and alternatives to reduce emissions in all phases of the operation. IBERIA also supports campaigns to stop the illegal trafficking of protected species and to raise awareness of the loss of biodiversity, being involved with the Spanish Herpetological Association and, in the near future, with other organisations that protect nature. IBERIA has also responded in situations of environmental emergency, as in the case of the Prestige shipwreck, providing free transport for the volunteers who went to help clean up the contamination. In 2004 IBERIA also started to collaborate with the environmental area of the Spanish Red Cross in Madrid, as described in section 7.
- Main goals for the future: continue collaborating closely with all organisations, opening up new forms of action and encouraging dialogue and social participation.

4.5 IBERIA: an innovative company

Over 15 million euros on R&D&I in 2003

In developed countries, technological innovation has become a decisive factor in the development of a business structure. Aware of this situation, and taking into account the current status of the Spanish industrial fabric, one of the most significant goals of the National R&D Plan for 2007 is to position expenditure on this concept at around 1.4% GDP, in order to bring us gradually closer to the investment levels of our European partners.

In general, innovation is defined as that activity whose outcome is the obtaining of new products or processes or substantially significant improvements in existing products or processes. In the case of IBERIA, innovation covers all business concepts: strategy, process, product/service, etc. The complexity of air transport services and the high number of processes involved means that R&D&I (research and development and innovation) projects have to be planned with a multidisciplinary and interdepartmental focus, involving and coordinating activities and agents from various areas of the company.

For a company like IBERIA, operating at an international level and belonging to a highly dynamic economic sector, research, technological development and innovation are key elements in order to consolidate and develop its leading position, to improve and strengthen its national and international competitiveness and to take on the new challenges arising on a daily basis in an increasingly more globalised market. Having accepted this approach, IBERIA has not only taken on the challenge involved but, given its interest in being at the vanguard of the sector, has integrated this into its business strategy, promoting R&D&I as a key differential.

Aware that this approach is the right one, and in order to strengthen this commitment even further if necessary, IBERIA has provided the necessary resources and mechanisms to manage R&D&I

systematically, effectively and continuously, creating a specific management team for R&D&I activities, coordinated with the company Management, and defining an operational basis on which to establish an innovation work methodology in line with the company's activity.

Given the strategic importance of R&D&I activities for the firm, IBERIA also has the following R&D&I goals:

1. Strengthen R&D&I as a fundamental driving force for development and competitiveness and consequently generate satisfaction and added value for our customers and other stakeholders.
2. Boost the appeal of the company by boosting its image based on R&D&I.
3. Promote a culture of innovation in the different areas of IBERIA, encouraging and helping to extend the number of those that regularly carry out R&D&I projects.
4. Favour a climate of cooperation between the different areas of IBERIA by encouraging the development of multidisciplinary and interdepartmental R&D&I projects.
5. Reduce technical risk associated with R&D&I projects by including mechanisms of planning, execution, monitoring and control of the R&D&I activities carried out by the firm.
6. Reduce economic risk associated with R&D&I activities by applying the relevant tax deductions as a result of the "Informe Motivado Vinculante" or Binding Explanatory Report.
7. Demonstrate to the Public Administration and other stakeholders the transparency of the firm's R&D&I activities.

This framework allows IBERIA to plan over fifty R&D&I projects a year, these being one of the greatest sources of added value for the company, contributing significantly to improving both its processes and the services offered to clients, as well as guaranteeing that the characteristics per se of the company's technology and internal know-how remain among its assets.

The results obtained by IBERIA in the area of R&D&I may be classified as excellent, as shown by the valuation of the performance of its R&D&I activities. IBERIA has submitted 20 R&D&I projects for technical and economic assessment, these being evaluated by experts of renowned prestige, with a UNESCO six digit classification in the technological area in question. Out of these 20 projects, 19 have been classified as a project of technological development and/or innovation and the budget audited, corresponding to business year 2003, totalled over € 15 million, with a planned investment of € 20 million in R&D&I for 2004 and 2005.

The following are examples of IBERIA's projects recognised as benchmarks for the sector:

- *“Development of the new customer management process in IBERIA”*, which redefines key concepts such as those of CRM (customer relationship management) by developing an ambitious project covering most of the company's areas, based on a philosophy of improving knowledge of customers, understanding their needs and recognising the value of each of them for the company, as well as being able to offer a more personalised service at all levels, leading to greater customer loyalty and satisfaction.
- *MILLENNIUM project, “Development of a new international agent management process”*, consisting of the creation of an international commercial management process, establishing the basis on which the new MILLENNIUM system is developed. Its role is to cover all the functions of the current system but in an optimised way, focusing on the international market.
- *“Technological development to maintain engines CF-34 and APU-131”*. This project develops the processes and technologies required for IBERIA to maintain engines CF-34 and APU 131-9, currently non-existent in Spain, applying the scientific and technological knowledge of the Maintenance Division to study and analyse the adaptation activities of the different technologies to this new maintenance plant.

Lastly, it should be explained that IBERIA, as a leading company in the air transport sector in Spain and given its commitment to the technological development of our country, promotes R&D&I among other sector companies, suppliers, technology firms and technological centres, thereby actively helping to achieve the goals set by the R&D National Plan from its area of activity.

Summary of the main projects carried out:

Promoting area	Projects
Systems	1. Develop a comprehensive control system for access to IBERIA's information systems
Cargo	2. Income management system
Human Resources	3. Develop new functions for online staff management
Commercial	4. Advanced development of an applied company-client interaction system (CRM)
	5. Advanced development of an applied company-client interaction system for firms (BRM)
Maintenance	6. Adaptation to the different technologies for CF-34 and APU 131-9 engine maintenance in the aeronautical sector
	7. Automated engine cleaning line
	8. Design and development of new processes and systems to extend and optimise productive activity and incorporate new technologies
	9. Technological development of a process management system and integration of information in the area of aircraft maintenance (IMAGINA)
	10. Redesign Business seat
	11. Reconfigure and redesign the auxiliary crew rest area
Purchasing	12. Strategic management of purchases
Control and Administration	13. Introduction of a new model of passage system and digitalised coupon processing
	14. Automation of the invoice process
Production Management	15. Improve management of flight programme execution
	16. System Plan to optimise the management of flight staff activities
Emergency Management	17. Management system for aeronautical crises

Table 6. Main collaborations with technology-based firms and research organisations

Main collaborations with technology-based firms and research organisations

INDRA, IBM, CAP GEMINI, ACCENTURE, PROYECTA, ROLAND BERGER, UNISYS, SIEBEL, INTA, INASMET, UNIVERSIDAD AUTÓNOMA DE MADRID, UNIVERSIDAD CARLOS III, FUNDACIÓN EMPRESA PÚBLICA

4.6 Awards, distinctions and certificates 2004

4.6.1 Awards

Award for "GOOD CORPORATE GOVERNANCE"

The magazine *Mi Cartera de Inversión*. Award in recognition for the effort carried out by the company to adopt good practices required from firms listed on the stock market. November 2004.

Fundación Sagardoy award for "A WHOLE HISTORY"

In recognition for the social action and labour policies carried out by the company over recent years. This award consolidates the responsible management of IBERIA which, last September, joined the Dow Jones Stoxx Sustainability Index. September 2004.

AWARD FOR CONTRIBUTION TO SPANISH TOURISM

Award for contribution to Spanish Tourism. The Business Association of Spanish Travel Agencies, A.E.D.A.V.E., has awarded IBERIA for its contribution to the national tourism sector. As stated by José Manuel Maciñeiras, president of the association of agencies, "it is a case of paying well-deserved homage to some of the key business initiatives" undertaken in Spain during the last 25 years. June 2004.

"BEST SOCIAL PROJECT VIA THE EMPLOYEE PORTAL"

IBERIA's internal website has been awarded "Best Social Project" in the second year of the "Employee Portal" award, organised by the Observatory of Internal Community, in which the Business Institute, Capital Humano and Infopress take part. IBERIA has received this special mention due to its success in the area of labour information, which has led to the collection of € 55,000 for two welfare projects by IBERIA.

"SKYLINER AWARD TO ONE OF THE AIRLINES WITH LEAST DEVIATION FROM THE TAKE-OFF ROUTE"

In 2005, IBERIA has been awarded the "Skyliner" award in the category of regular lines in the south of Europe. Manchester airport gives this award to companies with the minimum deviation of route during take-off, thereby encouraging a reduction in noise levels.

"GOLD AWARD TO SUSTAINED EXCELLENCE"

Iberia Regional / Air Nostrum has been distinguished with the highest award that can be given to a regional airline, the "Gold Award to Sustained Excellence". This award, given by the European Regional Airline Association (ERA), "is not an annual award but a distinction for perpetuity so that the company winning the award becomes part of an exclusive order".

BEST BUSINESS INITIATIVE. 6th Awards for Best Logistic Initiatives 2004

Award given to Iberia Cargo "for its imaginative commercial strategy which has resulted in it leading the cargo area in Spain in a clearly differentiated way". This award, organised by the journal specialised in logistics and transport, *El Vigía*, recognises the professional history of those business managers that have contributed to logistic and transport development at a national and regional level throughout the year. November 2004.

BEST AIR CARGO COMPANY

IBERIA has been chosen as the best air cargo company for 2004 by the readers of the weekly journal specialised in transport, logistics and international trade, *Inter-Transport*, belonging to the Men-Car Publishing Group (GEM). Iberia Cargo has won this award by obtaining 24.1 per cent of all the valid votes received.

"BEST AIRLINE IN GOODS CARGO TRANSPORT BETWEEN ITALY AND LATIN AMERICA"

IBERIA has been chosen by the National Association of Air Goods Agents, A.N.A.M.A., as the "best airline in goods cargo transport between Italy and Latin America", as "no other European operator offers such a comprehensive network and a quality of service as IBERIA, making it the best alternative for flying between Europe and Latin America".

"BEST CELLAR ON BOARD AN AIRPLANE"

The magazines Global Traveller Magazine and Wine Spectator have awarded IBERIA the prizes for "Best Cellar on board an airplane" and "Best Red Wine" of 2004.

4.6.2 Distinctions

INCLUSION ON THE SELECTIVE DOW JONES STOXX SUSTAINABILITY INDEX, WHICH ONLY INCLUDES THREE AIRLINES (IBERIA, TOGETHER WITH BRITISH AIRWAYS AND LUFTHANSA)



In September 2004, IBERIA was included on the selective European Dow Jones STOXX Index, which groups together the most outstanding companies in the areas of society, environment and economy, and where commitment to the client, society, employees and shareholders is highly valued.

FOURTH MOST QUOTED SPANISH BRAND BY INTERNET SURFERS

According to the study carried out online by the Forum of Renowned Spanish Brands, in which internet users took part from over 600 countries and whose aim was to measure the spontaneous awareness of Spanish brands throughout the world, IBERIA was the fourth most-mentioned company.

IBERIA, ONE OF THE IBEX COMPANIES RECOGNISED FOR ITS "EXCELLENCE OF INFORMATION"

According to data from the first observatory of good governance carried out by the Foundation of Financial Studies, IBERIA is one of the 15 Ibex companies that offers most additional information to that required by law. In order to draw up this index of "excellence of information", 179 variables of financial information and corporate governance are analysed, related to the structure of ownership, composition and operation of the board of directors, the rights and obligations of shareholders and transparency of information.

AMONG THE THREE BEST PERCEIVED COMPANIES DUE TO SOCIAL ACTION

For the second year running, IBERIA is among the top three best perceived companies due to their social action, according to a survey carried out by the Company and Society Foundation. The airline also comes top in staff collaboration programmes after having set up the best projects with impact on society and the company itself throughout 2004.

ONE OF THE BEST RATED SPANISH COMPANIES

Once again, IBERIA has been chosen by Spanish managers as one of the companies with the best corporate reputation by the Spanish Monitor of Corporate Reputation, MERCOR, which it carries out in collaboration with "Cinco Días" and which every year chooses the 50 most respected companies in our country. IBERIA stands out as one of the "top 10" companies with the best ethical and Corporate Responsibility policies.

ONE OF THE COMPANIES WITH THE GREATEST CORPORATE LEADERSHIP

Once again, IBERIA has been chosen as one of the ten companies with the greatest leadership in Spain. This has been confirmed by the study carried out by Sociological, Economic and Political Analyses (ASEP), based on the awareness, trust, corporate reputation and transparency of each of the companies.

ONE OF THE 30 COMPANIES INCLUDED ON THREE BARCELONA STOCK MARKET INDICES

IBERIA has been included on three indices of Barcelona Stock Market: BCN PER-30, which groups together the 30 companies included on the Ibex 35 with the lowest price/profit ratio; BCN ROE-30, made up of shares from the 30 Ibex companies with the highest profit/equity ratio, and on the BCN Profit-30 index, made up of the 30 Ibex companies with the highest profits.

FIRST IN TOURISM AND FOURTH SPANISH BRAND WITH MOST AWARENESS AND LEADERSHIP CAPACITY

IBERIA has been chosen as one of the companies with the most power, according to the ranking drawn up by the magazine "Actualidad Económica" in May 2004. The airline is also first in the tourism sector and fourth among Spanish brands.

The list has been drawn up with the collaboration of marketing professionals from 150 companies from all over the world and Instituto Empresa and ESIC business schools, who have voted for the brands with most awareness and leadership capacity in the sector, guarantee of quality, highest rates of consumer loyalty and international projection.

THE BEST VIP LOUNGES IN THE WORLD

According to the Shytrax Research 2004 report, the VIP Lounges of the oneworld alliance, of which IBERIA is a partner, have been chosen as the best in the world. This has been certified by the survey carried out among a million and a half people who have considered aspects such as seat capacity, decoration and atmosphere, business facilities, bathrooms, showers, leisure objects, food and drink, as well as staff efficiency and cordiality.

FOURTH MOST WELL-KNOWN SPANISH BRAND IN THE WORLD

In the study "Made in Spain: The image of Spain and its brands in the world", directed by the Universidad Carlos III for the Forum of Renowned Spanish Brands (FMRE), once again IBERIA is among the most well-known Spanish brands abroad, on this occasion occupying fourth place.

4.6.3 Certificates of Quality and Environment

The certification of quality and environment management systems requires annual renewal by an accredited certifying body. This is why certificates are significant proof of an organisation's performance in managing these two areas.

In 2004, the environment certificates (UNE-EN-ISO 14001:1996) were extended to the area of Madrid maintenance (La Muñoza) and the Material Department, one of the activities with greatest impact on land, so that ground activities with the greatest environmental impact are covered by environmental management systems (maintenance, airports and cargo). This certification includes environmental management activities carried out by the Infrastructure Sub-Department for the Material Dept. in this location. This Sub-Department has also obtained the quality certificate (UNE-EN-ISO 9001:2000) for the management of services and installations.

Below are details of the scope of activities for each of the certificates:

UNE-EN-ISO 14001:1996 from AENOR - Material Dept. (aircraft maintenance)

Environmental Management certificate in aircraft maintenance in the facilities at La Muñoza (Madrid), where almost 4,000 people work. This is one of the certificates with the greatest scope granted by AENOR in terms of surface area affected and the variety and number of environmental aspects, as well as the number of people involved.

Table 7. Certifications of quality and environment in IBERIA. February 2005

Area of IBERIA	Quality Certification as per standard UNE-EN-ISO 9001:2000*	Environmental Management Certificate as per standard UNE-EN-ISO 14001:1996	Environmental Management Systems Implemented
Infrastructure Sub-Department	2004		
Material Department**	2002	2004	
System Department	2001		2003 (Environmental diagnosis)
Airport Department	2000	2003	
Cargo Department	2000		2004 (Procedure update)
Operations Department	1998		

* Dates of obtaining initial quality and environmental certification in IBERIA.

** It also has certification UNE-EN-ISO / IEC 17025 from ENAC for calibration in the area of CC Electricity and Low Frequency

UNE-EN-ISO 9001:2000 from AENOR - Material Dept.

Quality certificate in military aircraft and engine maintenance, component repair, standardisation trials and control of materials and aeronautical products, as well as non-destructive trials.

UNE-EN-ISO / IEC 17025 from ENAC - Material Dept.

Accreditation for carrying out calibrations in the area of CC Electricity and Low Frequency.

UNE-EN-ISO 9001:2000 and ISO 14001:96 from AENOR-Airport Dept.

Integrated quality and environmental management system for passenger and ramp handling in the 39 Spanish airports. This system is currently being adapted to the new standard UNE-EN ISO 14001:2004.

UNE-EN-ISO 9001:2000 from AENOR – Infrastructure sub-Dept.

Quality certificate for the management of building and installation maintenance services;

waste, cleaning, building work and reforms, supplies of water, gas, electric and fuel at the company's facilities of the industrial zones of Barajas and La Muñoz, the cargo terminal for Barajas airport and the buildings of the urban area of Madrid.

UNE-EN-ISO 9001:2000 from AENOR – Systems Dept.

Quality certificate in the areas of Development of Facilities and Maintenance Applications, Support and Infrastructure, Architecture and Servers and Network, Information Systems and Data Processing Centre.

UNE-EN-ISO 9001:2000 from AENOR – Cargo Dept.

Quality certificate in reservation and control of space, goods acceptance, flight preparation and delivery in cargo terminal.

ISO 9001:2000 from SGS ICS Ibérica, S.A. – Operations Dept.

Management of commercial transport aircraft operations and their crews, and design of support resources.



Figure 6. Sections of IBERIA's corporate website regarding corporate commitment

4.7 Renewal of IBERIA's corporate website

Over the last few years, Iberia.com has been the leading Spanish e-business portal. IBERIA aims to maintain its leadership in the area of new technology via the recent renewal of its corporate website, both in its background as well as in its form.

The new website, <http://grupo.iberia.es/>, which was first seen on the 2nd of December 2004, has a search facility of **one thousand pages** in which an x-ray of the company is provided with totally up-to-date information. Previously, the corporate information was offered via iberia.com, in the section "Acerca de

IBERIA" or "About IBERIA". This included a description of activities and services offered by IBERIA, information on the current fleet and historical information, a general description of IBERIA's social actions and a link to the site of [Iberi@empleo](http://iberi@empleo).

At present, not only has this information been updated but much more content has also been added, as shown by the **site map** below. This map is complemented with an additional section, "Working at IBERIA", providing access to the job hire page.

Table 8. Site map of the new corporate website of the IBERIA Group

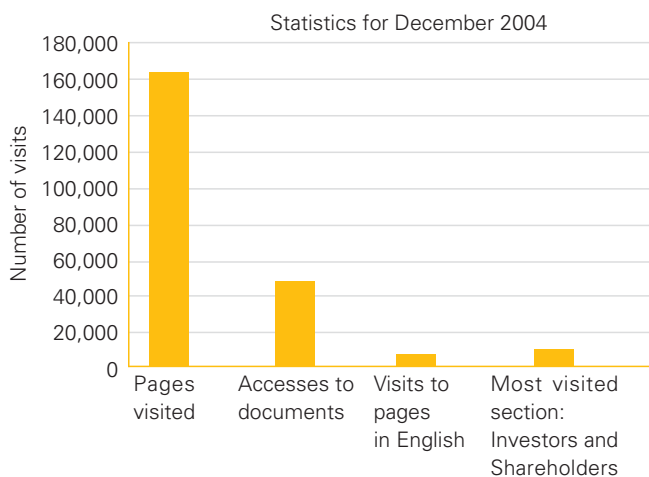
About IBERIA	Investors and shareholders	Press Room	Corporate commitment
Who we are	Strategy and goals	Gallery of images	To society
Why IBERIA	Structure of the capital	Aircraft	To the environment
Activities and services	IBERIA on the stock exchange	Services	To customers
The team	Operational and financial trends	Group activities	To shareholders
IBERIA in figures	Corporate governance	The team	To employees
Fleet	Governance structure	IBERIA advertising	
History	Company articles and rules	Did you know that...?	
Alliances	Annual report on Corporate Governance	Documents	
Distinctions	Relations with the external auditor	News	
	Financial calendar	Contact	
	Key facts		
	Presentations		
	Contact		



The website is designed in order to facilitate access for people suffering from some kind of disability, following the guidelines of the international initiative Web Accessibility Initiative (WAI). Some of the measures applied are the use of a simplified navigation system (not using drop-down menus), the inclusion of descriptive texts in images, keyboard access for main actions and easy-to-read information summarised in tables, among other techniques.

The key statistics, collected during the month of December 2004, on the use of IBERIA's new website are as follows:

Figure 5. Statistics on access to IBERIA's new corporate website



4.7.1 Corporate commitment, among the company's priorities

IBERIA is highly committed to all that surrounds it and, precisely because of this, corporate commitment has a relevant section on the new website, divided into five sections:

- **Commitment to society:** including the company's most significant welfare projects, such as Mano a Mano, the Association of IBERIA's Employees Parents of Disabled Children, the Spanish Red Cross and the National Transplant Organisation, among many others.
- **Commitment to the environment:** in this section, the information available has been widely extended, making it more accessible to all kinds of people visiting the site in order to find out about the environmental aspects of air transport, as well as providing a point of reference for those stakeholders with more specific demands concerning environmental information on the company and the sector in general.
- **Commitment to customers:** based fundamentally on commitment to passengers, signed on the 2nd of July 2002.
- **Commitment to shareholders:** all the information included in this section is in accordance with the three basic principles of our commitment to efficiency, transparency and responsibility.
- **Commitment to employees:** this section contains general information on the company's human resources.



Our economic responsibility

The main economic aspects and actions carried out by IBERIA in 2004 are mentioned in the Management Report and Corporate Governance Report for 2004, which can be accessed at the following websites: Management Report 2004 and Corporate Governance Report 2004. This annual report includes some economic, financial and business data on the company for two fundamental reasons: on the one hand, because they are significant indicators of the general situation and economic evolution of the company and, on the other hand, due to requirements established by the Global Reporting Initiative or GRI guidelines. In this respect, there are no significant changes in the organisation compared with the previous year and the same criteria have therefore been followed to formulate and compare these data.

5.1 Key economic data

During the business year of 2004, the IBERIA Group's profit after tax totalled 218.4 million euros, 49.8% higher than 2003.

On average, IBERIA offers approximately 672 flights a day, with a total of 246,091 flights and 26,692,000 passengers transported in 2004. It has a fleet of 154 aircraft, of which 48 it owns outright, 12 are under lease, 92 under operational lease and 2 under "wetlease" (including crews).

Taking into account IBERIA's operational capacity together with its regional franchise Air Nostrum, the average daily figure rises to 1,000 flights and the passengers transported during 2004 to over 30 million.

Table 9. Key operational data for IBERIA

Million euros	% Variation 2004-2003	Accumulated 2004	Accumulated 2003	Accumulated 2002
Operating income (million euros)	4.0	4,805.4	4,619.3	4,699.5
Operating expenditure (million euros)	3.2	4,602.1	4,458.6	4,450.4
APK x 10 ⁶ (available passenger km)	8.8	61,058	56,145	55,405
RTK x 10 ⁶ (revenue tonnes km)	9.1	45,924	42,100	40,470
Occupancy rate (%)	0.2 pp	75.2	75.0	73.0
TTK x 10 ⁶ (tonnes transported km)	19	1,033	868	850

Table 10. Main companies of the IBERIA Group.

Company name	% IBERIA holding	Activity
CACESA, S.A.	75	Goods transport
SAVIA, S.A.	77.5	IT services applicable to travel and tourism sector
CAMPOS VELÁZQUEZ, S.A.	100	Acquisition and ownership of urban real estate.
AUXILIAR LOGÍSTICA		
AEROPORTUARIA, S.A.	75 via Cacesa	Goods transport
IBERIA TECNOLOGÍA, S.A.	100	Air maintenance services
CONSULTORES HANSA, S.A.	100	Market consultancy
AMADEUS	27.9	Management and use of an automatic booking system
IBERIA CARDS	40	Issuing and management of payment instruments
BINTER FINANCE	100	International treasury services

Table 11. IBERIA shareholders

Shareholders	% of shares with respect to total
BA & AA HOLDINGS LIMITED	9.93
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	9.93
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	7.50
COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.	6.66
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	5.35
CORPORACIÓN FINANCIERA DE GALICIA	3.53
EL CORTE INGLÉS, S.A.	2.98
Others, including staff	54.12
TOTAL	100.00

IBERIA's share price continued to rise in 2004, as shown in the figure below. In particular, at the start of the year IBERIA was valued at 2,095 million euros on the stock market, while at the end of 2004 its stock market capitalisation had reached € 2,391 million.

Figure 6. IBERIA share price trends during 2004 together with the IBEX 35 Scale: euros per share



5.2 The importance of our customers

This section covers various fundamental aspects that are representative of the importance IBERIA places on its customers: a knowledge of their preferences and concerns, our commitment to service and the Comprehensive System Improvement Plan, the CRM system to give technological support to this service and strict compliance with regulations governing advertising.

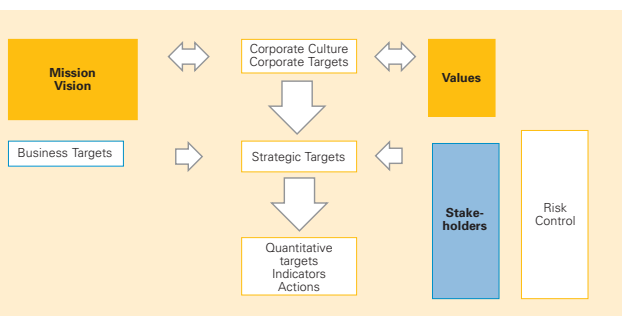
Our customer satisfaction index stood at 85.7% in 2004

5.2.1 Our customers' perception

We believe that the greatest recognition we can have is when a customer continues to use our services and also recommends us. Our research shows that the elements most highly appreciated by customers are punctuality, comfort, on-board attention, safety and the friendliness of the staff.

We regularly monitor and analyse the perception of our customers, as well as evaluate our services in comparison with our main rivals.

- **Customer satisfaction:** the satisfaction of our customers is monitored via our Perceived Quality Surveys, which rate this aspect in terms of 30 service attributes. The customer satisfaction



surveys are integrated together with the rest of the management indicators, and the studies carried out are analysed in order to determine if there is any need for specific actions in order to improve the quality of our service. During 2004 we carried out over 18,000 customer surveys, divided into two waves, **the last wave achieving an overall rate of 85.7 out of a total of 100**. The year's results also show stability with respect to the levels reached in the previous year throughout all the key indicators.

- **Complaints:** we believe that examples of our customers' dissatisfaction are a valuable source of information in order to correct defects and align our service with our customers' needs, as well as being an opportunity to meet their expectations.

The rates obtained in **2004** for every 1,000 passengers transported were as follows:

Table 12. Complaint rates in 2004

Passage complaints	3.17
Luggage complaints	11.43
Loss + Delay	8.73
Damage	2.70

Luggage complaints have fallen in 2004 and overall satisfaction with the resolution of these complaints has increased significantly since the previous year. In the area of missing luggage, IBERIA is under the AEA average, achieving the best result out for European scheduled airlines.

Given its importance for our customers, we should also note the approval of Regulation (EC) no. 261/2004 of the European Parliament and Council, of the 11th of February 2004 and in force since the 17th of February 2005, which establishes common rules for airlines in the area of compensation and assistance to passengers in the case of denied boarding, cancellation or long flight delays. The main aspects are covered in the table below.

Table 13. Main characteristics of the new Regulation regarding compensation and assistance for passengers in the case of denied boarding, cancellation or long flight delay

- It entered into force on the **17th of February 2005**.
- This Regulation is applied generally, **provided passengers have a confirmed booking for the flight in question and, except in the case of cancellation, arrive to check in at the previously indicated time** or, if no time was indicated, at least **forty-five minutes** before the announced time of departure.
- The Regulation establishes the rights of passengers in the following situations: **denied boarding against their will; cancellation of their flight; delay in flight; change in category**.
- **Compensation** varies between **€ 125 and € 600**, depending on the grounds.

5.2.2 Service commitment to customers and the Comprehensive Improvement Plan for service quality

5.2.2.1 Service commitment to customers

IBERIA is fundamentally customer-oriented, having undertaken a **service commitment** signed on the 2nd of July 2002 after joint negotiation between airlines, airport authorities and consumer organisations. This commitment has taken shape by means of a document containing a Customer Service Commitment. The main objective of this document is to improve the service offered by airlines to their customers by providing detailed information on the basic conditions of the services offered, so that clients can have a solid foundation on which to base their purchase decisions.

This code of conduct establishes the levels of service offered to customers before, during and after their journey and, among other things, proposes to improve accessibility for people with limited mobility, ensuring their needs are met and that their safety and dignity are respected.



For more information, you can contact our Customer Attention Service at:

Iberia, Líneas Aéreas de España
Centro de Atención al Cliente
Apdo. Correos 548 F.D.
28080 MADRID (Spain)

Telephone:

In Spain: 902 400 433

Fax: +34 91 5508829

E-mail: relacionesclientes@iberia.com or
customerrelations@iberia.com

The signing of this commitment is **voluntary in nature and based on the following points:**

- Offering the lowest available price in each of its direct means of distribution
- Respecting the agreed tariff after payment
- Notifying passengers of delays, cancellations and diversions
- Attending to passengers who undergo delays
- Optimising the delivery of luggage
- Allowing telephone bookings to be maintained or cancelled without any commitment or surcharge during a period of 24 hours
- Optimising the payment of reimbursement
- Assisting passengers with limited mobility or special needs
- Attending to the essential needs of passengers during long delays onboard aircraft
- Taking measures to optimise the checking in process
- Reducing the number of passengers denied boarding

- Providing passengers with information on commercial and operational conditions
- Providing information on the operator
- Attending passenger complaints with interest

5.2.2.2 Comprehensive Improvement Plan for service quality

Punctuality in 82% of our flights in 2004

Achieving customer satisfaction is a fundamental commitment undertaken by IBERIA, expressed in an overall improvement plan for service quality, established in 2003 as a goal for 2004. Below are some of the key **initiatives** related to this strategic goal:

- **CRM:** customer service quality and differentiation are key elements to success in the current competitive climate. In line with this idea, IBERIA set up its CRM project (Customer Relationship Management) in 2001, having concluded its implementation stage in 2004.
- **Customer Attention Centre:** all suggestions, complaints and other customer communication are processed at the Customer Attention Centre (CAC) and the Luggage Hotline Centre (LHC), working in close collaboration, with increasingly shorter response times.
- **New Business Plus class:** IBERIA has designed a new business class for its intercontinental routes, called Business Plus, which improves on and unifies the current Business Intercontinental and First Class, available as from April 2005.

- **Preferential treatment to high value clients:** during 2004, IBERIA carried out other actions aimed at improving its services to its best customers, providing a greater level of comfort to Business class on long-haul flights, improving the catering service in all Business classes, establishing a shower service for business class clients and, most fundamentally, proactively handling incidences that may affect these clients via the Customer Attention Centre.
- **Iberia Plus:** the Iberia Plus programme is designed to provide special attention and reward frequent flyers with the IBERIA Group. Holders of Iberia Plus cards accumulate points on flying with IBERIA or using the services of companies participating in the programme, which can then be exchanged for flights or other services. There are four kinds of card (Iberia Plus Classic, Silver, Gold and Platinum), all personal in nature and free of charge, which are granted depending on the number of points accumulated, each card with increasingly more benefits.
- **Punctuality:** at the beginning of 2003, IBERIA set up its Comprehensive Plan to Improve Punctuality, in 2004 achieving an average punctuality of 82.2%, slightly lower than that recorded in 2003 (83.8%) as a consequence of the growing traffic congestion in the airports of Madrid-Barajas and Barcelona-El Prat, more adverse weather conditions and, finally, a tighter programme as a result of a significant increase in the use of aircraft.
- **Quality certificates:** the IBERIA Group's commitment to the goal of improving quality is aimed at all its actions. In this respect, throughout 2004 various areas of the company have passed audits to maintain the quality certificates they have obtained over recent years. IBERIA has also continued its efforts to complete certification of all its activities.

5.2.3 Customer Relationship Management or CRM

Culmination in 2004 of our implementation of CRM with investment exceeding € 16 million

CRM combines the setting up of a customer-oriented business strategy as well as the implementation of significant IT and human resources to collect and analyse information on clients, with the aim of improving and reinforcing the customer relationship. In **2001**, IBERIA set up its CRM project, which concluded its implementation stage in **2004**.

In 2004, the geographic deployment of the main tool was concluded and some additional functions were developed for the model. Up to 2004, the total investment in the project has reached **€ 16.3 million**. As a necessary complement to the CRM implementation, the company also developed an extensive training plan (see section 6.1.11).

During 2004, and by completing the final stages to implement the CRM system, based on the value and prior experiences of customers, actions have been defined aimed at retaining our best customers, increasing their satisfaction and improving their loyalty to the company.

The actions carried out are monitored by keeping a record of these actions and the customers involved, so that this information can be used to calculate the frustration index, as well as being contained in the database for any later processing, always in line with the 1999 Act on the Protection of Data of a Personal Nature.

The first loyalty actions are also being carried out which affect both the travel experience of the customers as well as going beyond this experience. By way of example, these actions include gifts for Iberia Plus points, Upgrading vouchers (use of Business Class and First Class services), VIP lounge vouchers, Onboard Sales vouchers, VIP parking and invitations to organised events or trips.

5.2.4 Management policies and systems regarding compliance with advertising regulations

For several years now, IBERIA has been a member of the **Association for the Self-Regulation of Commercial Communication (Self-Control)**, belonging to the European Advertising Standards Alliance. With this association, it has undertaken to exercise its freedom of commercial communication responsibly, helping to strengthen the self-regulation of advertising as a means of ensuring respect for the rights of both consumers and competitors.

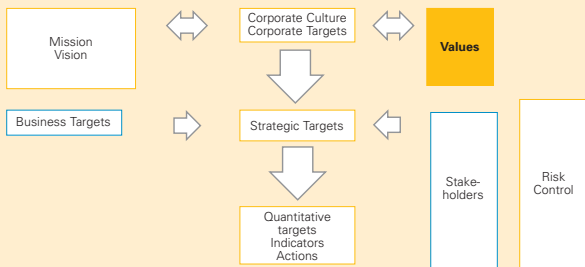
The objective of Self-Control is to help advertising become a useful instrument in the economic process, safeguarding the rights of consumers and users as well as ensuring fair competition. Through self-regulating advertising, consumers can benefit from more protection with respect to the content of advertisements and companies can benefit from an agile, effective channel to prevent and settle controversies concerning fair competition.

The Association for the Self-Regulation of Commercial Communication works through and for advertising, establishing an ethical framework and ensuring **accurate, honest, responsible and legal commercial** communication for consumers and the advertising industry itself.

It should be noted that IBERIA's advertising has received complaints on two occasions from the Association of Users of Advertising and brought before the Advertising Self-Control panel. In both cases IBERIA has accepted the decision of the panel, although this is not binding. In the first case the ruling was in favour of IBERIA; in the second case the defects indicated in the ruling were corrected.

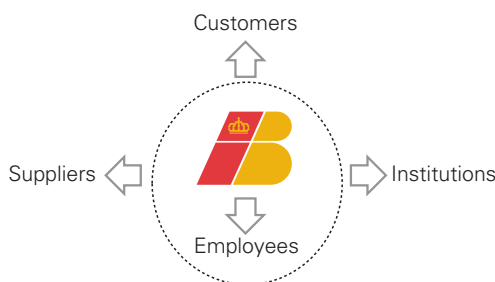


Our social responsibility



IBERIA has developed a **social action strategy** that is based on favouring the professional and personal development of its staff, encouraging well-being among people and their environment but without forgetting the well-being of future generations. In particular, its main social programmes are related to access to employment for people with disabilities, voluntary work carried out by its staff, the transport of passengers in need of some kind of assistance and the provision of space in aircraft holds to transport humanitarian aid.

Figure 7. IBERIA's main corporate interlocutors.




IBERIA therefore concentrates its strategy and social action programmes fundamentally on **4 groups of interlocutors**, as shown in the figure above and described below:

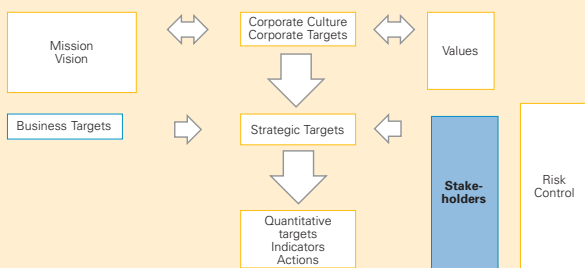
- **Internal** social action, our employees: given its significance, it's extremely important to emphasise that IBERIA's internal corporate action is based on a whole series of activities aimed at achieving our staff's greater well-being and satisfaction, among which we may mention, by way of example, the prevention of work-related hazards, training and company benefits.
- In **external** corporate action, IBERIA collaborates with different stakeholders: employees, institutions, customers and suppliers. IBERIA's employees take part in social action programmes, both in Spain and in destination countries. A clear example is non-governmental organisation Mano a Mano and the Iberia Association of Parents with Disabled Children (APMIB). In 2004, a series of highly significant milestones were reached with respect to IBERIA's external social actions, mentioned below:
 - i. APMIB: 2,200 people attended at its Special Centres and € 2.7 million in employment contracts on the part of IBERIA.
 - ii. Mano a Mano: 28 projects underway, free dispatch of 200 tonnes of humanitarian aid and the transport of 11 children for operations.
 - iii. Red Cross: € 61,000 for the family regrouping of 53 people.
 - iv. Sponsorship: € 773,000 in transport facilities for institutions of a social nature.
 - v. Christmas Campaign 2004-2005: € 83,507 collected for Mano a Mano and the APMIB, with the participation of over 90 suppliers and 652 bids on the part of employees.
 - vi. Campaign "One toy, one joy": donation of € 14,300 in tickets.
 - vii. National Transplant Organisation: transport of 108 organs.

The following sections describe in more detail the actions carried out by IBERIA with respect to its internal and external social action.

Table 14. IBERIA: Patron of the "Fundación Empresa y Sociedad"

IBERIA, as a Patron of the Fundación Empresa y Sociedad (Company and Society Foundation), is a company committed to: <ol style="list-style-type: none"> 1) Improving its strategy. 2) Communicating its social action appropriately 3) Supporting the institutional activities of the Foundation in order to promote social action in the business sector 	
--	---

6.1 The driving force of IBERIA: our employees



IBERIA provides information on all its corporate action activities through different channels, such as: the Annual Report on Corporate Responsibility, published annually; the magazines Ronda Iberia, Iberiaviación and Iberia Plus, and the on-board Video; on the internet via the corporate website <http://grupo.iberia.es/>; and on the intranet, available to all employees.

Goals: the main goals for 2005 are to establish the Collective Agreements for Ground and Flight staff, to create a Shared Service Centre (SSC), to guarantee staff accessibility to the new Terminal 4 at Barajas airport, to reduce the rate of absenteeism and implement the new company uniform.

Actions carried out: in 2004 the following significant actions were carried out: extension of the Redundancy Measure approved in 2001; extension of the 9th Collective Agreement for Flight Engineer Crews; collective bargaining with Pilot Crews; implementation of the paid onboard service and adaptation of the commercial crew; implementation of maintenance by requirement; creation of a high rotation chain in the Material Department; creation of a maintenance firm of ground equipment; setting up of the joint company for aeronautical training created by IBERIA and CAE; development of safety procedures to protect aircraft and maintaining significant efforts in training.

Future actions: see section 4.3 (Our social and environmental commitments).

6.1.1 Key milestones in 2004

- **Extension of the Redundancy Measure:** on the 16th of December 2004, the General Directorate of Work approved an extension for Redundancy Measure 72/01, extending the period of its application and extent up to the 31st of December 2007 for Ground Staff, Flight Engineers and Cabin Attendants, under the conditions established in its ruling of the 26th of December 2001. Due to the suspension of activity in IBERIA of the B-747 fleet, an extension in the Redundancy Measure has also been agreed for Flight Engineers. This measure is obligatory for this group.
- **Extension of the 9th Collective Agreement for Flight Engineers:** during 2004, the extension to the

9th Collective Agreement has been negotiated and agreed between IBERIA and its Flight Engineers up to the 31st of December 2006. This extension maintains the productivity measures (Flight Engineers have agreed to carry out the company's commercial programme with the existing staff at the time) and have agreed to freeze salaries for 2005 and 2006.

- **Collective Bargaining with Pilot Crews:** at the end of March 2004, negotiations started for the 8th Collective Agreement between IBERIA and its Pilot Crews, finalising on the 12th of November 2004 with a preliminary agreement. This agreement was not submitted to referendum by the Union Section as planned and the preliminary agreement has therefore lost its validity.

- **Paid onboard service and adaptation of the commercial crew:** on the 1st of March the new Paid Onboard Service was initiated in all short and medium-haul domestic and international flights, as well as in flights to the Canary Islands from the month of June. As a consequence, the commercial crew have been adapted for this kind of flight, as in the remaining short and medium-haul flights, in line with that established by the Director Plan 2003-2005, leading to a reduction in the number of Cabin Attendants per aircraft on these flights.
- **Implementation of maintenance by requirement:** on the 15th of February 2004, and as a measure included in the Director Plan 2003-2005, the new procedure of "Maintenance by Requirement" was implemented, which meant that tasks that did not require any technical qualification which were previously carried out by Aircraft Maintenance Technicians would be carried out by other labour groups: by the group of Office Workers (Coordinators), carrying out the function of Aircraft Departure both for IBERIA and for third party companies, and by the Cabin Attendants.
- **Material Department high rotation chain:** in compliance with the company's commercial targets, consisting of the remodelling of the A320 Fleet by increasing the number of seats, a High Rotation Chain was created in 2004 so that a aircraft could be completed in seven days, dedicating a total of 120 Aircraft Maintenance Engineers to this operation. All the Fleet is expected to be concluded by April 2005.
- **Creation of a ground equipment maintenance firm:** in 2004 the firm SERPISTA was created, with shares held by the company, whose task is to provide ground equipment maintenance in the national network of airports which, in this way, will no longer be served by IBERIA itself. SERPISTA currently provides these services in the airports of Madrid, Barcelona, Palma de Mallorca, Tenerife South and Alicante and the plan is to gradually introduce the firm into the rest of the national airport network.
- **Joint Venture IBERIA and CAE:** in 2004 the joint firm of aeronautical training created by IBERIA and CAE was set up. Of the affected staff, four workers passed voluntarily to form part of the joint venture of IBERIA/CAE, terminating their employment with IBERIA. The remaining employees went to work in other IBERIA units as befitting their labour group.
- **Security procedures to protect aircraft:** in compliance with community regulations on civil aviation security, on the 30th of September 2004 IBERIA signed an Action Plan to cover actions that may be required from airlines, handling agents and airports in order to carry out different security procedures and in which the ground staff, Cabin Attendants and Flight Engineers actively take part, these actions coming into force on the 1st of December.

6.1.2 Goals in the area of Human Resources

With respect to Human Resources, the company will continue to put into practice the targets approved in the **Director Plan 2003-2005**. This Plan contains a series of measures aimed at ensuring competitiveness in the company's human resources and reducing the staff unit cost by increasing productivity and multi-tasking, as well as reducing associated costs. The goals established for 2005 are detailed below:

6.1.2.1 Collective bargaining

- (i) **Ground staff:** the measures contained in the Director Plan meant that certain points established by the Collective Agreement had to be amended, in addition to the fact that the 15th Collective Agreement for Ground Staff came to an end on the 31st of December 2004. Consequently, in 2005 the negotiation of the 16th Collective Agreement for Ground staff and the negotiation to Adapt Labour Provisions for Office Workers and Auxiliary Service Agents are the main goals.

- (ii) **Flight Engineers:** to negotiate the 9th Collective Agreement between IBERIA and its Pilot Crews.
- (iii) **Cabin Attendants:** the 14th Collective Agreement for Cabin Attendants came to an end on the 31st of December 2004. As a result, weekly meetings are currently being held of the Negotiating Committee in order to reach an agreement for the 15th Collective Agreement of Cabin Attendants.

6.1.2.2 Other significant goals

- (i) **Negotiation of the Agreement for the handling sector:** during 2005, the negotiations will continue for the Collective Agreement for the handling sector.
- (ii) **Creation of a Shared Service Centre (SSC):** in order to improve efficiency and service quality, as well as to reduce costs and optimise the staff dedicated to human resource functions, it is planned to create a Shared Service Centre to manage staff by grouping together support processes and non-strategic activities in an independent organisation. Once the processes that may be centralised have been analysed, as well as their viability, the current processes will be adapted, eliminating any overlaps, standardising processes and geographically concentrating staff in order to optimise resources, both personnel and infrastructure.
- (iii) **Outsourcing of non-essential activities or those with no added value:** this outsourcing will be carried out as established by the Director Plan 2003-2005. Outsourcing is expected in almost all business units.
- (iv) **Operation in the New Terminal Area of Barajas in October 2005:** On the 1st of December 2004, AENA announced that the New Terminal Area T-4 would be used by IBERIA and its oneworld alliance partners. As a result of this move, planned in principle for October 2005, it is necessary to adopt a series of measures aimed at minimising the impact of the physical transfer of IBERIA's normal operations at Barajas airport, involving the participation of all the company's areas. In the area of human resources, the main goals are centred on ensuring accessibility for staff to their work stations (group transport, staff parking for Ground staff), as well as the location of the arrivals control area for flight personnel or rest rooms for crews. Other goals are to ensure that work relations remain normal, to prevent work-related hazards and to ensure all IBERIA staff are suitably trained and skilled to work in T-4.
- (v) **Reduction in absenteeism rate:** in 2004, the absenteeism rate fell by 7.7% with respect to 2003 as a consequence of the measures adopted.
- (vi) **New uniform:** in November 2004, IBERIA selected the proposal put forward by Adolfo Domínguez for the design of the new IBERIA uniforms, both for Cabin Attendants and Ground staff, with the implementation planned for Cabin Attendants during the summer of 2005, coinciding with the start-up of the new Business Plus class on intercontinental flights, and in October for Ground staff. This uniform's main innovation is the possibility for female workers to wear trousers, should they choose to do so.

What are the advantages for Iberia and its clients of a Shared Service Centre?

- 1) The optimising of processes via re-engineering, standardisation and consolidation of processes, leading to economies of scale to minimise operating costs: companies with shared services have reductions of up to 40% in costs associated with providing support services.
- 2) Freeing up time previously dedicated to non-strategic tasks.
- 3) Establishing better conditions to implement latest generation technological solutions.

6.1.3 Our staff

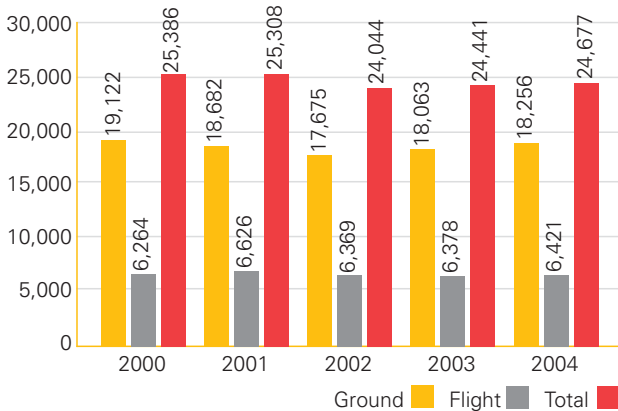
The IBERIA Group is made up of a staff of 26,266 people as of the 31st of December 2004, of which over 75% belong to ground staff. Our personnel are made up of Ground Staff, Pilots, Flight Engineers and Cabin Attendants.

In geographical terms, IBERIA has staff abroad in almost all countries where its commercial network operates, although approximately 95% of its personnel are located in Spain.

Table 15. IBERIA staff at 31st December 2004

Group	Number of people	%	Average age (years)	Average senior (years)
Ground national	18,623	70.9	41.67	14.40
Cabin Attendants	4,591	17.5	38.05	12.35
Pilots	1,922	7.3	42.94	13.95
Local staff abroad	1,050	4.0	41.31	12.32
Flight Engineers	58	0.2	54.48	28.28
Spanish staff abroad	22	0.1	49.59	26.50
Total	26,266	100	41.15	13.97

Figure 8. IBERIA staff averages 2000-2004



Creating employment

Our staff has increased by 1% with respect to 2003



Average staff

Figure 9. Location of IBERIA staff worldwide



6.1.4 Prevention of work-related hazards

2004 was characterised by a reduction in the number of injuries through accident

The accidental injury rate per 100 employees fell in 2004 by 4.6% compared to 2003, although there was still some growth in accidents caused by excessive effort.

In collaboration with centres and firms specialising in looking for the possible causes and solutions to work-related accidents, 2004 saw the completion of these studies. The findings were presented to the Ministry of Work to enable the Ministry to carry out or support actions affecting the administration's infrastructure in centres where our employees work, which constitute the main cause of this kind of problem and its growth, in spite of measures put into practice by the company.

6.1.4.1 Management of Work-Related Hazard Prevention at IBERIA

(i) Identification of hazards: a requirement for prevention

At IBERIA, tasks are carried out that cover various sectors of activity, so that the prevention of work-related hazards is a critical and fundamental activity. With respect to the seriousness of injury, special attention must be paid to the following activities, given their associated hazards:

- Work in industrial zones in maintenance processes, especially all those where there is a great risk of falling from a height.
- Work with chemical, inflammable or carcinogenic products.
- Unloading and unloading aircraft luggage, due to the high degree of muscular injury.
- Work in cargo terminals due to the variety of products handled, such as animals, perishable goods or radioactive products.

- Projects in new facilities, acquiring new equipment and occupying new premises.

(ii) Organisation and main actions to prevent work-related hazards

IBERIA's actions in the area of work-related hazard prevention are based on the following aspects:

Table 16. Main health and safety actions at IBERIA

- Definition of **responsibility** concerning health and safety throughout the organisational structure, as a basis of preventative activity.
- Existence of a **hazard assessment system and prevention procedures**.
- **Study of hazards** involved in new positions and those processes requiring study due to their newness or particular risk.
- Existence of **specific company standards** to guide actions in particularly hazardous situations. As decided by the Prevention Service, on the request of managers or worker representatives.
- Existence of a **procedure to analyse all accidents**, including special study of those classified as more than slight and those which could have given rise to particularly serious injury.
- Carrying out **hazard assessment** as per procedures agreed with worker representatives.
- Maintaining a framework of **training and ongoing information for managers and workers**, appropriate and continuous.
- Drawing up **medical guides** to safeguard health, adapted to official protocols.
- Dedication of necessary **resources** to inform and train workers.
- Availability of a **work-related hazard prevention service in the corporate area** to advise all Iberia departments.
- Creation, in the Material Department, of a **work-related hazard prevention coordination unit**, similar to that created previously in the Airport Department.
- **Specific prevention campaigns** aimed at common illnesses and complaints.

The staff at IBERIA, via Workers representatives and Prevention Delegates, take part in adopting agreements in the Health and Safety Committees of each work centre. For Ground staff there is also an Inter-Centre Health and Safety Committee to coordinate preventative action with the company in general. The Health and Safety Committees, as a whole, are therefore set up as follows:

- Ground: the Committee is established via 102 prevention delegates, distributed into 22 Centre Committees and the Inter-Centre Committee. This is governed by the 15th Collective Agreement for Ground Staff.
- Flight: the Committee is established via the Flight Health and Safety Committee.

In the area of work-related hazard prevention, the **training given and received** by IBERIA staff in 2004 is shown below:

Table 17. Training in work-related hazard prevention

No. Courses Carried out	650
No. Student Hours	36,437

Finally, IBERIA also has an **Aeronautical Medical Centre**, duly approved by the Ministry of Public Works and Development, where the crews of IBERIA and other companies, as well as private individuals, are given medical check-ups, a requirement in order to renew pilot licences.

(iii) Methods of recording and notifying accidents: incidence

Work-related accidents are currently notified by means of the Delt@ application of the Ministry of Work. The Work-related Accident Electronic Declaration (Delt@) is set up as a series of measures that allow the presentation of the following documents by electronic means:

- Work-related accident report.
- List of work-related accidents not leading to time taken off work.
- List of reinstatements or death due to accidents.

In order to make the sending of these documents easier, the Systems Department, together with the Sub-Department of Work-Related Prevention and the personnel units have prepared an IT application that, on the one hand, allows the recording and sending of documentation related to accidents at work, as well as serving as a database of the work-related accidents that have occurred. On the other hand, the Unit of Safety and Hygiene has published standard SH-400 "Analysis and research into work-related accidents", whose aim is to establish actions of information, participation, analysis, research and monitoring which must be carried out when there is an accident with injury to people in the work centre.

Based on the data collected by the accident programme, the Unit of Safety and Hygiene draws up the following reports:

- Monthly report on accident rates.
- Monthly report on accident rates for accidents that have led to musculo-skeletal injury.
- Monthly report on accident rates for accidents excluding those that have led to musculo-skeletal injury.

These reports are prepared on a monthly basis and contain various data, the most relevant being shown below.

The accident injury rate has fallen by 4.6% and their degree of seriousness, i.e. the extent of duration of sick leave, by 7.6%. This last figure indicates that there has been a decrease in the seriousness of the injuries as a result of improvements in preventative measures.

(iv) Other parameters of interest

The following actions are of note due to their importance to improve the prevention of work-related hazards:

- The Health and Safety Committees, as meeting points for worker representatives and the company, with a total of 139 meetings being held in 2004.
- An allocation of € 482,000 was made in order to resolve problems not covered by the ordinary Department budgets.
- In 2004, 857 reports were prepared on the status of hazards in other work positions and/or tasks, with an increase of 47% compared to 2003.
- In 2004 the updating of previous risk assessments (98) and new risk assessments (13) increased by 53% and 62% respectively.
- Lastly, and applying the medical check-ups required to safeguard workers' health, 8,614 medical check-ups were carried out directly related to the hazards existing in work positions, with an increase of 53% compared to 2003, in addition to 37,578 free medical consultations on request of workers themselves, an increase of 11.7%.

6.1.5 Employment of people with disabilities

IBERIA's Human Resource policy includes a series of measures aimed at favouring **integration in employment of people with disabilities** via the direct employment of disabled workers and also via alternative measures, such as taking out contracts with Special Employment Centres to provide services to the company, or donations to charitable organisations to encourage the overall integration of people with disabilities.

The main actions carried out in 2004 were:

- **Direct employment of workers with disabilities:** In 2004 IBERIA employed a total of 220 workers with disabilities.
- **Contracts with special employment centres:** IBERIA took out numerous contracts for the provision of a range of services with the Special Employment Centre "Asociación de Empleados de Iberia Padres de Minusválidos" (Iberia Association of Parents with Disabled Children or APMIB). This organisation provides the company with IT, courier, laundry, printing and gardening services, among others. During 2004, IBERIA spent a total of € 2,785,150 on these services.
- **Donations to charitable organisations.** IBERIA gives financial donations to the APMIB, which is recognised as a Charitable Association for the social integration of disabled people. In 2004, these donations totalled € 113,503, a figure equivalent to the hiring of eight people with disabilities.

6.1.6 Salaries and contracts

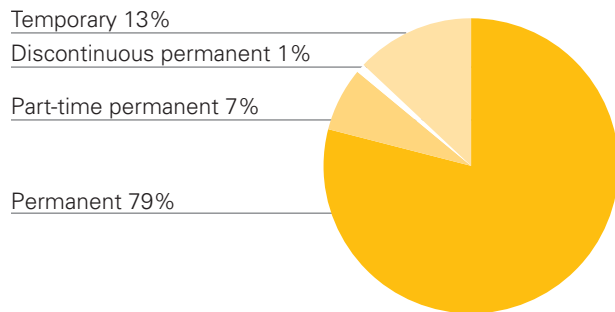
In the area of salary, it is important to note that IBERIA does not distinguish by sex, so that the salary depends on the job position in line with the corresponding collective agreements.

Table 18. Relationship between the lowest salary and the national minimum wage

Salaries	Annual total
Minimum inter-professional salary (euros)	6,447
Minimum IBERIA salary (euros)	14,331
Minimum IBERIA / minimum interprofessional	2.22

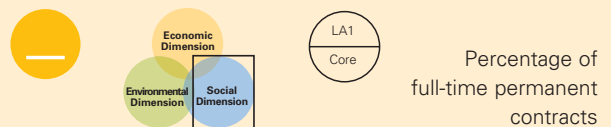
Below is a diagram of the employees according to their **type of work contract**, although there have been no significant overall changes since 2003.

Figure 10. IBERIA staff by type of contract



Stable employment

79% of staff have a permanent contract (19,495 employees)



Employee share options: in 1999, based on agreements reached between the company and the Workers' Representatives from each of the worker

groups that go to make up the firm, and within the general framework of the Merger Agreements between IBERIA and Aviaco, among other points it was agreed for IBERIA to offer its employees and directors the chance to purchase share options, entitling them to buy shares in the company. The options had to be exercised over a period of 12 months, on four option exercise dates, each with a maximum of 25% of the options acquired.

At the end of the option exercise period, the number of beneficiaries who exercised their options was 3,203, with the purchase of 24,505,433 shares.

Table 19. Shares exercised from the Options Plan for employees, 2004

Group	Total shares exercised	People
Pilots	5,701,984	244
Flight engineers	620,523	29
Cabin attendants	4,857,277	555
Total flight	11,179,784	828
Total ground	11,704,576	2,309
Total management	1,621,073	66
Overall total	24,505,433	3,203

6.1.7 Integrating the academic world and the business world

The awarding of postgraduate **grants** and **placements** to students has proved an effective system for recruiting employees and it also gives candidates a chance to gain renowned experience in

the market and to demonstrate their aptitudes and capacity. IBERIA has therefore signed **agreements with 60 universities and training schools, both in Spain and abroad**. Among these are: Universidad Politécnica de Madrid, Universidad Complutense de Madrid, Universidad de Navarra, Escuela Técnica Superior de Ingenieros Aeronáuticos, Universidad Pontificia de Comillas, Escuela de Organización Industrial, Fundación Universidad-Empresa, Escuela de Comercio Internacional, Saint Louis University, University of London-Queen Mary, Université Toulouse, I.E.S. Barajas, CITHE, Fundación Ícaro, Cheste and I.E.S. Escolar. IBERIA also collaborates actively with academic institutions, both by adapting professional training modules specific to the air sector and also by providing practical experience for students on secondary level *Formación Profesional* courses, university students and graduates.

In 2004, 46 placement contracts and 120 student grant periods started in different areas of the company. 54 people have been hired who started their professional careers on the grant programme (19 of which are in their first year of trial contract and the rest now form part of IBERIA's permanent staff). 16 people in the company have been promoted to the worker group of Managers and Specialists via the renovation programme and five new Cooperation Agreements have been signed for Training and Professional Development placements with training institutions, both national and international, in addition to those already in existence. The areas most requested by percentage are as follows:

Table 20. Areas most requested in 2004

Contracts (Perm. + Trial)	Renovations	Grants	Student placements
54	16	46	120
Engineering: 26%	Engineering: 25%	Engineering: 57%	Engineering: 45%
Economics: 46%	Economics: 44%	Economics: 22%	Economics: 17%
Other Areas: 28%	Law 25%	Other Areas: 22%	Other Areas: 20%
	Labour Relations: 6%		Foreign placem.: 18%

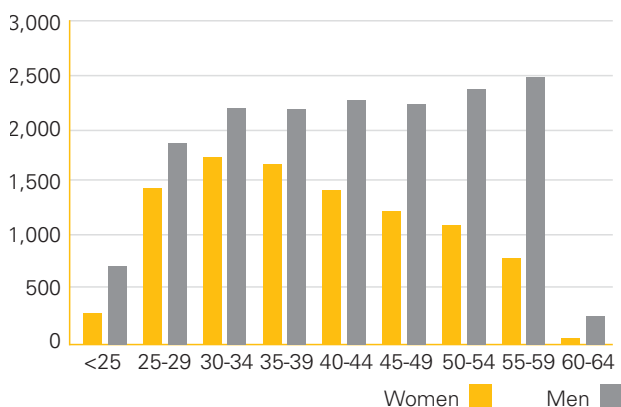
6.1.8 Employee satisfaction

Employee satisfaction is measured fundamentally by the suggestion box set up by the company, as well as by the Open Door policy for managers and directors. Additionally, satisfaction is also monitored through the unions and existing committees.

6.1.9 Diversity and equal opportunities

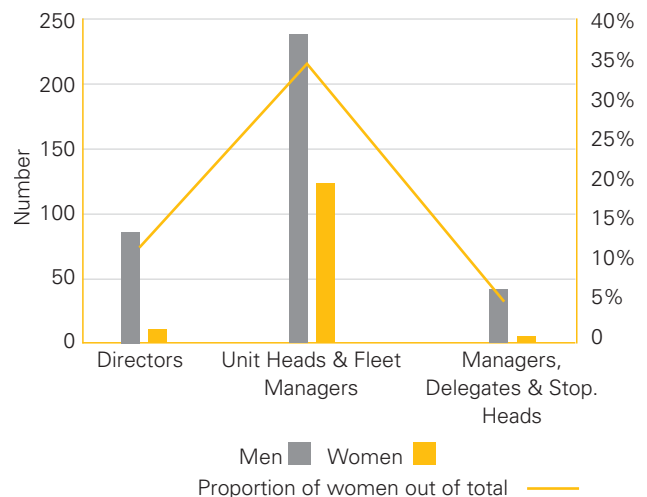
Below is a diagram showing the employee pyramid by sex at the end of 2004. In total, IBERIA's staff is made up of 37% women and 63% men.

Figure 11. Pyramid of employees by sex



In the area of equal opportunities, in 2004 IBERIA's Ground staff contained a total of **138 women occupying executive positions, 27.6%** of the total staff in this kind of position. The graph below shows the breakdown by type of executive position, where it can be seen that this percentage is significantly higher than in the case of Unit Heads or Fleet Managers, a position that rises to 34% of its category.

Figure 12. Men and women in executive positions in IBERIA, 2004



Analysing the categories of IBERIA staff according to Labour Groups, it can be seen that most women, accounting for 36.6% of the overall staff, form part of the groups of Office Staff or Cabin Attendants. In 2004 IBERIA had 60 female pilots.

Equal opportunities

37% of the staff is made up of women, and this figure is increasing



Female staff % of women

Table 21. Breakdown of IBERIA staff by labour group

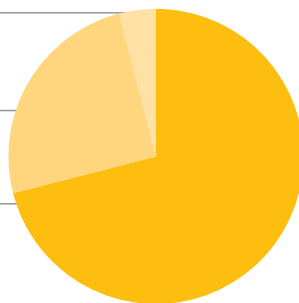
Working group	Women		Men		Total	
	No.	%	No.	%	No.	%
Higher group of managers and specialists	433	1.6	796	3.0	1,229	4.7
Aircraft maintenance technicians	29	0.1	2,973	11.3	3,002	11.4
Ground equipment maintenance technicians	0	0.0	66	0.3	66	0.3
Facilities maintenance technicians	0	0.0	52	0.2	52	0.2
Exploitation and maintenance of information systems and telecommunications technicians	34	0.1	126	0.5	160	0.6
Data processing technicians	11	0.0	54	0.2	65	0.2
Auxiliary technicians		0.0	2	0.0	2	0.0
Office staff	4,672	17.8	2,583	9.8	7,255	27.6
Auxiliary services	456	1.7	6,256	23.8	6,712	25.6
Air personnel on ground duty	36	0.1	66	0.3	102	0.4
Ground subtotal (A)	5,671	21.6	12,974	49.4	18,645	71.0
Local abroad ground	566	2.2	484	1.8	1,050	4
Ground subtotal (B)	566	2.2	484	1.8	1,050	4
Pilots	60	0.2	1,862	7.1	1,922	7.3
Flight engineers	0	0.0	58	0.2	58	0.2
Cabin attendants	3,314	12.6	1,277	4.9	4,591	17.5
Flight subtotal (C)	3,374	12.8	3,197	12.2	6,571	25.0
Total (A + B + C)	9,611	36.6	16,655	63.4	26,266	100.0

Staff breakdown 2004

Subtotal ground B 4%

Subtotal flight C 25%

Subtotal ground A 71%



6.1.10 Promotion of childcare

That established legally by Act 1/1995 of the Workers' Statute has been applied in the area of maternity protection. In 2004 there were a total of 373 workers who qualified for shorter working hours due to childcare among the Ground staff. With

respect to the Cabin Attendants, 559 workers qualified for this measure. These data show an increase of 60% and 33% respectively, compared to 2003.

6.1.11 Training

4.25% of personnel costs invested in training



The Training Plan, in line with the Strategic Training plan 2004 and with the ninth objective of the Director Plan 2003-2005 of the company, aims to adapt all workers to the new procedures and systems being implemented in order to ensure quality service in accordance with the new requirements demanded by customers. The main lines of action have been as follows:

- **Training to improve Customer Attention:** to achieve this goal, IBERIA implemented throughout 2003 and 2004 its Attitudinal Training Plan "New Model of Customer Attention", aimed at 4,000 people in direct contact with clients.
- **Training to apply CRM:** the training Plan was developed together with the CRM project (Customer Relationship Management), a work tool that enables those people in contact with clients to offer a different service to each person according to their preferences and needs.
- **Training for the new Onboard Service:** in order to adapt to the new competitive context, IBERIA set up a new onboard service for short/medium-haul flights. To tackle these changes, actions were carried out in 2004 within the above-mentioned Attitudinal Training Plan on the new cabin service, aimed at 4,217 cabin attendants in the company.

In 2004, IBERIA invested approximately **60 million euros** in 866,754 training hours given to 67,343 participants in 10,697 courses. As can be seen in the graph below, the effort made by IBERIA in the number of courses and students is very significant, of particular note being the investment rate compared with personnel costs, with values over 4% in recent years and far above the business average.

Table 22. Trends in IBERIA training: number of courses and students

	No. Courses	No. Students	Hours/ Students	Investment/Per. Costs ratio
1997	3,995	27,864	507,855	1.64%
1998	4,970	35,816	722,650	1.94%
1999	6,419	49,441	842,424	1.88%
2000	6,873	52,643	780,904	4.61%
2001	7,750	48,448	795,607	4.82%
2002	7,772	51,568	706,733	4.18%
2003	10,659	71,444	878,757	4.44%
2004	10,697	67,343	866,754	4.25%

During 2004, training management has been promoted via the Iberia Personas portal. This remote system means that training can be managed in a user-friendly, homogenous, practical and functional way. The result in 2004 of all this has been the processing of 3,182 courses for a total of 19,586 students, corresponding to 9,372 employees. In this respect, there has been significant development in the use of the portal by employees, both for this and other services.

6.1.12 Labour relations and union representation

6.1.12.1 Union representation: organisation, representatives and membership

IBERIA has two Committees (Inter-centre Ground Committee and Company Flight Committee) to deal **with union relations on a permanent basis**. It also has an Inter-centre Work-related Health Committee and a Flight Work-related Health Committee, with whom important aspects are covered such as the prevention of hazards at work. In all cases the company ensures compliance with and improvement on the applicable national trade union regulations.

The company also has a **Committee of Economic and Corporate Monitoring** in which the unions take part that formed part of the Executive Board in IBERIA's previously public stage: UGT, CCOO, SEPLA and SITCPLA.

With respect to Ground Staff, union representation is via a total of 22 Centre Committees, plus 15 Centres with Personnel Delegates throughout Spain.

In 2004, the percentage of annual union membership with payment direct from the payroll was as shown below, with hardly any change since 2003.

Table 23. Percentage of annual union membership. Data from 2004

Group	Percentage membership via payroll
Ground	67.80
Pilots Crews	100
Flight Engineers	100
Cabin Attendants	31.07

Notes:

- a) These membership data refer to membership payments to those union organisations that withdraw payment directly from the payroll via Iberia, there being other membership fees paid directly by the members, so that the above percentages would be higher.
- b) Although the union membership fee for Flight Engineers is not paid direct from the payroll and there are therefore no data on the degree of membership, we can confirm that practically 100% of the Pilot group belongs to SEPLA (Spanish Airline Pilot Union) and 100% of the Flight Engineers belong to SEOTV (Spanish Flight Engineer Union).
- c) It should be noted that union elections have been promoted to renew all the members of the SEPLA union section at Iberia.

6.1.12.2 Collective Agreements and Redundancy Measures

IBERIA divides its employee relations into four Collective Agreements, one for Ground and three for Flight, these being valid until the 31st of December 2004.

- Collective Agreement for Ground Staff
- Collective Agreement for Pilot Crews
- Collective Agreement for Flight Engineers
- Collective Agreement for Cabin Attendants

In 2005, a negotiation of the Collective Agreements of Pilots, Cabin Attendants and Ground Staff will be carried out, as the Agreement for Flight Engineers was extended during 2004, as mentioned previously. The Work Regulations for the Professional Groups of Office Staff and Ground Auxiliary Service Agents will also be dealt with, where an effort will be made to implement the measures contained in the Director Plan 2003-2005 so that these agreements may remain valid for several years. To this end, periodic meetings are held

to promote these negotiations in the case of Cabin Attendants and Ground Staff. The following are of particular importance:

- The current Collective Agreement for Ground Staff is an improvement on that established by law in some aspects, such as the increase in the number of hours assigned to representatives for trade union activity. Since the Collective Agreement for Ground Staff commenced in 2001, IBERIA has agreed the conversion of 1,982 permanent part-time contracts to full-time contracts. During 2004, a total of 93 conversions of temporary contracts to full-time contracts were carried out. 201 cabin attendant contracts were also converted into full-time contracts in 2004 and a further 347 conversions are expected in 2005.
- With respect to Pilot Crews, on the 19th of July 2001, an Arbitral Decision was given in the conflict between the Company and the Trade Union Section of SEPLA, based on the negotiation of the 6th Collective Agreement of Pilot Crews, valid until the 31st of December 2004.

In agreement with the representations of the workers in question, IBERIA requested from the General Directorate of Work to extend Redundancy Measure 72/01, approved on the 26th of December 2001, due to the persistence of the organisational and productive reasons leading to its initial request and the increase in competition within the sector, as well as the appearance of alternative means of transport. On the 23rd of December 2002, the General Directorate of Work approved this extension until the 31st of December 2004. On the 16th of December 2004 the General Directorate of Work authorised an extension of IBERIA's current Redundancy Measure until the 31st of December 2007, for the groups of Ground Staff, Cabin Attendants and Flight Engineers, with whose representatives IBERIA has reached an agreement. In 2004, the following workers were affected by these measures:

Table 24. Measures taken in the Redundancy Measure and number of workers affected

Group	Early retire.	Modality		Total
		Deferred relocation	Contract renovation	
Ground national	426	15		441
Cabin attendants	124	71	144	339
Pilots	-	-	-	-
Flight engineers	13	-	-	13
Cabin att. on ground duty	33	2	-	35
Pilots on ground duty	-	-	-	-
Flight eng. on group duty	3	-	-	3
Total groups (no.)	599	88	144	831
Total groups (%)	72	11	17	100

The flexibility and productivity agreements reached in 2004 are also of note.

Table 25. Characteristics of flexibility agreements in IBERIA in 2004

Labour group	Main characteristics of flexibility by labour group
Ground Staff	<p>Given the particular characteristics of Maintenance with respect to fluctuations in workload and the attention that must be paid to undertakings with third parties, the Negotiating Committee of the 15th Collective Agreement for Ground Staff reached an Agreement in December 2003 to carry out a series of flexibility or productivity measures in order to make production more agile and to provide a service adapted to the needs of the airline, affecting the Group of Aircraft Maintenance Technicians, whose measures, integrated into the text of the Collective Agreement, are based on the redistribution of the working day, the giving up of public holidays and the implementation of maintenance by requirement.</p> <p>During 2004, a Monitoring Committee has been active, made up of representatives from the Company and Workers, to uphold correct compliance of the content of this Agreement.</p>
Flight Engineers	<p>The extension of the Collective Agreement for Flight Engineers means that maximum flexibility and productivity has been achieved for this group. With respect to Technical Crews, they are pending negotiation of the 7th Collective Agreement.</p>
Cabin Attendants	<p>After implementing the new Onboard Service on the 1st of March 2004, an agreement was reached with the workers' representatives that enabled not only a reduction in the number of Cabin Attendants per aircraft in flights with the Paid Onboard Service but also in the remaining short and medium-haul flights where the traditional Onboard Service was still being implemented.</p>

6.1.12.3 Conflict Resolution

The Collective Agreements establish internal mechanisms to resolve conflicts. Of note is the Mixed Committee for Ground Staff and the Interpretation and **Vigilance and Interpretation Committee** for Flight Staff, as well as the **Conflict Resolution Committee for Pilots**. Employees can also present any complaints they consider appropriate to these Committees.

During 2004 there has not been **any significant labour conflict at a company level**.

However, in strict respect for its values, IBERIA has identified a need to develop a method of action for possible situations of **harassment** in order to investigate complaints that may arise and to take the corresponding measures. In this respect, the company has developed an internal Protocol of action divided into three phases; complaint, investigation and resolution. In the case of alleged harassment, this will be passed on to the penalising body so that it may bring the mandatory disciplinary proceedings and, in coordination with the Company's Medical Service, adopt the necessary measures to ensure the mental health of the person affected.

6.1.13 Company employee benefits

The company benefits offered by IBERIA to its employees are as follows:

- **Solidarity Fund:** aimed at attending social needs, such as help for studies, summer camps, aid for disabled or chronically ill children, company loans or expenses due to illness. The company and worker share the financing 50/50, except in the case of Cabin Attendants, where the worker contributes 0.40% of their base salary and the company contributes a fixed amount.
- **Social Funds for Ground and Flight:** financed 50/50 by the company and employee, this is aimed at meeting the provisions for invalidity and retirement. In the case of Flight personnel, this also covers provisions for long-term temporary incapacity and death.

- **Collective Life Arrangement:** this is an insurance policy that covers compensation for death and permanent invalidity. In the case of Flight staff, it also covers the permanent loss of licence. This is financed 60% by the company and 40% by the worker.
- **Pilot Crew Mutual Fund:** this is financed via a provision of 1% on the part of the worker and 8.9% on the part of the company of the regulatory base established. It covers provisions for retirement, invalidity and death.
- **Home Purchase Loans:** IBERIA grants loans to its employees to help them buy homes. The number of loans extended each year may reach 4% of Ground Staff and Cabin Attendants at the 31st of December of the immediately preceding year.
- **Health cover:** IBERIA carries out and manages all the necessary procedures for the recovery of workers involved in accidents.

6.1.14 Staff recognition

To encourage creativity and both individual and group efforts, and also to continue to improve all company practices, IBERIA has established a system for recognising all its employees' contributions, based on individual or group suggestions and recognition for exceptional actions. The suggestions category also includes both technical innovations and improvements to procedures. Exceptional actions are those that feature a high degree of devotion to duty.

The system is administered by a **Recognition Committee**, a body instituted by the company Management to promote and coordinate everything related to the policy of recognition. This committee selects the most meritorious suggestions and exceptional actions.

The awards are based on the value to the company of the suggestion or action, and range from a simple letter of congratulations from the Committee **to a cash prize of up to € 6,250**. The following table shows the awards given over the last few years.

Table 26. Summary of awards from the suggestion programme



6.1.15 Associations

IBERIA's social activity, complementary to its commitment to solidarity and labour responsibility, also extends to other areas such as leisure and culture. In this field, of note is the work carried out by the Iberia Club and the Veteran Association.

6.1.15.1 Iberia Club

Founded in 1958, the Iberia Club is a non-profit association of IBERIA employees dedicated to promoting **leisure and recreational activities** for its members. It has its own Governing Board and approximately 10,500 members, of which 1,500 are retired. Its budget comes principally from the monthly member fee of € 2.90 and an annual contribution from the company.

IBERIA also collaborates with the Club by providing premises for its offices and facilitating internal communication with all the members via the intranet. In 2003, IBERIA contributed € 77,230 to the Club.

The activities carried out by the Iberia Club extend to the areas of **sport, tourism and culture**, among others. To ensure Club information reaches all its members, in addition to the intranet the Club also publishes a magazine in summer, at Christmas and Easter, with information on the activities organised. This information is complemented with special newsletters.

Among the activities carried out by the Club, IBERIA took part in the Raider's Trophy with three teams, the most important adventure championship for firms, initiated in 1992, on this occasion achieving magnificent results by being the overall winner with its women's and expert teams, after competing for three days with 42 other teams from over 20 companies.

6.1.15.2 Veterans' Association

Created in 1972, IBERIA's Veterans' Association organises courses, sports, workshops, exhibitions, films, lectures, recreational games trips and excursions for **retired employees** and those **with more than 15 years' service**, the aim being to keep them in touch with their old workmates and with the veteran associations of other companies. At the time of publication, IBERIA's Veteran Association had over 8,500 members.

All its activities are widely publicised in three different media, keeping active our relationship with its members:

- The magazine "Iberiviación Veteranos", published every three months
- Two websites: <http://perso.wanadoo.es/veteranos> and [lbproxima](http://perso.wanadoo.es/lbproxima).

Introductory computer, internet and email courses will soon be started at the Association's premises for the members. A collaboration has also been started with IBERIA in the project Iberia Personas, providing members with an access code which, together with the above-mentioned courses, will allow them to process their own tickets.

6.2 Social action projects promoted by IBERIA

Goal: to offer ongoing support to organisations of an interest to society via programmes related to access to employment for people with disabilities, voluntary work on the part of its employees, the transport of passengers in need of some kind of assistance and the granting of space in aircraft holds to transport humanitarian aid.

Actions carried out: contribution of almost 4 million euros to the APMIB; support for social action projects in developing countries via *Mano a Mano*; Christmas campaign "Bid for them"; continuation of projects started in previous years, such as Red Cross family regrouping or the Special Olympics; sponsorship of social activities totalling almost 8 million euros.

Future actions: opening up of new channels of collaboration with institutions of a social nature: ensuring the sustainability of the projects carried out by *Mano a Mano* and APMIB; implementation of measures to monitor and safeguard the principles of the Global Compact; increasing, as far as possible, current contributions to projects of a social nature; establishing a collaboration agreement with *Bomberos en Acción* and *Bomberos sin Fronteras* (fire fighting charity groups).

The company's social action is currently carried out in collaboration with four fundamental stakeholders:

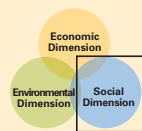
Table 27. Our social stakeholders and projects carried out

Stakeholders	Project
Employees	<i>Mano a Mano</i> , APMIB, Special Olympics, Christmas Campaign
Clients	Spanish Red Cross, Special Olympics.
Suppliers*	Christmas Campaign.
Institutions	Spanish Agency of International Cooperation (AECI), Ministry of Social Affairs, National Transplant Organisation, <i>Fundación Ilusiones</i> , <i>Fundación Miguel Angel Blanco</i> and <i>Fundación Crecer Jugando</i> , among others.

* The carrying out of projects in collaboration with suppliers started in 2004 with the Christmas Campaign.

IBERIA's contribution to social action projects totalled € 4,542,316 in 2004, taking into account financial contributions as well as those in kind.

€ 4.54 million in social contributions in 2004



IBERIA's contributions to social causes (Euros)

Table 28. Social contributions carried out by IBERIA in 2004.

Organis.	Collaboration	Euros	Value in kind (€)
Mano a Mano	Sending 200 tonnes of aid	-	506.000
	Medical assistance for foreign children in Spain (18 tickets)	-	33.000
	Management & supervision projects abroad (11 tickets)	-	35.000
	Profits Onboard Sales April/May	2.576	-
	Donation of award given by College Association Engineers ICAI to Mr. Fernando Conte.	6.150	-
	Donation to fund building work in Children's Hostel in Lima, Peru.	6.000	-
	Christmas Campaign 2004 "Bid for them"	41.753	-
	Donation of aircraft tickets for project management	-	5.382
APMIB	Annual aid to non-recoverable fund	72.121	-
	Donation to fund renovation work on Free Time Home in Granada.	-	-
	APMIB Foundation	36.000	-
	Christmas Campaign 2004 "Bid for them"	41.753	-
	Donation of award given by College Association Engineers ICAI to Mr. Fernando Conte.	6.150	-
	Other contributions	26.657	-
	Invoicing IB Contracts	2.785.150	-
	Donation	6.000	-
Special Olympics	Donation	6.000	-
Spanish Association of International Cooperation	Collaboration in all activities and projects	-	540.900
Ministry of Work and Social Affairs	Collaboration with over 1,500 NGO's and other social organisations accredited by Ministry	-	97.000
RED CROSS	Donation	600	-
	Family Regrouping project	-	61.000
Asociación Española Contra el Cáncer	Donation	600	-
Campaign "Un Juguete, Una Ilusión"	Collaboration to send toys and games	-	14.300
Fundación Ilusiones	Collaboration in projects with sick children	-	30.050
Fundación Miguel Ángel Blanco	Collaboration in Foundation's activities	-	6.010
Xunta de Galicia	Collaboration with Immigration Council	-	24.000
11-M	Transporting relatives and coffins	-	132.933
Adoptantis	Collaboration in meetings "Infancy, adoption and immigration: the challenge of a new society"	1.500	-
Bomberos Sin Fronteras	Sending 1,300 kg of cargo	-	3.030
Amnesty International	Award Ambassador of Conscience 2004 (1 ticket)	-	600
Fundación Casa de la Luz	Humanitarian mission in Mauritania (2 tickets)	-	4.400
Fundación para la Diabetes	Collaboration in kind (2 tickets)	-	2.200
University of Michigan	Neurology department (1 ticket)	-	2.300
Christmas campaign 2004	Aircraft tickets for Solidarity Draw (6 tickets)	-	11.200
Total		3,033,010	1,509,305
Total financial contributions & in kind			4,542,316

6.2.1 Employees

6.2.1.1 Iberia Association of Parents of Disabled Children

In 2004, the APMIB invoiced IBERIA a total of € 2.8 million for its services, giving work to 457 disabled people

The Iberia Association of Parents of Disabled Children or APMIB, created in 1977, focuses on the protection, assistance, educational planning and social integration of all physical, mental and sensory disabled children or wards of the Iberia staff. The Board of the APMIB is made up completely of IBERIA staff, also hiring people from outside the company, such as educators, physiotherapists and administrative staff, among others. The data for 2004 are shown below:

Table 29. APMIB staff

Total APMIB staff:	589 people	
Support staff:	132	
Disabled staff:	457	
Disabled staff of the APMIB in 2004:		
Total:	457 employees	(100 %)
Permanent:	334	(73 %)
Fixed Term:	114	(25 %)
Temporary:	9	(2 %)

The APMIB has seven specialised attention centres, each with different functions and objectives. The Association currently serves over 2,200 people in its Training Centres, Occupational Centres, Special Employment Centres, Rehabilitation Centres and Health Centres in Madrid, Barcelona, Málaga, Las Palmas and Tenerife, where services are provided to all disabled people for rehabilitation, motor skills therapy, speech therapy, psychological care, training, occupational therapy, job training, sports, leisure and residential care.

Of particular note is the Day Centre for the severely handicapped, which the APMIB has incorporated into its care centre at Colmenar Viejo (Madrid).

IBERIA is currently the main client of the APMIB's Special Employment Centre, where activities are carried out such as making the covers for cutlery and headphones that are handed out on board the aircraft. The Association also provides IT and courier services, laundry, printing and gardening, among others. However, the aim is to increase its activity with other companies in order to improve its independence from Iberia.

Figure 13. Breakdown of invoicing by APMIB to IBERIA in 2004

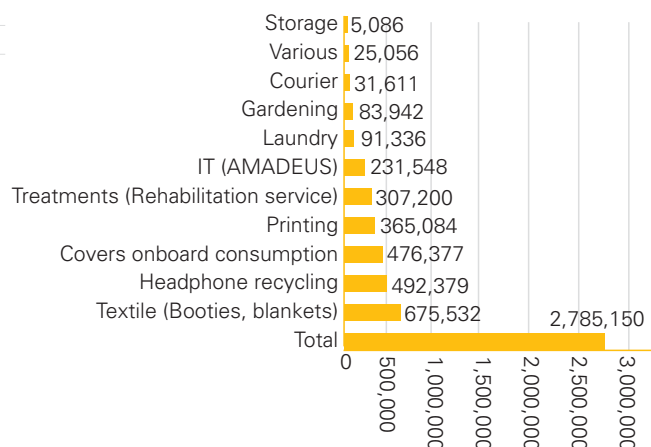


Table 30. Contributions by IBERIA and its staff to the APMIB and its Governing Foundation. 2004

Contribution type	Euros
Financial contribution from the company (A)	2,967,831
- Annual aid to non-recoverable fund	72,121
- Invoicing to IBERIA for contracts	2,785,150
- Donation to the Governing Foundation of the APMIB	36,000
- Donations	26,657,29
- Sum donated by the president of IBERIA, Fernando Conte, from the Javier Benjumea award, given by the College Association Engineers ICAI	6,150
- Christmas Campaign 2004 - Auction/Draw/Flea Market	41,753
Contribution in kind from the company (B)	5,382
- Donation of aircraft tickets	5,382
Contribution of IBERIA employees (C)	872,937
- Ground Staff Internal Solidarity Fund	288,486
- Flight Collective Agreement	584,451
TOTAL (A+B+C)	3,846,150

IBERIA also makes an annual financial contribution of an institutional nature and provides help for specific activities, such as research in the world of disabilities promoted by the Governing Foundation of the APMIB, created in 1997 with three fundamental objectives: residential care, training and promotion of research into disabilities.

During 2004, this Foundation has carried out various activities, of note being the following:

- "Larroja" project for the rehabilitation and renovation of the fourteen apartments given by Iberia in 2002 to convert into holiday and leisure apartments for the disabled. Iberia has collaborated during 2004 with 36,000 euros for this project.
- Giving of a research grant of 6,010 euros.
- Carrying out training activities for the parents of disabled children and sector professionals.

Abobe is a summary of the contributions of Iberia to the APMIB during the last year:

6.2.1.2 *Mano a Mano*

Over 1,200 tonnes of humanitarian aid transported in the last 11 years and 200 tonnes in 2004
Over € 117,000 collected in 2004 for social initiatives

"Mano a Mano" (hand to hand) started life in 1994 as an initiative by Iberia employees and since then the company has been collaborating with this NGO with no profit in mind. This non-governmental organisation was created with a fundamental objective: to take advantage of the company's resources to send humanitarian aid, taking advantage of free space in the holds of the aircraft or in the cabin crew's luggage, to countries affected by natural disasters, such as earthquakes, hurricanes, floods or also affected by war, and to deliver this aid without intermediaries, as the name suggests, from hand to hand. In principle, the aid is sent to the most needy countries out of those where the company flies to. However, Iberia has also programmed special flights to other destinations when the situation has required this.

This organisation has no administration costs as all those working for it do so **voluntarily**, either Iberia employees or with relatives working for the company.

In its **11 years of history**, *Mano a Mano* has distributed over 1,200 tonnes of humanitarian aid in the form of food, clothes, shoes, medical material, school material and toys, among many other things. In 2004 alone almost 200 tonnes of aid were transported: 170,000 kg for projects already set up around the world, 15,000 kg of emergency aid as relief for the damage caused by Hurricane Jeanne in the Dominican Republic and 5,000 kg more

transported personally by the Iberia crews to different countries around the world.

Mano a Mano also has other sources of income, mostly from **donations** and contributions made every year by its members. In **2004 over 117,000 euros** were collected. This money was basically invested in **projects carried out in Spain, Argentina, Cuba, Ecuador, Equatorial Guinea, Nicaragua, Peru and Venezuela**. The specific allocations can be seen below:

Table 31. Financial support by IBERIA of social organisations via *Mano a Mano*

Organisations and projects	Amount (euros)
Quilmes project, (Buenos Aires) Argentina.	5,056
Espíritu Santo Parish and Nursery, (Havana) Cuba.	10,516
Santa Rosa de Lima Parish, (Havana) Cuba.	837
Chambeña Women's Association – Chambo Nursery, Ecuador.	25,186
San Vicente de Pau - Orphanage, (Quito) Ecuador.	3,397
Foundation Reina de Quito, Ecuador	3,727
Foundation Damas "BACA ORTIZ" – Children's hospital, (Quito), Ecuador.	433
Aid for Ecuadorian girl operated in Spain and returning to her country.	
Aid for orthopaedic devices and food.	917
Donation Mr. Albite, (Madrid) Spain.	10,311
Donation to "BASIDA", (Madrid) Spain.	1,500
Pozo del Tío Raimundo - Sewing workshop, (Madrid) Spain.	5,849
Children's cancer campaign "BARRESTSTOWN", (Madrid) Spain.	600
Association "CEPRI" – Autistic children, (Madrid) Spain.	1,500
Association "REDES" project, (Madrid) Spain.	300
Ciudad de la Alegría, India.	100
March against child exploitation, (Madrid) Spain.	3,000
College Santa Teresita, (Malabo), Equatorial Guinea.	5,047
San Fernando Parish, (Malabo) Equatorial Guinea.	597
College Batete, (Batete) Equatorial Guinea.	200
Nuns of Charity LOVA, (Malabo) Equatorial Guinea.	100
Daughters of Charity, (Micromesen) Equatorial Guinea.	2,500
College HOLA-HOLA, (Malabo) Equatorial Guinea.	1,540
Spanish College, (Malabo) Equatorial Guinea.	722
Santa Anita Parish, (Lima) Peru.	3,303
Ciudad de los Niños de la Inmaculada, (Lima), Peru.	2,200
Home Nuestra Señora del Perpetuo Socorro, (Lima) Peru.	26,367
Home Ermelinda Carrera, (Lima) Peru.	1,500
Brother Yagüe, (Lima) Peru.	500
TOTAL	117,812

(i) *Children: surgery and medical assistance at Spanish hospitals*

11 children aged between 1 and 10 have undergone surgery at Spanish hospitals during 2004 thanks to *Mano a Mano*

Over all these years and thanks to the collaboration of Iberia, children from different countries such as Mauritania or Equatorial Guinea have been transferred to Spain for surgery. These children, together with their families, travel to Spain thanks to **aircraft tickets donated** by the company. Once in our country, *Mano a Mano* provides them with accommodation and the necessary assistance during their stay in Spain. Most of them have successful operations and return to their countries completely recovered. In **2004** 18 tickets were donated for this project for a total value of € **33,000**, thanks to which eleven children between the ages of 1 and 10 underwent surgery at different Spanish hospitals.

(ii) *Development aid projects*

In some of the countries Iberia flies to, development aid projects are carried out in the short or longer term depending on the available resources and the total cost of the project. In these cases humanitarian aid is sent periodically and specific cooperation programmes are financed. *Mano a Mano* has 17 delegations in different Iberia offices.

Among all the **projects** carried out in the past by this NGO in collaboration with Iberia, the following are of **particular interest**:

- **Hogar del Niño (home of the child) San Vicente de Pau (Ecuador):** San Vicente de Pau is a home for children without resources or family, and the organisation's main activity is the complete protection and education of minors. The home offers a family atmosphere for orphans, abandoned children and those coming from disrupted families. The home currently houses 140 children up to 18 years of age, 30 of which are children under two years. The number of children increases annually and they come to the home particularly for the following reasons: total or partial orphanhood, abandonment by both or either parent, incurable

illness of the mother, incapacity of the father to look after them or when his presence is a threat to their safety. Iberia has been contributing to this project since January 2003.

A home that provides a refuge for over 140 children

- **Panificadora 2000 (bread making) in the Ciudad de los Niños (Peru):** the Ciudad de los Niños is a home for children located in southern Lima, in one of the poorest and most depressed areas. It currently houses 520 children aged from 2 to 18, plus 12 young people who have finished their schooling and carry out productive tasks. These young people are given a place to live, an education and help with employment in occupational workshops. Iberia has been contributing to this project since January 2003, and all the donations have been transported via cargo, in IBERIA aircraft, in a total of twelve batches.

A project that guarantees over 520 children receive essential nourishment

- **Casa-cuna Hogar del Perpetuo Socorro (Home of Perpetual Help) (Peru):** the Casa-cuna is a home for girls taken off the streets. Many of them have been abandoned, most maltreated and some raped. It currently houses 170 girls from four to eighteen years of age. *Mano a Mano* is financing the entire project, with its construction starting in 2002 with an initial contribution of 30,000 euros, thanks to the award given to the voluntary workers and received by the president of the NGO, María Alventosa, in recognition of the contribution of *Mano a Mano* in the areas of poverty and social integration.

A home for 170 girls aged between 4 and 18

- **Hospital Cayetano Heredia (Peru):** this hospital is a Ministry of Health institution that attends to a population of four million, of which 80% live in extreme poverty. The hospital does not have an official budget and its director travelled to the Community of Madrid to ask for help. Thanks to close collaboration with *Mano a Mano*, large



donations have been made of hospital equipment that will be transported and installed in the hospital over the coming months. Iberia has been contributing to this project since 2003.

Provisions for a hospital serving a population of 4 million people

- **Traditional fishing cooperative project (Equatorial Guinea):** in the city of Malabo, a project has been financed to provide fishing resources to 20 families, giving them a dugout canoe with a motor and a freezer for each group of ten fishermen.
- **Construction of 105 homes (Honduras):** help has been given to finance the homes for families affected by hurricane Mitch, thanks to the financial collaboration of Iberia.
- **Construction of a public school (El Salvador):** this is being arranged on land donated by the authorities of the country.

These are only some of the many programmes carried out annually thanks to the collaboration between Iberia and *Mano a Mano*.

The following events were also of particular importance in 2004:

- In October, the nursery “**Mi pequeño mundo**” was inaugurated in Chambo, Ecuador. The nursery is financed by *Mano a Mano* and Madrid City Council.
- María Alventosa, president of *Mano a Mano*, has donated the money from the sale of her book, “**En Azul**”, to **finance study grants** for children from the Foundation Reina in Quito, Ecuador.
- Reconstruction of the **roof of the Hostel** of Las Hijas de María Inmaculada in Comas, Lima, Peru. Iberia has contributed € 6,000 to finance the building work.
- Donation of **11 aircraft tickets** for the management and supervision of the projects carried out by *Mano a Mano* in Argentina, Cuba, Peru and Equatorial Guinea, for a total value of € **35,000**.

IBERIA has also contributed other funds to *Mano a Mano* during 2004, among which we should note the donation of the profits from onboard sales

during the months of April and May 2004 (€ 2,576), the collection of € 41,753 in the Christmas Campaign 2004 and the donation made by Iberia's president, Fernando Conte, of 50% of the money provided with the Javier Benjumea award (€ 6,150).

IBERIA donated € 61,000 in 2004.
Our Iberia Plus customers contributed over € 9,000 last year

6.2.2 Clients

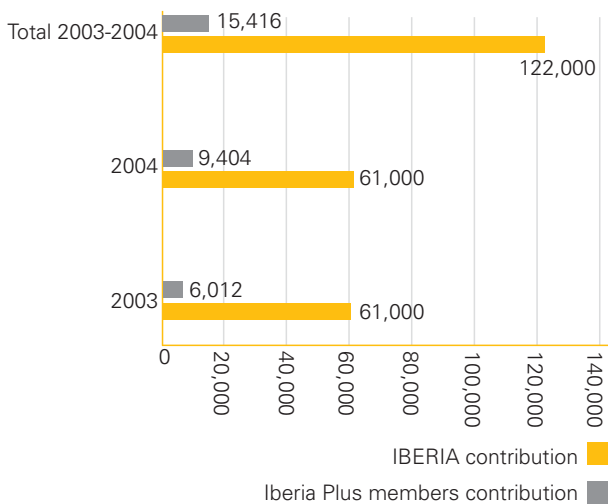
6.2.2.1 Red Cross

Both international humanitarian legislation and International Treaties and Agreements at the service of human rights (e.g. the Geneva Convention of 1949) require the promotion of the **reunification of dispersed families**. Currently, the main cause of family separation is economic in nature.

In order to help improve this situation, the Red Cross has promoted a Family Regrouping project. In order to provide financial support for this project, Iberia has arranged a way for its Iberia Plus Loyalty Scheme members to collaborate in the programme, by giving their points to Iberia which donates them as aircraft tickets to the Red Cross, both in the case of valid points and those that are about to elapse. This support came about on signing, in 2003, an agreement between both organisations. The aim is therefore to facilitate the family regrouping of refugees, displaced persons or immigrants who are separated and do not have the economic means get back together.

In anticipation of the contribution expected from members of Iberia Plus, Iberia has opened a credit account to issue air passage documents to the Red Cross. In **2003 and 2004**, the company has financed this project with the sum of € **122,000**. In particular, throughout 2004 the members of Iberia Plus have collaborated with points worth € **9,404**. The contributions of recent years are shown below.

Figure 14. Contributions from Iberia Plus members to the Family Regrouping project



During these two years of collaboration, a total of 53 people have been regrouped, 25 men and 28 women, of many different Latin American and African countries, including, for example, Colombia, the Dominican Republic, Argentina, Ecuador or Cape Verde. Due to the great demand this programme has seen, the collaboration agreement between the Red Cross and Iberia will be renewed this year.

IBERIA has also made an additional donation to the Red Cross of € 600 to collaborate in other projects.

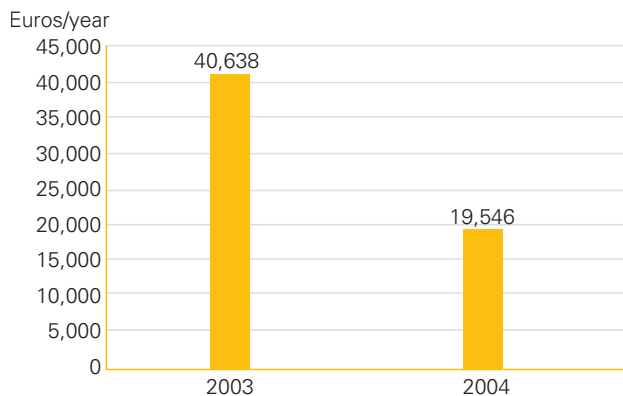
6.2.2.2 Special Olympics

IBERIA joined the Special Olympics Project with a plan to collect coins donated by clients on international flights. Iberia's collaboration is based on channelling the aid contributed by the company's

customers to the Special Olympics, as the passengers on Iberia's international flights can give to the organisation those foreign coins they are not going to use in the future. To this end, during the flight an envelope with the Special Olympics logo is handed out where passengers can deposit their coins if they wish. This programme is possible thanks to Iberia's crews who, with their daily help, are responsible for collecting and sending all the envelopes gathered on board during the company's flights. In 2004, Iberia collected € 19,546.13, a highly significant figure in spite of the reduction compared to previous years as a result of the entrance of the euro.

The total sum collected since the beginning of this collaboration in 1998 has been € 448,092. Iberia also made an additional donation of € 6,000 in 2004.

Figure 15. Trends in the collection in IBERIA for the Special Olympics programme



The Special Olympics is a non-profitmaking organisation created in 1968 by Eunice Kennedy Shriver to improve the quality of life of people with mental disabilities through sport. This organisation, recognised by the International Olympic Committee, is present in more than 160 countries. It has over a million and half sports members. The Special Olympics was set up in Spain in 1990 and is currently present in an organised form in all the Autonomous Communities, promoting the daily incorporation to sport of over 13,000 people.

6.2.3 Suppliers

6.2.3.1 Christmas Campaign "Bid for them "

Over € 83,000 collected, which will be shared out equally between the APMIB and *Mano a Mano*

During Christmas 2004, as the previous year and under the slogan "Bid for them", Iberia aimed to take advantage of the Christmas festivities to run a campaign whose main objective was to collect funds to help finance projects carried out by the APMIB (Iberia Association of Parents of Disabled Children) and the NGO *Mano a Mano* throughout the year.

On this occasion, in addition to involving Iberia staff, the company also decided to involve suppliers, with whom a charitable action of this kind had never been carried out. And thanks to the collaboration of over 90 of Iberia's suppliers, the company's workers were given the option to collaborate in this project: over 30 volunteers have helped us to organise and run the event and almost 1,700 took part actively in the campaign. The participation of Iberia staff has been magnificent.

The **total sum collected** from this campaign was **€ 83,507**, to be shared out equally between the Iberia Association of Parents of Disabled Children and *Mano a Mano*.

6.2.4 Institutions

More than half a million euros in special prices for NGO flights in 2004

Donation in 2004 of 220 games centres for developing countries

For some years now, Iberia has drawn up agreements with the Spanish International Cooperation Agency and the Ministry of Work and Social Affairs to offer special discounts on its flights for more than 1,500 Non-Governmental Organisations working in its sphere of action. In 2004 this collaboration amounted to **€ 637,000 in tickets:**

€ 97,000 for the Ministry of Social Affairs and € 540,000 for the Spanish International Cooperation Agency.

In some cases, and depending on the project and help requested, Iberia establishes direct collaboration agreements with this kind of organisation, as is the case with the Spanish Red Cross, *Bomberos sin Fronteras* (Firemen without Frontiers) and Amnesty International.

Of particular importance among the social action projects carried out by Iberia in collaboration with institutions is the campaign "Un juguete, una ilusión" (One toy, one joy) and the agreement with the National Transplant Organisation, explained in more detailed below.

6.2.4.1 "Un juguete, una ilusión" campaign

During the second half of November 2004, the fifth charity campaign "Un Juguete, Una Ilusión" was held, organised together with **Radio Nacional de España** by the Foundation *Crecer Jugando*, whose main aim was to collect funds to **send toys to children in the third world or developing countries**, and to set up games centres in schools in places such as Nicaragua, Bolivia, Mexico, Honduras, El Salvador, Iraq, Pakistan and Morocco. In 2004 a total of € 1,186,848 was collected, providing the funding for **180,000 toys to be sent and setting up 220 games centres** in a total of 14 countries in Africa and Latin America. Each games centre has 225 toys for children aged between 2 and 14 and will be installed in the schools of the respective countries to attend to the demand of educators who repeatedly emphasise the role of play in children's education.

In all cases, the deliveries are managed by NGO's that work in child-based projects. Iberia wished to participate via a collaboration agreement in which it provides aircraft tickets for a value of 14,300 euros, thereby facilitating and partly financing the delivery of the toys at some of the destinations where the company flies. In exchange for our collaboration, the Foundation *Crecer Jugando* will give Iberia six games centres and 2,000 individual toys, to be delivered during 2005, for the centres operated by *Mano a Mano* in Latin America.



In the transfers carried out, the container with the organ or organs is received by the aircraft crew, who safeguard it until it is delivered at the destination airport to the person in charge from the NTO. In some transfers, when the flight is not direct, the container is picked up by the company's ground staff and kept in a suitable place until it is boarded again on the corresponding flight.

6.2.4.2 Agreement with the National Transplant Organisation (NTO)

108 organs sent for transplant in 2004

For more than ten years, Iberia has been collaborating with the **National Transplant Organisation** on a non-profit basis, facilitating the transport of organs on its regular flights. Thanks to the wide coverage of Iberia flights and the availability of staff, both ground and flight, this collaboration can be carried out easily and without problems.

During 2004, organs had to be sent urgently for transplant on 108 occasions, all of these with Iberia and its subsidiary companies making the transfer, in accordance with the collaboration agreement taken out between Iberia and the NTO. On all 108 occasions the reason for transfer was to transplant the organ.

In most cases, the medical team carrying out the surgery also travels to extract the organs. On other occasions, the organs are extracted by a different surgical team to the one carrying out the implant and the organ must be sent from the donation hospital to the transplant hospital. This transport must be fast, since all organs have a limited lifespan once they have been extracted

6.2.5 Sponsorship

Throughout the year, numerous collaboration agreements have been signed with different organisations. In most of these agreements, the contribution made by Iberia takes the form of economic facilities in the issuing of passage and cargo documents.

Via the different sponsored bodies, Iberia invested a total of **€ 7,895,584** in 2004: € 773,260 on institutions of a social nature; € 3,875,460 supporting art and culture; € 1,435,433 on education; € 1,241,520 on socio-economic development; € 232,110 on sport; € 114,100 on health; € 92,051 on organisations promoting tourism; € 100,150 on press associations and € 31,500 on other organisations.

The following table details the organisations, foundations and public and private bodies with which Iberia established collaboration agreements last year and the amounts contributed:

7.89 million euros in sponsorship in 2004



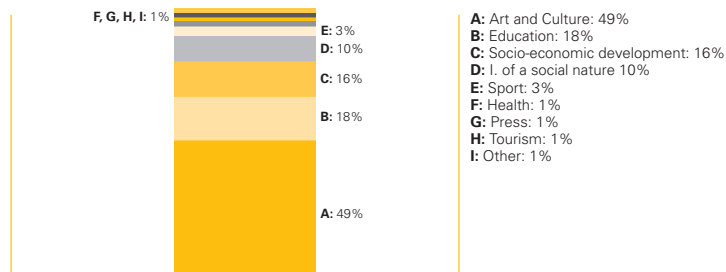
Table 32. Sponsorship agreements during 2004

Total investment: € 7,895,584	
Institutions of a social nature	
Spanish International Cooperation Agency	540,900
Spanish Red Cross	61,000
Crecer Jugando Foundation	14,300
Ilusiones Foundation	30,050
Miguel Ángel Blanco Foundation	6,010
Ministry of Work and Social Affairs	97,000
Xunta de Galicia - Immigration	24,000
Total	773,260
Art and Culture	
Association Friends of Cinema (European Cinema Awards)	90,000
Association Bilbaína of Friends of Opera	24,000
Cultural Association Castell Peralada	27,045
Casa de América	71,024
Fine Art Circle	23,950
Consortium of Museums of the Community of Valencia	36,060
FORUM of Cultures Barcelona 2004	1,803,036
BIACS Foundation (Contemporary Art of Seville)	15,000
Cristóbal Gabarrón Foundation	51,060
Gala-Salvador Dalí Foundation	30,000
Gran Teatre del Liceu Foundation, Barcelona	144,240
International Foundation of Ancient Music	30,000
Isaac Albéniz Foundation	60,100
José Martí Foundation	35,000
Juan March Foundation	75,000
Guggenheim Museum Foundation in Bilbao	142,303
I.C.A.A.	59,500
Cervantes Institute	72,122
Ministry of Culture	815,000
Seattle Museum of Art	225,000
El Prado Museum	9,015
Ría Maritime Museum Bilbao	19,000
Orfeón Donostiarra	3,005
Valladolid International Cinema Week	15,000
Total	3,875,460

Socio-economic development	
ALCESTIS	103,000
Association Metropolitan Strategic Plan of Barcelona	20,000
C.M.E.A.L.	30,000
Ibero-American Centre of Urban Strategic Development (CIDEU)	30,000
Circle of Basque Entrepreneurs	3,606
Club de Madrid	120,000
Sustained Development F.	36,000
Spanish Foundation of Municipalities and Provinces	150,000
Alternativas Foundation	12,000
CIDOB Foundation	50,000
Spain - USA Council Foundation	16,227
COTEC Foundation	60,102
EOI Foundation	90,000
Euro-America Foundation	37,855
Euro-Arab Foundation	32,000
Francisco Largo Caballero Foundation	9,000
SISTEMA Foundation	13,700
FUNDESO	36,000
IESE/Institute of Higher Business Studies	120,000
European Institute of the Mediterranean	60,000
Philantropos Consultores	6,000
Radio Nacional de España (3rd Int. Congress Spanish Language)	43,000
Elcano Royal Institute of International & Strategic Studies	85,000
Spanish Seniors for Technical Cooperation	18,030
VIA, Airport Promotion of Vitoria	60,000
Total	1,241,520
Education	
Granada City Council (International Poetry Award)	36,060
Caja de Ahorros de Extremadura (Salon of Autumn of Plasencia)	15,000
College of Highway, Canal and Port Engineers	12,000
Conference of Spanish University Rectors (CRUE)	37,800
Agualarga Publishers	6,000
Bosch i Gimpera Foundation	43,273
Carolina Foundation	894,040
CESOM Foundation (Centre of Higher Studies Middle East)	24,000
CIDOB Foundation	50,000
Business Institute	6,300
Promociones Urabayen (Exhibition Painting Young Artists)	10,000
Complutense University of Madrid	12,000
University of Alcalá	36,060
University of Navarra	240,400
University of Santiago de Compostela	12,500
Total	1,435,433

Sport	
ALMERÍA 2005 (Mediterranean Games)	15,000
CETURSA Sierra Nevada	9,000
Sanse Volleyball Club	30,050
Spanish Federation of Winter Sports	15,000
Spanish Rugby Federation	36,060
International Federation of Basque Pelota	67,000
Foundation Madrid 2012	30,000
Strategic Company - Raider's Trophy	30,000
Total	232,110
Health	
National Centre of Cancer Research Carlos III	36,000
Foundation of Aid Against Drug Addiction	60,100
FUNDELA (Amyotrophic Lateral Sclerosis)	18,000
Total	114,100
Tourism	
Seville Exterior Promotion A.	12,000
EXCELTUR Association	30,051
International Forum of Tourism - IE	20,000
Costa del Sol Heritage	30,000
Total	92,051
Press	
Association of European Journalists	36,060
Segovia Press Association (Cirilo Rodríguez Award)	6,000
International Press Centre of Barcelona	4,000
Federation of Editor Guilds of Spain	18,030
Reporters Sans Frontiers	36,060
Total	100,150
Other	
Association of Renowned Spanish Brands	6,500
Forum of Corporate Standing	15,000
Business and Society Foundation	10,000
Total	31,500

Table 33. Sponsorship throughout 2004, broken down by areas of action



6.2.6 IBERIA's solidarity with the victims of the 11th of March

As a consequence of the tragic attacks occurring on the 11th of March 2004 in Madrid, Iberia offered its services free of charge to the Spanish authorities in order to collaborate in repatriating corpses and transporting relatives of the victims, should this be requested.

As a result of this collaboration, the company sent 17 coffins to Quito (Ecuador), San Pedro Sula (Honduras), Bogotá (Colombia), Santo Domingo (Dominican Republic), Tangiers (Morocco), Lima (Peru), Guayaquil (Ecuador), Sao Paulo (Brazil), Sofia (Bulgaria), Manila (Philippines) and Bucharest (Rumania). It also provided tickets for 43 relatives, either to come to Spain to collect the coffins or to accompany them to the destination country. To the destinations mentioned previously, in this case we should add Havana (Cuba), Dakar (Senegal) and Palma de Mallorca (Spain).

During the days after the attack, IBERIA eliminated restrictions on tariffs to facilitate exchanges for anyone who wished to request one. The company also collaborated with the Councils of Tenerife and La Laguna so that six families who were victims of the terrible attacks in Madrid could enjoy a few days' relaxation on the island of Tenerife. Thanks to this initiative, 18 people have been able to enjoy a few days' holiday during the summer season.

6.2.7 Special tickets and other agreements

BUSF is made up of professional firemen from different Fire Fighting and Rescue Services in Spain and Latin America, as well as collaborators and professionals from other sectors sharing their objectives. BUSF carries out Aid and Emergency actions wherever a disaster occurs.

- IBERIA has been collaborating with the NGO *Bomberos Unidos Sin Fronteras* (Firemen United Without Frontiers or BUSF)¹⁶, not only through the Agreement taken out with the Ministry of Work and Social Affairs but also at many decisive times. In particular, in 2004 Iberia collaborated in help given to those affected by the floods in the Dominican Republic and Haiti by sending, free of charge, 1,300 kg of cargo, made up of a fully equipped field hospital, medicine, a water purification plant and other material for these countries.
- IBERIA has sponsored ADOPTANTIS, S.L. on the holding of the Interdisciplinary Meetings "Infancy, adoption and immigration: the challenge of a new society", which took place in Madrid on the 17th of November and the 1st of December 2004. ADOPTANTIS is a Centre for the Information, Preparation and Support for Adoption. Iberia has collaborated in funding the design, printing and distribution of 1,000 invitation leaflets and the renting of the Auditorium of the OEI, where the Meetings took place. The company's contribution totalled € 1,500.

¹⁶ <http://www.busf.org/>

Table 34. Contribution in kind by IBERIA to people affected by the attacks on the 11th of March 2004

Total budget allocated to this collaboration (in euros):	
43 aircraft tickets for relatives to various destinations in America	110,133.44
18 tickets from Madrid to Tenerife	12,100
17 coffins transported	10,700
Total	132,933.44

These contributions in kind, as well as other significant contributions in 2004, are detailed below:

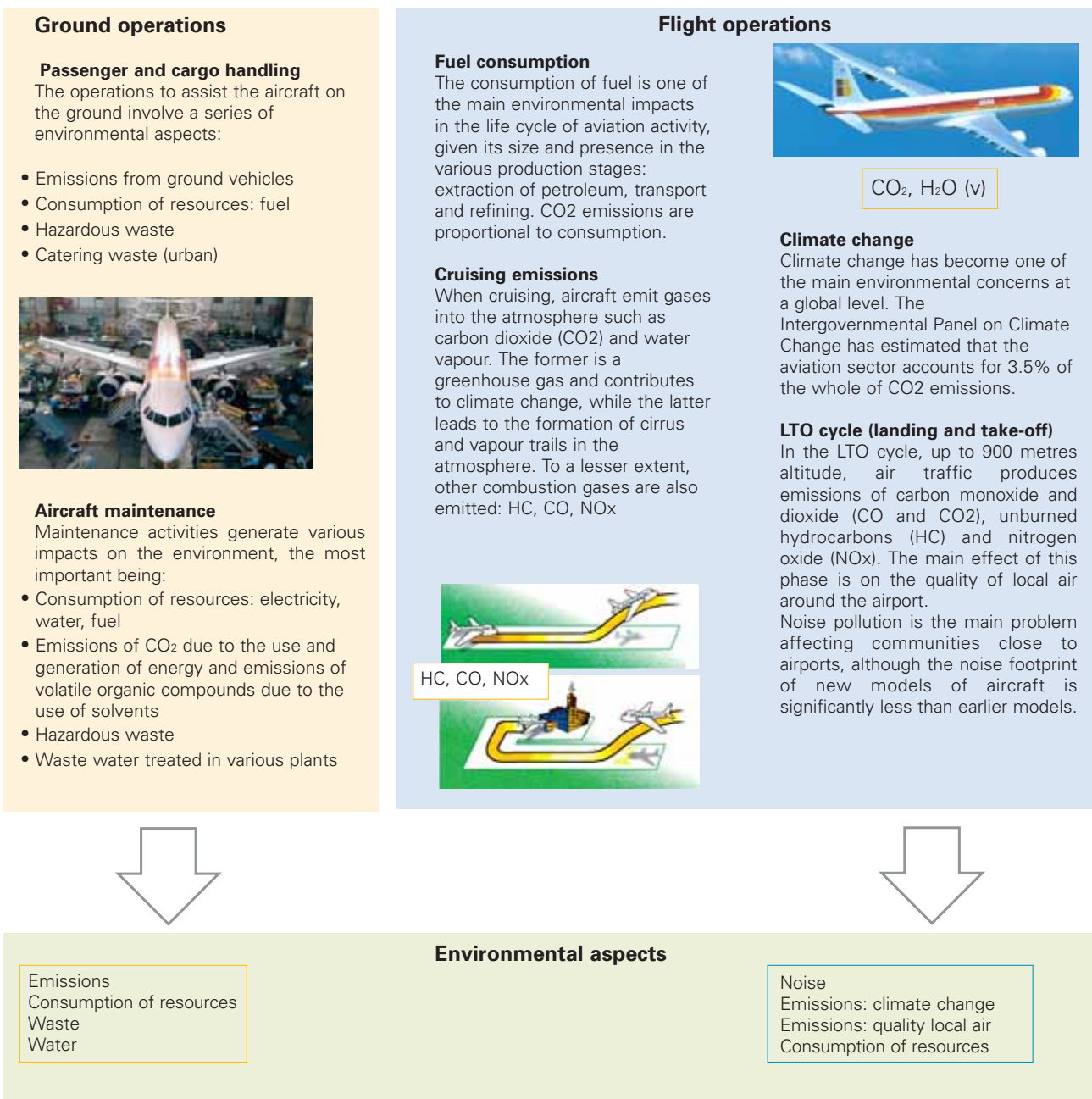
Table 35. Contributions in kind by IBERIA for social causes in 2004

Beneficiary of IBERIA's contribution	Object of aid	Value (€)
Bomberos Unidos Sin Fronteras	Aid flood victims	3,030
Adoptantis, S.L	Funding to organise seminars	1,500
Amnesty International	Contribution of 1 ticket	600
Casa Luz Foundation	Contribution of 2 tickets to transfer odontologists	4,400
Business Institute	Contribution of tickets for Annual Conference	4,800
Pontificia University of Lima	Contribution of 2 tickets for Spanish Cinema Festival	11,000
Carla Marrero. Violinist, aged 9	Contribution of 2 tickets to take part in competition	2,000
Taurus Publishers	Contribution of 1 ticket to present book	3,300
Air Modelling Championship in Poland	Contribution of tickets and sending cargo	4,400
National Gallery of Ireland	Contribution of tickets and sending cargo	3,200
Winchester Cathedral	Contribution of 4 tickets and sending cargo	5,000
Museum of Art in Lima	Contribution of 1 ticket	4,000
Diabetes Foundation	Contribution of 2 tickets	2,200
University of Michigan	Contribution of 1 ticket	2,300
Meeting & Incentive Trade Market	Contribution of 4 tickets	8,700
Philips	Contribution of 2 tickets	8,000
Christmas Campaign 2004	Contribution of 6 tickets	11,200
	Total	76,60



Our environmental responsibility

Figure 16. Main environmental impacts of IBERIA's activity in its life cycle



7.1 Environmental management

Goal:

Ensure adequate control of all environmental aspects generated in carrying out air transport activity to guarantee minimum impact

Actions carried out:

- Inclusion on the Dow Jones Stoxx Sustainability Index
- Certification of Environmental Management System according to standard UNE-EN-ISO 14001:1996 from AENOR in aircraft maintenance in Madrid
- Setting up the Risk Management System including environmental risks

Future actions:

- Transfer of the two certified systems to adapt them to the requirements of the new standard UNE-EN ISO 14001:2004, published in November 2004
- Improve Indicator System
- Carry out simultaneous audits on ground activities with significant impact: Airports, Maintenance and Cargo.

7.1.1 Towards sustainable management

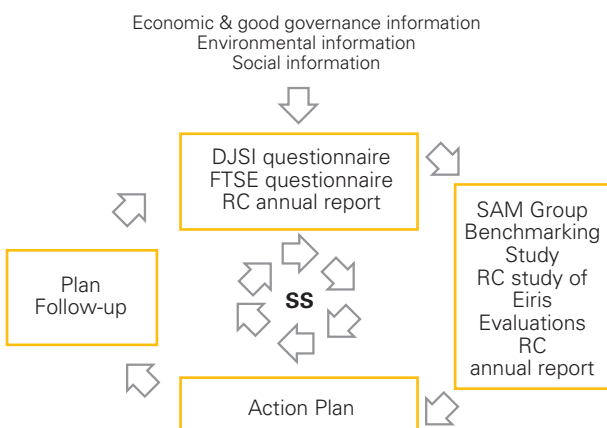
IBERIA joining the Dow Jones Stoxx Sustainability Index, which is made up of the 167 European companies with the best practices in economic, social and environmental terms and only includes 3 airlines, is recognition of the effort made by the company to manage these three areas in an integrated way. Participation in the selection process for the Index is a useful tool to advance the

management of these aspects by setting up annual improvement action plans.

On the other hand, the setting up of a **Risk Management System**, with the consequent drawing up of the company's Risk Map, is another step forward in this integration, including the possible environmental risks that may arise from ground and flight operations, although an assessment of this kind of risk has determined that the control carried out by the company is strong.

One of the main ways to control environmental risk are environmental management systems, which the company is gradually implementing in all the areas with significant environmental impact. To this end IBERIA has people in charge of the environment in the different business units via the Environmental Management Group, coordinated by the Environment and Innovation Unit of the Internal Audit and Quality Department.

Figure 17. The Dow Jones Sustainability Index and our progress towards sustainability strategy



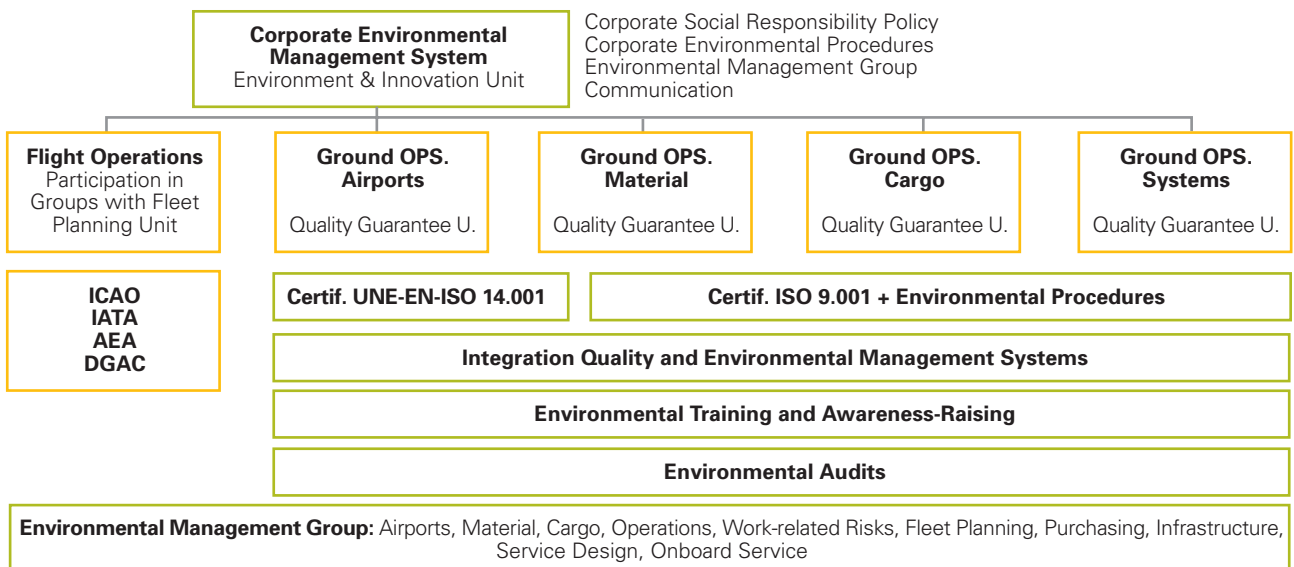


Table 36. IBERIA's participation in working groups

ICAO	CAEP (Committee on Aviation Environmental Protection) WG5 (Working group 5, Trade emissions)
IATA	ENTAF (Environmental Task Force); environmental working group
AEA	IEC (Infrastructure and Environmental Committee) and EWG (Environmental Working Group)
oneworld	OWED (one world Environmental directors)
Ministry of Public Works & Develop.	DGAC (General Directorate of Civil Aviation), air transport working group

7.1.2 Fleet renovation

The renewal of the fleet is one of the main areas of action in order to make progress in minimising environmental impact from aircraft operations, principally in terms of noise pollution and atmospheric emissions. IBERIA has a permanently updated fleet renewal plan that, in addition to other factors, also takes into account environmental factors. Renovation is therefore carried out complying with all legal requirements in the area of the environment with respect to noise and emissions, in most cases anticipating future legislation which does not affect aircraft already in service, as described in this section.

For example, with respect to noise, over 90% of the current fleet complies with the most demanding standard, namely Chapter 4, applicable only to new aircraft certified as from 2006, reducing by 10 decibels the perceived noise compared to the previous standard.

7.1.3 Certification ISO 14001:1996 in aircraft maintenance

Our certified environmental management systems cover 67% of the Ground Staff

In 2004 the Environmental management system in the area of aircraft maintenance was certified for



IBERIA's installations in Madrid (La Muñoz). With this second certificate, the first was obtained in 2003 in the Airport Department, the staff affected by the certified environmental management systems exceeds 67% of the company's total Ground Staff. This is one of the certificates with the greatest scope granted by AENOR in terms of surface area affected, variety and number of environmental aspects, as well as the number of people involved.

In spite of the complexity of this activity and of the volume of environmental aspects involved, this process has been carried out in a short period of time, since the environmental diagnosis phase was started at the beginning of 2004. This fact demonstrates the good management that had been carried out of environmental aspects affecting aircraft maintenance, an activity that generates the main impacts on land.

7.1.4 Environmental procedures in the Cargo Department

During 2004 IBERIA's Cargo Department drew up a series of internal procedures in order to ensure the correct management of environmental impact that may be generated at the cargo terminals. Among other aspects these procedures define how to improve the management of hazardous goods abandoned by their owners at the terminals.

7.1.5 Environmental management control

The adequate functioning and ongoing improvement of the certified environmental management systems are verified annually by means of the Audit Programme, internally and externally, as well as by applying the Precautionary Principle regarding environmental protection. In 2004 an audit was also carried out for the first time on the environmental management procedures of the Detachments of the Material Department, where aircraft maintenance activities are carried out.

Table 37. Internal and external audits carried out by IBERIA 2004

Internal Audits	
Integrated Quality and Environment Systems	
Airport dept.	
Centres audited	37
Audit days	85
Environment Management System	
Madrid	
Audit days	6
Material dept.	
Centres audited	23
Audit days	23
External Audits	
Follow-up Audit	
Centres audited	7
Audit days	14
Certification Audit	
Audit days	15
Total Audit days	137

With respect to external control, we should note IBERIA's collaboration with AENA's Environmental Control Service (SERCOM) at Madrid airport (Barajas), in charge of ensuring maximum environmental protection via the environmental control of operators in the airport area. IBERIA's facilities at the airport receive monthly visits from SERCOM specialists to assess their environmental status.

In 2004 an environmental diagnosis was also effected on the activity carried out by IBERIA's Medical Service, which attends employee consultations every day, as well as carrying out medical check-ups on Crew Members and Ground Staff. The main environmental aspect of this activity is bio-sanitary waste, which has its own particular management characteristics and which IBERIA plans to optimise during 2005.



Communication campaign "Save paper: we all end up winning".

7.1.6 Communication, training and awareness-raising: 10 years of environmental information

IBERIA is a pioneer in Spain in publishing annual reports on the environment: its first annual report providing information on environmental management appeared in 1994. Throughout these years, the information provided has evolved in line with the times, each year improving in quality and aiming to

reach all our stakeholders. Since 2002 economic, social and environmental aspects have also been included in the Annual Report on Corporate Responsibility.

The main training actions in 2004 were based principally on the area of Management Systems, especially in terms of maintenance certification, apart from other work to raise awareness and thereby minimise the impact of office activities.

Table 38. Environmental training given in 2004

Area	Course	Type of training	Aimed at	Student hours
Airport	Work day on implementing the Integrated Quality & Environment System in Airports (8 hrs)	Attendance	Station managers & Quality and/or Environ. managers	288
	Informative sessions on implementing the Integrated Quality & Environment System in Airports (1 hr)	Attendance and cascade	All the staff of the Airport Stations	1,500
Material	Environment Management System UNE-EN-ISO 14001:1996 Madrid (La Muñoza) (various models)	Attendance	Managers and Tech. Operative staff	886
	Hazardous Waste Management Industrial Zones	Attendance and cascade	Technicians and op. staff	525

7.1.6.1 Sustainable tourism campaign: against the illegal trafficking of protected species

In 2004 the launch was prepared of an awareness-raising campaign on the trafficking of protected species in order to continue to support and encourage sustainable tourism on the part of airlines. On this occasion, our target is one of the main stakeholders: our customers.

7.1.6.2 Spanish Red Cross environment plan in the Community of Madrid

In addition to other actions, the Spanish Red Cross also runs an awareness-raising campaign concerning the environment, aimed particularly at the most vulnerable groups of the population. IBERIA's collaboration is based on the commitment of the Red Cross to creating an Environment Plan within the community work it currently carries out and the IBERIA's commitment to promote and participate in environmental actions.

Table 39. Joint actions IBERIA-Spanish Red Cross

Promotion for Environmental Volunteers within IBERIA's staff
Specialist support to implement an environmental management system at the offices of the Red Cross in Madrid



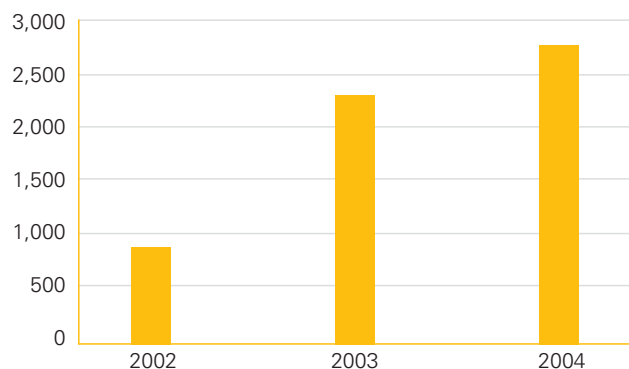
7.1.7 Environmental accounting

Among the costs included as environmental are all those related to the management of waste, emissions and disposals (in the section of environmental repair and conservation), environmental certification and measurement, environmental consultancy and auditing, analysis costs, environmental duties and taxes, among others.

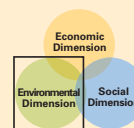
Table 40. IBERIA's environmental costs in 2004

Environmental costs, 2004	Thousand euros
Environmental repair conservation	1,040
Environmental technical services	550
Environmental sponsorship, publications and other	117
Staff costs associated with environmental management	869
Environmental taxes	189
Total	2,765

Trends in environmental cost items at IBERIA 2002-2004



€ 2.76 million in environmental costs in 2004, an increase of 19.9% since 2003



IBERIA's environmental costs (thousands of euros)



Aircraft maintenance and handling activities generate the main environmental impacts on land and are amply covered by environmental management systems

The new T4 terminal at Madrid airport (Barajas): a challenge for environmental management of the future

At the end of 2005, the new T4 terminal will enter into operation at Madrid airport (Barajas), assigned to IBERIA and its oneworld partners.

The total surface area of terminal 4 at Madrid airport (Barajas) exceeds 470,000 m². In spite of its size, the whole design provides an area that is in maximum harmony with its environment, reducing environmental impact to the lowest possible minimum, thanks to a layout focused on minimising energy consumption throughout the facilities.

All the construction phases for the terminal were also carried out using a certified environmental management system UNE-EN-ISO 14001:1996.

7.2 Noise control in our operations

Goal:

Reduce the impact of noise on the community generated by our operations.

Actions carried out:

- As a general policy of IBERIA in the environmental area, develop programmes to reduce noise pollution coming from flight operations.
- Support the application of a "Balance Approach" as defined by the ICAO, combining measures to reduce noise at source and local measures at the airports.
- Collaborate with stakeholders to develop voluntary measures to improve noise levels perceived by the local communities in question.
- Collaborate in developing new technologies to reduce the level of noise associated with air transport.

Future actions:

- As a general policy of IBERIA in the environmental area, develop programmes to reduce noise pollution coming from flight operations.
- In 2005 and 2006, continue to acquire A-340/600 and withdraw B-747 200/300, with the consequent reduction in perceived noise. The decision will also be taken to renew the MD87/88, taking into account the reduction in noise levels when choosing the new fleet.
- Collaboration with local authorities of the airports in defining and following up new anti-noise operational procedures, particularly with the new layout of runways at Madrid airport, Barajas.
- Assistance and collaboration with international working groups of the ICAO and IATA (CAEP and ENTAF).

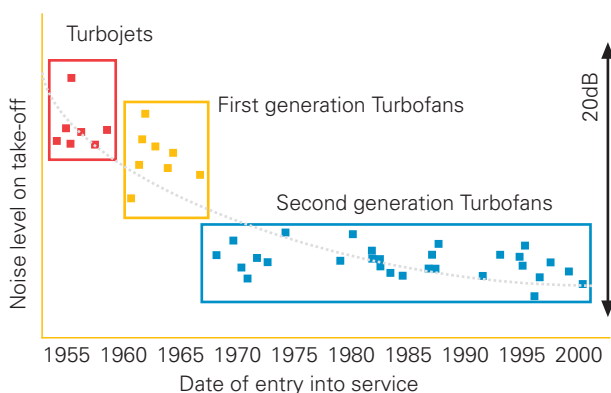
7.2.1 Perceived noise is constantly decreasing

Noise is one of the greatest environmental impacts generated by the aviation industry. The applicable noise limits for commercial aircraft operations are defined by the ICAO in Appendix 16 of the International Civil Aviation Convention. These limits were introduced for the first time in 1969, being defined as the requirements of the so-called Chapter 2.

All commercial aircraft currently available on the market must comply with Chapter 3 requirements. The operation of commercial aircraft that do not comply with Chapter 3 were prohibited in the USA as from 2000 and in Europe as from 2002.

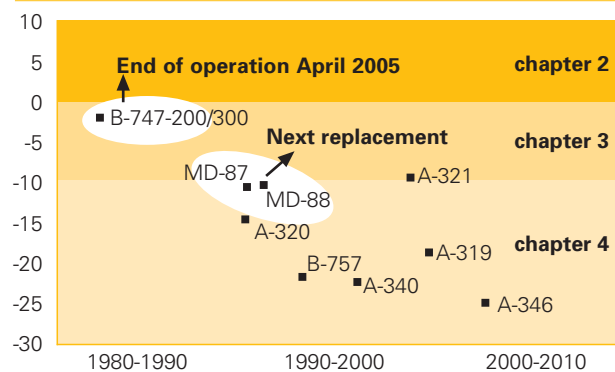
In 2001 a new noise level was approved so that all those aircraft certified as from 2006 will have to comply with the requirements of Chapter 4. In this way, accumulated noise must be 10 decibels (dB) lower than the level in Chapter 3.

Figure 18. Trends in noise of aircraft engines



At the end of 2004, over 91% of IBERIA's fleet already complied with Chapter 4 requirements, since in its fleet renewal policy the company has also taken into account the level of perceived noise during operations as one of the factors in choosing new aircraft.

Figure 19. Accumulated margin with respect to ICAO (EPNdB) chapters vs. year of incorporation into IBERIA's fleet



Average age of IBERIA fleet

Year	Fleet	Av. age
2001	144	7.4
2002	147	7.3
2003	149	7.9
2004	154	7.7
Forecast 2005	170	7.6

7.2.2 Operations are improved to make them more silent

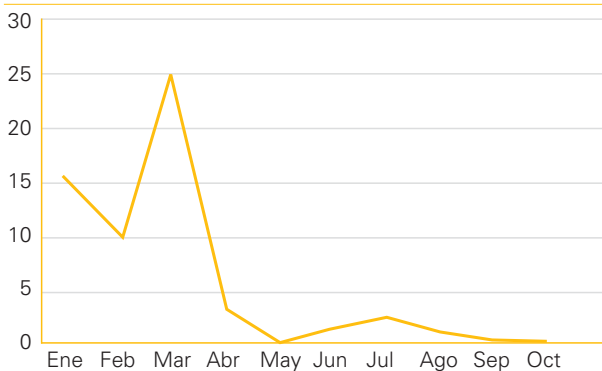
IBERIA supports the international "Balanced Approach" agreement which, in addition to promoting reductions in noise at source, fundamentally by investing in increasingly quieter aircraft, also takes into account local measures taken in airports: definition of operational procedures, regulations and use of land.

IBERIA takes an active part in the Barajas Noise Control Committee, which brings together the parties involved in airport operations in order to minimise the acoustic impact at the airport and the surrounding area.

In 2004, the Committee met 7 times, reviewing notifications of possible infractions. These reviews promote among the interested parties ongoing

improvements in processes, which led in 2004 to significant reductions in notifications.

Figure 20. Number of cases of using APU on platform sent as infractions by the DGAC Noise Control Committee (January - October 2004)

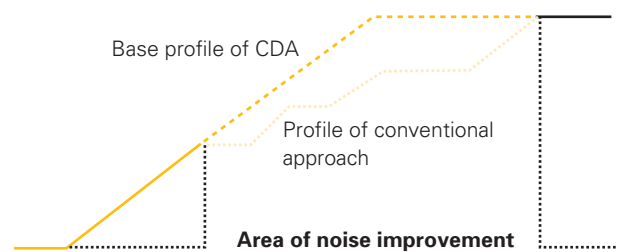


In this respect, in 2004 a procedure was defined to delay the starting up of the APU (Auxiliary Energy Unit) after landing which, in addition to reducing noise, also leads to significant savings in fuel, calculated at approximately 1,500 tonnes per year, as well as an improvement in the quality of local air.

In 2004, IBERIA received the "Skyliner" award, given by the Manchester airport authority to distinguish airlines with the least deviation in the route during take-off, thereby favouring a reduction in noise levels.

The CDA concept (Continuous Descent Approach) is practised by IBERIA at those airports where this procedure is published.

Figure 21. Continuous Descent Approach Procedure (CDA)



7.2.3 The air transport industry will continue to work to reduce the impact of noise from commercial aircraft

Specifically:

- Airlines, airports, manufacturers and suppliers of air navigation services will apply the "Balanced Approach" concept in managing noise around airports, in a transparent and collaborative way. Each particular solution must exploit to the full the four elements in the concept: reduction in noise at source, planning of use of land around airports, definition of procedures to reduce noise and use of operational restrictions as a last resort after exhausting the three previous elements.
- Airports will establish networks of relations with the local communities in question to facilitate open dialogue and ensure their needs and expectations are taken into account. Manufacturers will continue to develop and promote new technologies in order to reduce the noise of aircraft, compatible with the needs of emissions reduction and energy efficiency. One of the targets defined is, by 2020, to reduce perceived noise during take-off and landing by 50% compared with 2002.

The aeronautical environment in 2004

The most significant legislative action in this field was the meeting of the Environment Committee of the International Civil Aviation Organisation, held in February in Montreal, where the IATA took part as observer, and the 35th Triennial Assembly of the International Civil Aviation Organisation, which took place between the 28th of September and the 8th of October, where the Environment Committee recommendations were discussed.

In the area of acoustic impact, the International Civil Aviation Organisation agreed to expand its document 9829 with additional provisions, containing the recommendations to tackle problems of airport noise in a balanced way, applying the most effective proportion of the four instruments available: reduction in noise at source, operational procedures to limit acoustic impact, policies of use of land and operational restrictions on less silent aircraft. It also requested monitoring of the effectiveness of the measures adopted, especially with regard to night-time operations.

However, most of the debate centred on the topic of emissions. With respect to nitrogen oxides, the agreed Environment Committee's proposal was to reduce the certification limits of emissions a further 12% for new engine models as from 2008. With respect to economic instruments to control emissions, it was agreed to create a specific group within the Committee to study the expediency of including international civil aviation within an

emissions trading scheme, with the aim of issuing a recommendation by the beginning of 2007.

The greatest controversy centred on the emission rates. Those affecting the airport area are already regulated by the International Civil Aviation Organisation and are applied in three European countries (United Kingdom, Sweden and Switzerland). Those corresponding to greenhouse gases, included in the Kyoto Protocol that entered into force on the 16th of February 2005, were the object of intense discussion. Finally, the Assembly recognised that there was insufficient information for an immediate decision and postponed issuing a recommendation until 2007, urging the member states not to apply rates for this area until that time.

The work of the IATA for 2005, via its group ENTAF, whose growing importance has been recognised on it becoming, as from June 2005, one of the six standing committees of the organisation, places particular importance on drawing up a joint position for the industry on this last aspect, collaborating in the work of the CAEP and publicising as much as possible the industry's work to protect the environment. To this end, on the 17th and 18th of March the 1st Summit on Aviation and the Environment was held in Geneva, with the participation of the most renowned specialists in the sector.

Mr. Arturo Benito
Chairman of the Environment Group of IATA

7.3 Climate change

Goal: Reduce specific consumption in the period 2001-2006 by 19%.

Note: this goal has been raised in 2004 from a previous level of 16% in 2003

Actions carried out:

- Collaboration with manufacturers in developing new technologies to reduce specific consumption.
- Renewal of the fleet.
- Work together with the regulatory bodies for air transport at all levels.

Future actions:

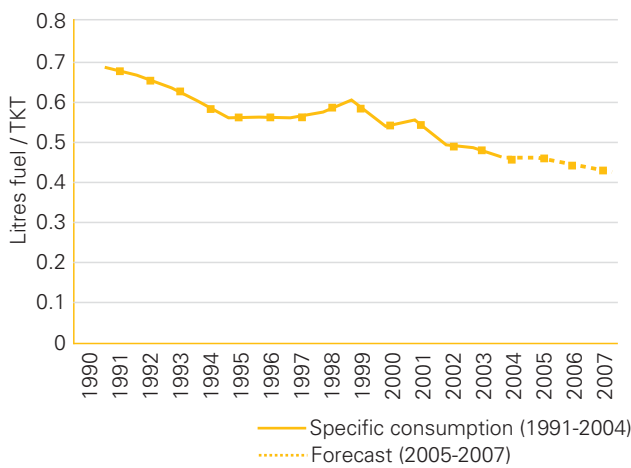
- Evaluate the possibility, together with the rest of the airlines of the AEA, of including air transport in emissions trading at a European level.
- Develop procedures and programmes to optimise fuel consumption

According to the IPCC (Intergovernmental Panel on Climate Change), air transport is responsible for 3.5% of the total emissions of CO₂, the main greenhouse gas. That is why the aviation industry is always looking for alternatives to reduce these emissions, via research, development and cooperation.

7.3.1 Measures to control emissions

The CO₂ emitted is proportional to fuel consumption, so that all measures carried out to reduce any increase in consumption result in improvements in terms of emissions. This has been achieved over the last few years thanks to the Fleet Renewal Plan, to operational improvements, air traffic control, better adjustment between supply and demand, the configuration of seats and use of simulators to train technical crews, among others.

Figure 22. Specific fuel consumption (1991-2006)



CO₂ emissions produced by aircraft account for around 98% of the total CO₂ emissions of the company, so that those improvements aimed at reducing growth in aircraft emissions must be attributable as an overall improvement, due to the fact that ground operations only account for the remaining 2%. With respect to 2003, specific consumption has improved by 4.3%. The accumulated improvement since 1991 is around 33%.

0,46 l/TKT, falling by 4.28% with respect to 2003

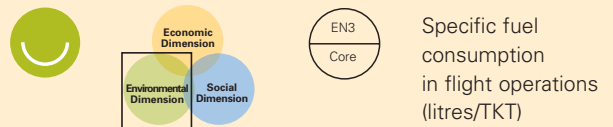
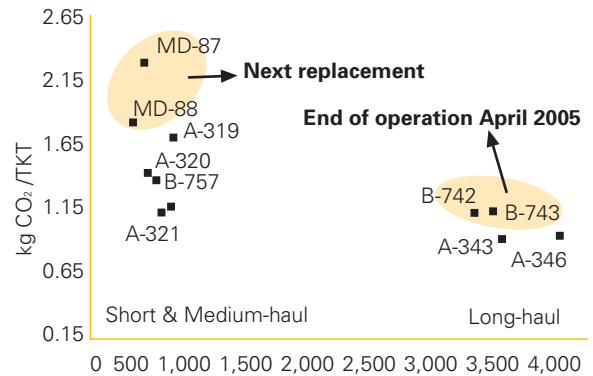


Figure 23. Specific emissions of CO₂ by average distance travelled by fleet



During 2004, aircraft from the A-340/600 family have continued to join the fleet, with greater fuel consumption efficiency than the aircraft they are replacing, the B-747-200/300, which will stop operations before April 2005. It is also planned to replace the fleet of MD aircraft, which will contribute greatly to the continued reduction in specific consumption.

Table 41. Fleet renewal with respect to the number of block hours compared with specific consumption

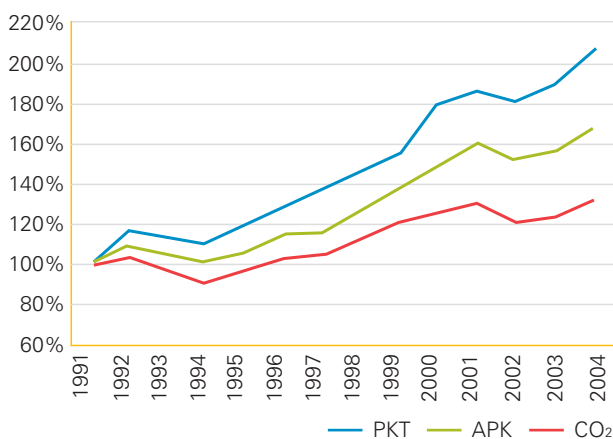
Schedule	Fleet	Specific consumption (litres/tkt) 2004	Block hours			No. block hours compared to 2002
			2002	2003	2004	
Long-haul	A-343/A-346	0.36/0.37	81,935	93,438	111,524	29,589
	B-742/B-743	0.44/0.43	36,091	30,125	21,717	-14,347



The environmental actions of airlines in flight operations focus mainly on noise and emissions, at a local and global level

This diagram shows that the hours of flight by aircraft with a higher specific consumption on long-haul flights has been falling steadily. The creation of the future Single Sky in Europe could also help the average reduction of 6% in flight time and between 6% and 12% in fuel.

Figure 24. Trends in APK, PKT and CO₂ 1991-2004



Since 1991, supply (APK) and demand (PKT) have grown more than overall CO₂ emissions. The adjustments of these two parameters have also resulted in an improvement in occupation rates and therefore greater efficiency, going from 61% in 1991 to over 75% in 2004.

7.3.2 Control of fuel consumption

In order to optimise consumption management in all operational phases, a project has been set up to monitor fuel data in order to integrate all the available information and thereby facilitate decision-making. This includes automatically obtaining and processing fuel data to improve the management and monitoring of consumption per route and fleet.

With respect to aircraft operations, measures have been adopted such as the adjustment of basic weights in order for the automated flight plan weight to correspond to the real weight, adjusting the fuel loaded to the real need. Flight plans are also being monitored in order to analyse deviations in planned flight levels to bring them as close as possible to optimum levels in terms of consumption. The increase in simulator training hours has also had a positive effect on the reduction in emissions, estimated at between 3-5% of CO₂ emissions avoided.

Table 42. Comparison of training flight hours on simulator/real flight

	Simulator hours	Real flight hours
2003	26,173	365
2004	24,983	207
Year-on-year variation	-4.5%	-43.2%

Along these lines, in 2004 the IATA launched a Fuel Action Programme, aiming to involve all agents that can contribute to improving this aspect: airlines, airports, suppliers of air navigation services. The main actions are the implementation of programmes to improve pilot practice, air traffic control and route optimisation, among others. IBERIA, together with the rest of the IATA airlines, participates actively in this campaign.

7.4 Local air quality

Goal:

Reduce the impact on the quality of local air deriving from the company's operations.

Actions carried out:

- Taking into account environmental impact as one of the main aspects when acquiring and replacing the fleet.
- Supporting the ICAO in the area and regulation of gas emission standards at a local level

Future actions:

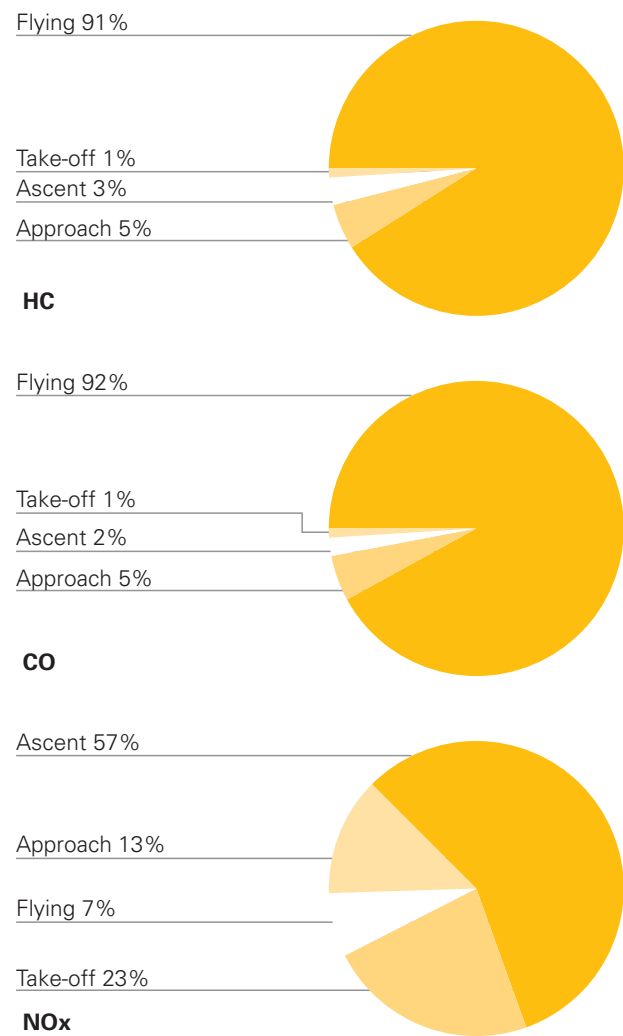
- Continue to collaborate with stakeholders (gas emitters around airports, airlines and airport and local authorities) to develop voluntary measures to improve local air quality around airports.

Over 91% of our fleet already complies with the Chapter 4 requirements of Appendix 16 of the OACI Convention, in spite of the fact that this standard is only applicable to aircraft certified as from 2006

The environmental impact in this area is a consequence of emissions of unburned hydrocarbons (HC), carbon monoxide (CO) and nitrogen oxide (NOx) emitted in the LTO cycles (landing and take-off). LTO cycle emissions are those which are produced in aircraft operations until reaching an altitude of 900 metres.

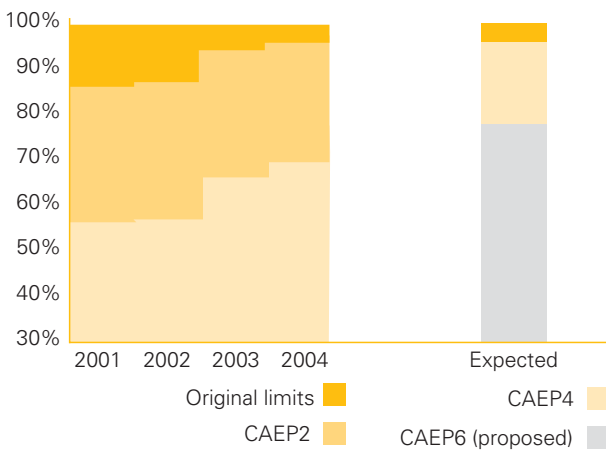
The objective and aim of our airport operations is to reduce impact on the quality of local air. To this

Figure 25. Percentage of emissions of HC, CO and NOx, according to aircraft stage



end there are different measures that can be taken in which airlines, manufacturers and airports, as well as authorities, are all involved.

Figure 26. % of the fleet complying with NOx standards with respect to CAEP



Over the last decade, the limits for NOx emissions set by the ICAO regulation have been reviewed on three occasions and reduced by 40%. With the next renewal of IBERIA's fleet, over 95% of our aircraft will be within the limits set both by CAEP/2 and by CAEP/4. ICAO, in the CAEP/6 meeting in February 2004, reduced the NOx emission standards in the LTO cycle by 12%, this regulation not affecting our current fleet as it will be applied to engines certified after the 1st of January 2006. Therefore, although not applicable, most of our fleet will soon comply with the new limits.

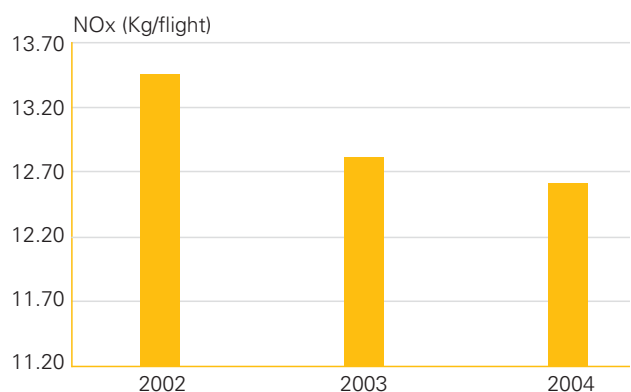
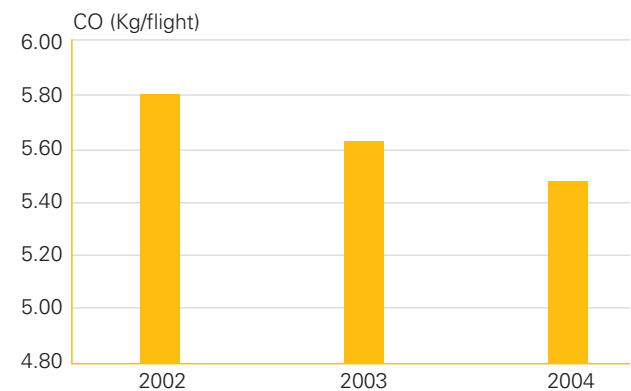
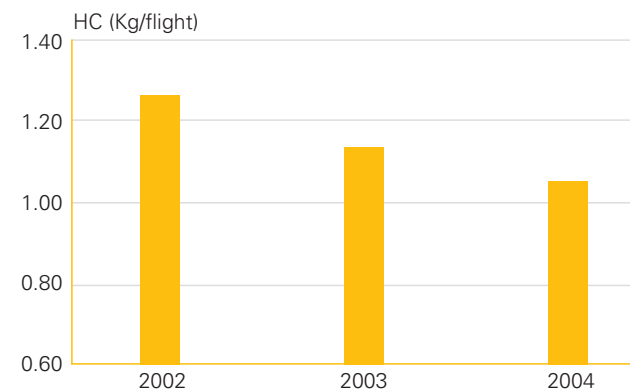
Table 43. Impact of NOx by IBERIA airport activity (2004)

Airport	%
Madrid	36.2%
Barcelona	17.0%
Málaga	2.6%
Paris (ORY)	2.3%
Seville	2.2%
London (LHR)	2.0%
Bilbao	1.7%

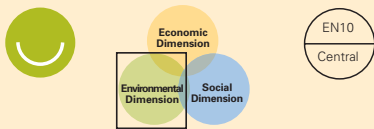
There are other sources of NOx emissions around airports, such as from ground equipment, energy generation plants and private and public vehicles, which must be taken into account in the

inventories of emissions when calculating the impact of emissions around airports.

Figure 27. Emissions of HC, CO and NOx in "LTO" cycle with respect to the number of total flights per year (2002-2004)



12.58 Kg/flight, a reduction of 1.6% over 2003



Specific NOx emissions
IBERIA fleet
per LTO cycle
(Tonnes NOx)

In recent years specific emissions of HC, CO and NOx have fallen steadily. These generalised reductions are a consequence principally of fleet renewal.

Therefore, in order to achieve improvements in the quality of local air, it is necessary to have increasingly stricter regulations in line with technological improvements and the results of research programmes, in addition to a series of operational measures carried out by companies that contribute to this reduction. Voluntary agreements between all the sources of emissions and between airports and local authorities are also of great importance.

7.5 Consumption of resources

Goal:

Promote efficient, rational consumption of resources used in carrying out our activities

Actions carried out:

- Reduction in average age of IBERIA diesel vehicles in Cargo activity, thereby reducing consumption and atmospheric emissions

Future actions:

- Ensure adequate management of the consumption of resources in the new cargo terminal at El Prat airport in Barcelona by using a centralised management system for the facilities
- Introduce environmental improvements in the storing of special products for maintaining aircraft at La Muñoz (Madrid)

Together with the impact of aircraft activity itself, the effect of the industrial and support activities carried out by the company on the environment must also be taken into account. These additional activities can be basically summarised as aircraft maintenance, as well as passenger and ramp handling, aircraft assistance on the ground and the activity of cargo and goods transport.

A correct management of globally limited resources is essential and prevents a series of impacts deriving from their use: emissions and waste, among others.

7.5.1 Consumption of resources in IBERIA's industrial zones in Madrid

The consumption of energy and resources in IBERIA's industrial facilities in Madrid correspond fundamentally to aircraft maintenance operations. Together with these, other non-industrial activities are also carried out at the company's offices.

To maintain and check the aircraft there are hangars in these industrial zones for large-scale aeronautical work, as well as to clean and paint aircraft. Next to these facilities is the engine workshop and the service areas for supplying water, air and air conditioning and heating throughout the industrial zone. These facilities also contain warehouses for general and special products.

Table 44. Main consumption of resources and associated atmospheric emissions

Consumption of resources in IBERIA's industrial zones in Madrid in 2004	
Natural gas (MWh)	187,580
Diesel (litres)	259,397
Electricity (MWh)	63,368
Atmospheric emissions	
CO ₂ (Tonnes)	35,750
NOx (Tonnes)	33.5
SO ₂ (Tonnes)	1.0

Finally, we should also note that the water consumption in 2004 in IBERIA's industrial zones fell to 562,695 m³.

7.5.2 IBERIA's cogeneration participates in the community trading of emission rights

The consumption of resources in aircraft maintenance activities generates atmospheric emissions, principally CO₂. In this respect, the installation of cogeneration on the part of IBERIA at its industrial zone at La Muñoza (Madrid) participates in the community trading of emission rights deriving from the Kyoto Protocol of 1997.

In order to carry out the Kyoto Protocol, the Spanish Minister of the Environment approved in 2004 the National Plan of Allocation of Greenhouse Emissions for the years 2005, 2006 and 2007. The National Plan aims to reduce greenhouse gas emissions in Spain by taking as its reference the levels existing in 1990.

The cogeneration system, one of the cleanest ways to produce energy, is based on generation using natural gas engines as their primary energy source, taking advantage of residual heat for heating in the form of hot water or steam, or for refrigeration via absorption plants.

Table 45. Fundamental energy parameters of cogeneration in industrial zones

Cogeneration plants in IBERIA's industrial zones in Madrid 2004	
Net energy generated (MWh)	41,227
Energy recovered for heating (MWh)	17,086
Savings in equivalent primary energy (MWh)	33,800
Annual gas emissions avoided (Tonnes)	CO ₂ : 6,320 NO _x : 5.9 SO ₂ : 12.8

7.5.3 Consumption of products with VOC (Volatile Organic Compounds) in aircraft maintenance

While cleaning and painting aircraft, products are used whose application releases volatile organic compounds into the atmosphere. These emissions are fundamentally due to using solvents. To reduce this impact in 2004, IBERIA has continued to use paints with a minimum concentration of solvents and volatile components.

Table 46. Products containing VOCs

Product	Quantity (Litres)
Solvents	260,649
Paints with solvent	1,745
Hardeners	3,489
Paint dilutants	15,295
Petroleum	5,152
Other products with VOCs	12,389
Total	298,719

7.5.4 Consumption of resources in passenger/ramp handling and cargo

IBERIA has a significant fleet of vehicles to assist aircraft at airports, both for handling passengers and ramps, as well as in the area of cargo. The average age of these vehicles is an important factor to consider as, together with suitable maintenance, this has a direct effect on consumption as well as on the atmospheric emissions generated.

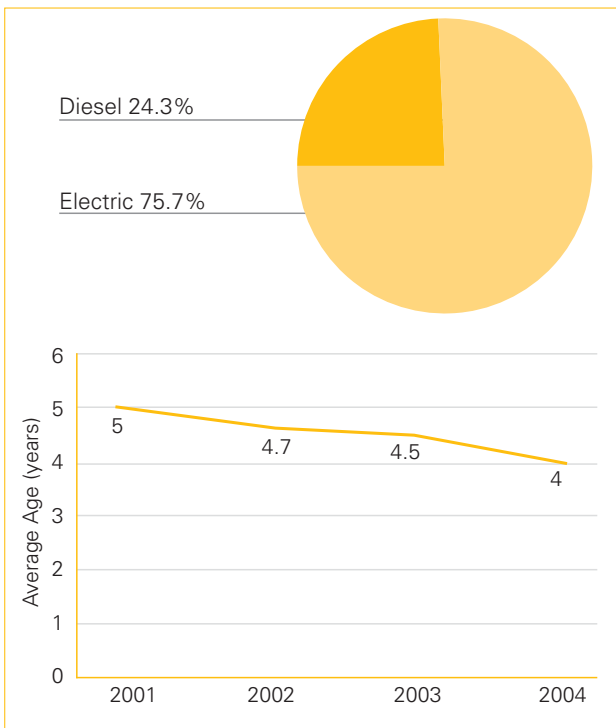
Characteristics of IBERIA's passenger/ramp handling vehicles and cargo vehicles 2004

Type	Units	Average Age (years)
Petrol	97	10.6
Diesel	2,901	5.2
Electric	680	10.7

Consumption of IBERIA's passenger/ramp handling vehicles and cargo vehicles 2004

Petrol (litres)	30,659
Diesel (litres)	8,634,010

Figure 28. Composition and average age of cargo-related vehicles at IBERIA 2004



IBERIA's new cargo terminal in Barcelona incorporates environmental advances

During the last few weeks of 2004, IBERIA's cargo activities at El Prat airport in Barcelona started to be transferred to the new Area Cargo Centre where this kind of activity will be carried out from now on: reception, handling and delivery of goods suitable for air transport.

In order to achieve suitable bio-climactic conditions, the upper cover of the terminal is made of translucent plates of polycarbonate, in addition to curtains of air formed by ventilation cabins with batteries for cold or hot water; the projection of air is vertical and at high speed, so that heat can't be transferred between the exterior and interior, forming a "thermal barrier" between these spaces when the doors are opened.

The new Air Cargo Centre has an Electrogenic Group installed to assist services considered as priority, located in a specific building for this purpose, and it will be housed in a soundproofed cabin with a high performance silencer.

The premises' design meets energy-saving criteria, consumption at any time being adapted to the cargo of each location via a centralised facility management system, designed with a real-time graphic base and specialised in technical installations for buildings.

7.6 Waste management

Goal: Promote improvements in the management of hazardous and non-hazardous waste as well as treat water contaminated during our industrial processes

Actions carried out:

- Implementation of improvements in the storage area for batteries at the Cargo Terminal in Madrid

Future actions:

- Improve the signage system for hazardous waste at the deposit points in the aeronautical maintenance workshops at La Muñoza (Madrid)
- Adaptation of different storage facilities for hazardous waste generated as a result of passenger and ramp handling

In order to ensure the correct internal management of hazardous and non-hazardous waste generated as a result of the company's operations, IBERIA has a series of internal procedures that guarantee its separation and later delivery to an authorised manager in charge of disposing of this waste appropriately in environmental terms.

7.6.1 Hazardous waste generated by aeronautical maintenance and passenger and ramp handling

7.6.1.1 Certification ISO 14.001 in aircraft maintenance guarantees correct waste management

One of the main environmental impacts produced as a result of maintenance is the generation of waste due to the varied and wide number of industrial sub-processes involved. By means of internal procedures, this system includes the necessary organisational structure, responsibilities, processes and resources to guarantee this environmental aspect is managed appropriately.

Table 47. Hazardous waste generated by IBERIA in aircraft maintenance and handling

Type (Tonnes)	2004
Main categories from aircraft maintenance (Madrid industrial zones)	
Used oil	27.4
Non-halogenated solvent	10.6
Paint in solid state	11.5
Sodium cyanide and metals in solution	19.7
Main categories from ground equipment maintenance (National stations Airport dept)	
Used oil	59.5
Non-halogenated solvent	2.4
Batteries	154.3
Used oil filters	9.2

Figure 29. Final destination of hazardous waste generated in IBERIA's industrial zones 2004.

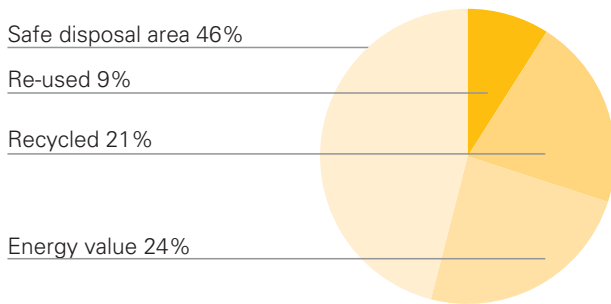
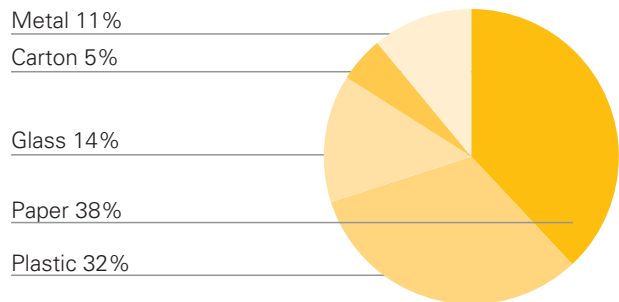
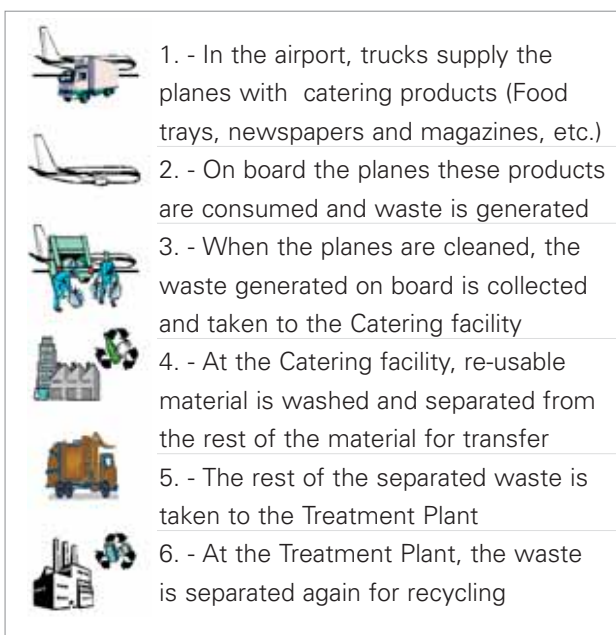


Figure 30. Composition of IBERIA's catering waste in 2004 separated in the treatment plant for its later recycling



7.6.2 Waste from catering

General diagram of IBERIA catering waste management



7.6.3 Other waste

Hazardous goods abandoned at IBERIA's cargo terminals

Although not frequent, there is the possibility that waste could be generated at IBERIA's cargo terminals due to hazardous goods abandoned by their owners. In these cases Spanish legislation establishes that the cargo terminals must be responsible for the appropriate management of this waste.

In order to respond to the possible cases of this type, at the end of 2004 IBERIA's Cargo Department drew up an internal procedure (PG.09.01) in order to ensure the best management of this kind of waste. Once the goods have been detected, they are stored appropriately until, within the regulatory deadline, an authorised firm picks them up and processes them accordingly until their final destination: a secure deposit or recycling.

7.6.4 Waste water treatment

Most water consumption at IBERIA comes from aircraft maintenance activities carried out at the facilities in Madrid (La Muñoza), where there are 3 plants to treat waste water before its disposal.



At the Engine Workshop treatment plant, where water from the electrolyte baths is taken, the facilities were completely remodelled in 2004 in order to minimise any possible environmental impact that might come from the treatment process. Externally the product storage tanks have been modified and new containment bins have been inserted. Inside separation walls have been provided to stop cyanide and chrome from mixing in the case of leaks, in addition to new treatment tanks for these two pollutants.

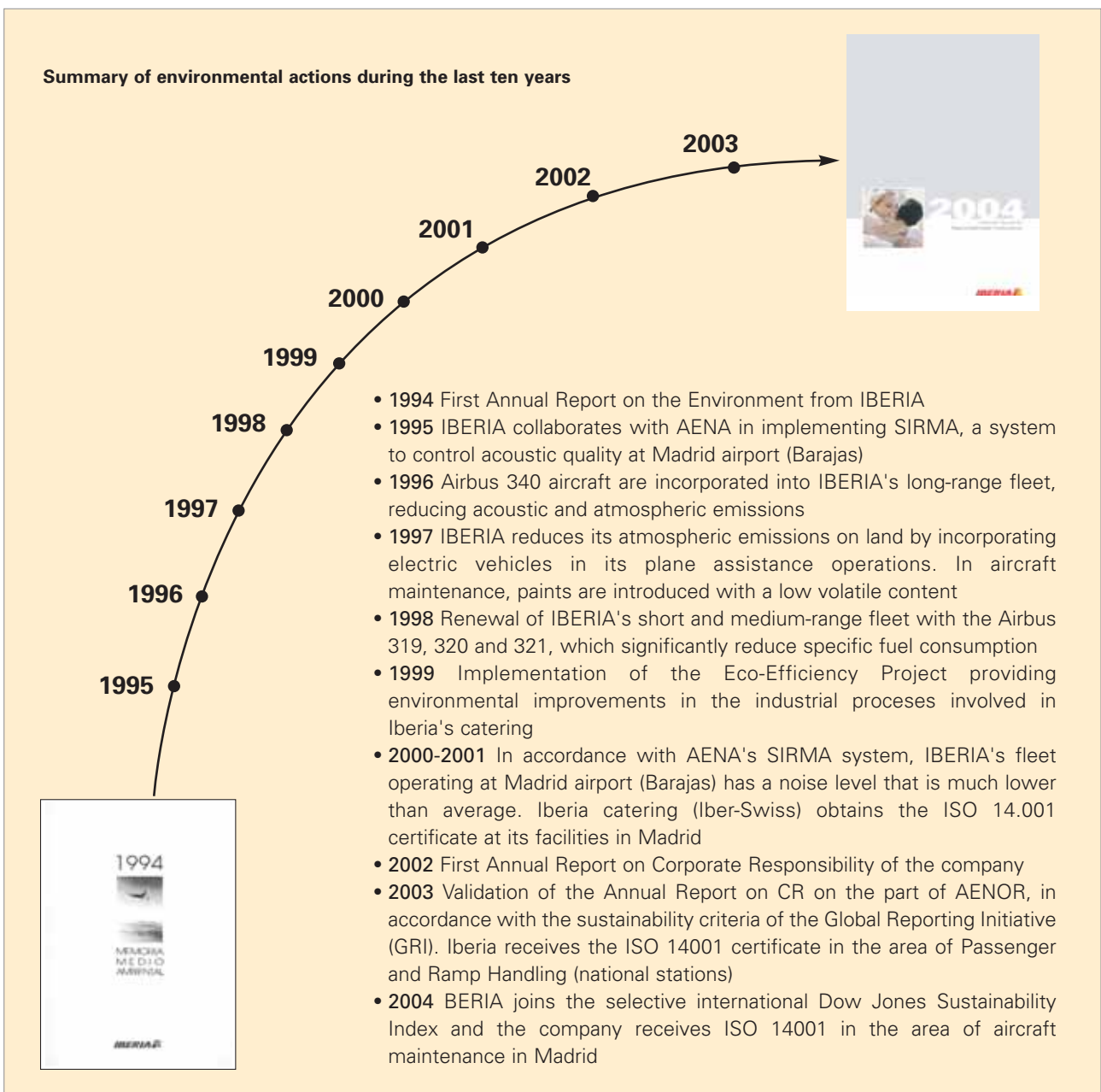
The biological treatment plant, the last stage for the waste and industrial water before disposal, operates according to parameters as shown by the periodic analyses carried out, indicating levels far below the legal limits and therefore ensuring minimum levels of pollutants in the water disposed.

IBERIA also takes part in the European Pollutant Registry (EPER), every year providing information on the emissions into the water and atmosphere that come from treating surfaces with electrolyte baths, as carried out during aircraft maintenance.

Table 48. Treatment parameters in IBERIA's treatment plant in Madrid

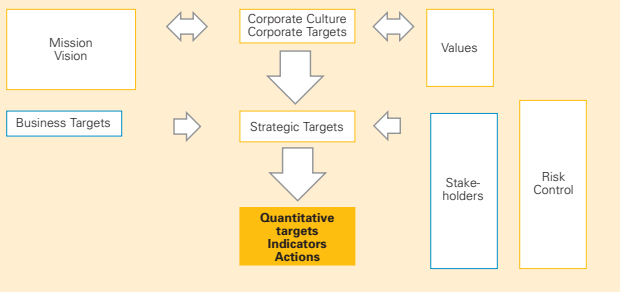
	2002	2003	2004
pH	8	7.6	7.5
BOD ₅ (mg/l)	<2	4	4.6
COD (mg/l)	<7	9	9.6
Solids in suspension (mg/l)	6	12	9

Figure 31. Main actions covered during these ten years of environmental information





Appendix



Appendix I: Content and indicators as per the Global Reporting Initiative

Content

This section provides references for the content required by the guidelines of the Global Reporting Initiative to draw up the content of the Annual Report on Corporate Responsibility.

VISION AND STRATEGY				
GRI Code	Content	Page location	Indicator covered	
			FTSE4Good	DJSGI
1.1	Explanation of Vision and Strategy	18	NO	NO
1.2	President's Declaration	6	NO	NO
PROFILE				
GRI Code	Content	Page location	Indicator covered	
			FTSE4Good	DJSGI
2.1	Name of informing organisation	14	NO	NO
2.2	Main products and services	14	YES	NO
2.3	Organisation's operational structure	Annual Report on Corporate Governance, epigraph C	NO	NO
2.4	Description of organisational structure	Annual Report on Corporate Governance, epigraph A	NO	NO
2.5	Countries where organisation operates	14	NO	NO
2.6	Nature of ownership	46	NO	NO
2.7	Nature of markets served	14	NO	NO
2.8	Size of informing organisation	46	NO	NO
2.9	List of stakeholders	26	NO	NO
2.10	Contact person in organisation	128	NO	NO
2.11	Period covered by report	10	NO	NO
2.12	Date of latest prior report	10	NO	NO
2.13	Coverage of report	10	YES	YES
2.14	Significant changes occurring in organisation	46	NO	NO
2.15	Basis used to draw up reports subsidiary companies	N.A.	NO	NO
2.16	Description reformulation existing information	46	NO	NO
2.17	Decisions not to apply gri principles	N.A.	NO	NO
2.18	Criteria used in accounting	2004 Annual Report Financial Statements, Note 2	NO	NO
2.19	Significant changes in calculating indicators	114	NO	NO
2.20	Policies to ensure data accuracy	88	NO	NO
2.21	Policies to ensure independence verification	133	YES	NO
2.22	Location additional information available	128	NO	NO

GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS				
GRI Code	Content	Page location	Indicator covered	
			FTSE4Good	DJSI
3.1	Governance structure of the organisation	Annual Report on Corporate Governance, epigraph B	YES	YES
3.2	Percentage independent board members	Annual Report on Corporate Governance, epigraph B	NO	YES
3.3	Definition strategies in environmental and social risks	Annual Report on Corp. Governance, epigraph D	NO	NO
3.4	Identification and management of opportunities	Annual Report on Corp. Governance, epigraph D	NO	NO
3.5	Direct remuneration and target achievement	Annual Report on Corp. Governance, epigraph B	NO	YES
3.6	Structure of the organisation	Annual Report on Corp. Governance, epigraph A	NO	NO
3.7	Declarations of mission and values	18	YES	YES
3.8	Communication of shareholder recommendations	26	NO	NO
3.9	Selection of stakeholders	26	NO	YES
3.10	Consultation of stakeholders	26	YES	YES
3.11	Information in above-mentioned consultations	26	NO	NO
3.12	Use of above-mentioned information	26	NO	NO
3.13	Use of precautionary principle	91	NO	NO
3.14	Commitment and voluntary initiatives	26	NO	NO
3.15	Membership of associations	134	NO	NO
3.16	Indirect impact management policies	32	NO	NO
3.17	Indirect impact management	88	NO	NO
3.18	Main decisions on location of operations	N.A.	NO	NO
3.19	Programmes economic, social and environmental aspects	22	NO	NO
3.20	Certification economic, social and environmental management	38	YES	YES

Indicators

This section includes the indicators used by IBERIA according to the guidelines of the Global Reporting Initiative. A series of points should be raised concerning these indicators:

a) GRI indicators are classified into core and additional. The former are those of interest to our organisation and for the majority of our stakeholders. The latter are those representing outstanding although not extensive practice in measuring social, economic or environmental aspects, offering relevant information to interested parties, and may be considered in the future as core indicators.

b) The inclusion of new indicators is partly due to the availability of more information on the aspect in question and also to the identification of these indicators with the GRI code, although they may have been included in previous years.

c) In order to draw up IBERIA's Annual Report on Corporate Responsibility in accordance with the standards outlined by the GRI, it is necessary to include all core indicators or to explain why they are absent. Below are the core indicators not included in this Annual Report, as well as the reason for their exclusion:

Table 49. Indicators not included in this Annual Report

Indicator	GRI Code	Type	Reason for exclusion from Annual Report on Corporate Responsibility 2004
Location and extension of land owned, leased or administered in habitats rich in bio-diversity	EN6	Core	No significant impact in the case of IBERIA
Analysis of main impacts on bio-diversity deriving from activities and products and services in land, sea or freshwater areas	EN7	Core	Not significant as a result of the activity carried out by IBERIA
Percentage of raw materials that are waste from sources external to the reporting organisation	EN2	Core	Not significant as a result of the activity carried out by IBERIA
Disposal of chemical substances, oils and fuels of significance	EN13	Core	Contained in the most recent EPER inventory declared by IBERIA
Composition of higher management departments and corporate governance	LA11	Core	Information in the IBERIA Annual Report on Corporate Governance 2004
Detailed list of policies and procedures required to evaluate action on human rights with respect to supply chain	HR3	Core	Advances within the Global Compact policy undertaken by IBERIA
Policy, management systems and procedures and mechanisms of compliance regarding corruption and bribery	SO2	Core	Information in the IBERIA Annual Report on Corporate Governance 2004
Policy, management systems and procedures regarding contributions and instruments of political pressure	SO3	Core	Not carried out
Description of policies concerning HIV/AIDS	LA8	Core	Not significant as a result of the activity carried out by IBERIA
Description of policies for health and safety of customers while using products and services	PR1	Core	IBERIA complies with the applicable regulations
Policy, management systems and procedures regarding the protection of customer privacy	PR3	Core	IBERIA complies with the applicable regulations

- d) IBERIA has also included some indicators complementary to those listed by the GRI guidelines as a consequence of their representative nature for its activity and in compliance with the principle of transparency of these guidelines. This is the case of the classification of the fleet of ground vehicles in terms of the fuel used.
- e) Those indicators included with an asterisk are not defined by the GRI but IBERIA has included them as a consequence of their representative nature for the company's activity.
- f) Finally, it should be noted that, in 2004, a classification has also been included for indicators included that show the approximate importance of these indicators for a company to be included on the Dow Jones Sustainability Index and the FTSE4Good (see the last columns in the tables below). A few points should be made about this:
- a. As is already known, a questionnaire, completed in-house or sent to companies, is the main tool for those carrying out the social and

environmental analysis required to draw up the indices in question, the FTSE4GOOD and the Dow Jones Sustainability Group Index. SAM Group is the agency in charge of the analysis for the Dow Jones; EIRiS and its international network of partners for the FTSE4GOOD.

- b. The identification of these indicators, depending on their inclusion in these questionnaires, is not bi-univocal, i.e. they are not always defined in the same way. In any case, it was believed that this classification would be of use in qualitatively identifying those aspects taken into account by these very important sustainability indices. It is also necessary to clarify that the criteria established by the DJSI and the FTSE4Good sometimes require specific information that is not required by the GRI. For example, this is the case of information on the strategic planning methods applied, required by the DJSI in its questionnaire in order for a company to be included or renew its position on the index.

Economic Indicators

ECONOMIC ASPECTS						I. covered	
GRI Code	Indicator type	Indicator name	Page location	2003	2004	FTSE4 Good	DJSGI
EC1	Core	Income per passenger (thousands of euros)	46	4,619.3	4,805.4	YES	YES
EC2	Core	Geographic breakdown of markets	2004 Annual Report Management Report, note 2			YES	YES
EC3	Core	Costs of raw materials and goods acquired and services hired	2004 Annual Report Financial Statements, note 11			YES	YES
EC4	Core	Percentage of contracts paid as per agreed terms	100%	100%	100%	YES	YES
EC5	Core	Total salary costs	2004 Annual Report Financial Statements, note 20			YES	YES
EC6	Core	Distribution between capital suppliers (debts and loans)	2004 Annual Rep. Financial State., note 16			YES	YES
EC7	Core	Variation in retained profits at period end	2004 Annual Report Financial Statements, note 13			YES	YES
EC8	Core	Taxes paid	2004 Annual Report Financial Statements, note 19			YES	YES
EC9	Core	Subsidies received	2004 Annual Report Financial Statements, note 20			YES	YES
EC10	Core	Community donations (euros)	72	3,381,545	4,542,316	YES	YES

Social indicators

SOCIAL ASPECTS										
GRI Code	Indicator type	Indicator name	Location		2002	2003	2004	Var. 2003/2004	I. covered	
			Section	Page					FTSE 4Good	DJSGI
LA1	Core	Staff	Employees	58	17,675	18,063	18,256	1.1 %	NO	NO
		Ground								
		Flight								
		Average seniority (years)								
		Average age of staff (years)		58	14.42	14.1	13.97	-0.9%	NO	NO
				58	40.96	41	41	0.4%	NO	NO
LA1	Core	Type of work contract	Employees	62	18,995	19,308	19,495	1.0 %	NO	NO
		Number of permanent contracts								
		Encouragement of indefinite contracts								
		Discontinuous permanent								
		Number of temporary contracts								
		Net creation of employment		62	24,044	24,441	24,677	1.0%	YES	YES
		Minimum salary (euros/year)		62	12,968.20	13,716.60	14,331	4.6 %	YES	YES
LA3	Core	Percentage union membership (%)	Employees	67	67	68	67.8	0.3 %	YES	YES
		Ground								
		Pilot crews								
		Flight engineers								
		Cabin attendants								
		Sponsorship	Social action projects	80	3,281,545	8,109,045	7,896,584	-2.6 %	YES	NO
LA4	Core	Policy and procedures of information, consultation and negotiation with employees on changes in operations of informing organisation	Employees	67			Qualitative		YES	YES
LA5	Core	Methods of recording and notifying of accidents at work and professional illnesses	Employees	61			Qualitative		YES	YES
LA6	Core	Description of joint committees on health and safety	Employees	60			Qualitative		YES	YES
LA7	Core	Number of work-related accidents	Employees	61	2,227	2,323	2,608	12.3%	YES	YES
LA9	Core	Training and development	Employees	66	7,772	10,659	10,659	0.0 %	YES	YES
		Number of courses								
		Number of students								
		Hours per student								
		Practical programmes								
		Number of grants								
		Number of placements under contract		63	132	81	81	0.0 %	YES	YES
				63	57	61	61	0.0%	YES	YES
LA10	Core	Equal opportunities	Employees	65	9,399	9,529	9,611	0.9%	YES	YES
		Women								
		Men		65	16,293	16,786	16,666	-0.8%	YES	YES
LA11	Core	Proportion between sexes in higher management departments	Employees	64			Qualitative		YES	YES
LA12	Additional	Workers under reduced scheme due to childcare	Employees	64	179	233	373	60.1%	YES	YES
		Ground								
		Flight								
		Provisions on formal representation of workers in decision-making or management, including corporate governance		55			Qualitative		YES	YES
LA15	Additional	Description of formal agreements with unions or other work representatives in question about health and safety in the workplace and proportion of group of workers covered by them	Employees	60			Qualitative		YES	NO
LA16	Additional	Description of procedures that encourage continuous hiring of staff and manage retirement programmes	Employees	63, 67			Qualitative		NO	NO
LA17	Additional	Specific policies aimed at management of practical knowledge or ongoing training	Employees	66			Qualitative		YES	YES
HR1	Core	Detailed list of policies, guidelines, corporate structures and procedures concerning operations-related human rights, as well as monitoring systems and their findings. Indicate the degree of compliance with international recommendations, such as the Universal Declaration of Human Rights and the ILO Conventions on fundamental human rights.	Our social and environmental commitments	26			Qualitative		YES	NO

SOCIAL ASPECTS									
GRI Code	Indicator type	Indicator name	Location	2002	2003	2004	Var. 2003/2004	I. covered	
			Section	Page				FTSE 4Good	DJSGI
HR2	Core	Consideration of human rights in decision-making	Our social and environmental commitments	23		Qualitative		YES	NO
HR3	Core	Valuation of human rights on the part of suppliers	Our social and environmental commitment	23		Qualitative		YES	NO
HR4	Core	Detailed list of global policies and programmes/procedures dedicated to avoiding all kinds of discrimination in operations, as well as monitoring systems and their results	Employees	64		Qualitative		YES	NO
HR5	Core	Analysis of the policy of freedom of association and its degree of application (apart from local laws), as well as procedures/programmes related to this area	Employees	66		Qualitative		YES	NO
HR6	Core	Explanation of policy of rejection of child labour as defined in Convention 138 of the OIT, degree of information and application and list of procedures/programmes related to this area, as well as the monitoring systems and results	Our social and environmental commitment	26		Qualitative		YES	NO
HR7	Core	Explanation of policy of rejection of forced and obligatory labour, degree of information and application and list of procedures/programmes related with this area, as well as the monitoring systems and results. See Article 2 of Convention no. 29 of the OIT	Our social and environmental commitment	26		Qualitative		YES	NO
HR10	Additional	Analysis of the policies of non-revenge and of the confidential complaint systems (including but limited to their impact on human rights)	Employees	64		Qualitative		NO	NO
SO1	Core	Description of policies to manage impact caused to communities of regions affected by activities and of the procedures/programmes related to this area, as well as the monitoring systems and results. Include explanation of procedures to identify and establish dialogue with interested parties in the community	Environmental management	88		Qualitative		YES	NO
SO2	Core	Policies on corruption and bribery	Employees	57		Qualitative		YES	NO
SO3	Core	Contributions to politics	Corp. Resp. Report 2004	118		Qualitative		YES	NO
PR1	Core	Mechanisms of safety and health of clients	Customers	28, 48		Qualitative		NO	NO
PR2	Core	Description of policies and systems of management/procedures, as well as mechanisms of compliance regarding product information	Customers	29		Qualitative		NO	NO
PR3	Core	Mechanisms to protect customer privacy	Customers	50		Qualitative		NO	NO
PR8	Additional	Description of policies and systems of management/procedures, as well as mechanisms of compliance regarding customer satisfaction and the results of studies evaluating customer satisfaction	Customers	28, 47		Qualitative		YES	YES
PR9	Additional	Description of policies and systems of management/procedures, as well as mechanisms of compliance of legal regulations and non-mandatory codes relating to advertising	Customers	51		Qualitative		NO	NO
PR10	Additional	Number and type of infractions committed within the framework of regulations on marketing and advertising	Customers	51		Qualitative		NO	NO

Environmental indicators

ENVIRONMENTAL ASPECTS										
GRI Code	Indicator type	Indicator name	Location	2002	2003	2004	Var. 2003/2004	I. covered		
			Section	Page				FTSE	DJSGI	
								4Good		
FLIGHT OPERATIONS										
EN3	Core	Fuel consumption (tonnes/year)	Climate change	118	1,871,420	1,935,221	2,010,728	3.9	YES	YES
		Specific fuel consumption (L/TTK)	Climate change	98	0.49	0.48	0.46	-4.28	YES	YES
EN8	Core	CO ₂ emissions (t) total IBERIA flights	Climate change	118	5,894,972	6,095,945	6,333,794	3.9	YES	YES
EN10	Core	NO _x emissions in LTO cycles (tonnes)	Local air quality	118	3,023	3,033	3,096	2.08	YES	YES
		HC emissions in LTO cycle (tonnes)	Local air quality	118	285	266	259	-2.71	YES	YES
		CO emissions in LTO cycle (tonnes)	Local air quality	118	1,297	1,339	1,350	0.78	YES	YES
(*)		Average age of fleet (number of years)	Noise control	118	7.49	7.9	7.7	-2.53	YES	YES
EN16	Core	Episodes and fines associated with non-compliance of conventions, treaties, declarations and rules associated with environmental areas	Noise control	95	0	0	0	0	YES	NO
GROUND OPERATIONS										
CARGO										
(*)		CLASSIFICATION GROUND EQUIPMENT								
		Diesel units	Resource consump.	118	68	66	62	-6.06	YES	NO
		Petrol units	Resource consump.	104	4	2	0	-100	YES	NO
		Electrical units	Resource consump.	104	216	190	194	2.11	YES	NO
CONSUMPTION OF WATER, ELECTRICITY & PAPER										
EN3	Core	Diesel fuel consumption (l)	Resource consump.	118	124,427	116,374	126,425	8.64	YES	YES
EN4	Core	Electricity (joules x 10 ⁹)	Resource consump.	118	27,938	29,792	26,983	-9.43	YES	YES
EN5	Core	Water (m ³)	Resource consump.	118	10,984	23,221	21,005	-9.54	YES	YES
EN1	Core	Paper (Kg)	Environ. mgmt.	118	98.4	73.96	73.46	-0.68	YES	NO
EN3	Core	GENERATOR CONSUMPTION							YES	YES
		Diesel C (m ³)	Resource consump.	118	578,790	601,223	589,641	-1.93	YES	YES
EN11	Core	HAZARDOUS WASTE MANAGEMENT							YES	YES
		Generation (tonnes)	Waste mgmt.	118	1.55	2.63	2.93	11.41	YES	YES
		URBAN WASTE MANAGEMENT							YES	YES
		Generation (tonnes)	Waste mgmt.	118	192	198	245	23.85	YES	YES
PASSENGER & RAM P HANDLING										
(*)		CLASSIFICATION GROUND EQUIPMENT								
		Diesel units	Resource consump.	104	2776	2,796	2,839	1.54	YES	NO
		Petrol units	Resource consump.	104	155	128	97	-24.22	YES	NO
		Electrical units	Resource consump.	104	499	517	486	-6.0	YES	NO
CONSUMPTION OF WATER, ELECTRICITY & PAPER										
EN3	Core	Diesel fuel consumption (l)	Resource consump.	118	7,232,438	7,797,140	8,507,585	9.11	YES	YES
EN4	Core	Electricity (joules x 10 ⁹)	Resource consump.	118	32,563	32,624	33,687	3.26	YES	YES
EN5	Core	Water (m ³)	Resource consump.	118	85,310	90,277	88,038	-2.48	YES	YES
EN1	Core	Paper (Kg)	Resource consump.	118	116	116	125	8.08	YES	NO
EN11	Core	HAZARDOUS WASTE MANAGEMENT							YES	YES
		Generation (tonnes)	Waste mgmt.	118	217	205	280	36.34	YES	YES
		URBAN WASTE MANAGEMENT							YES	YES
		Generation (tonnes)	Waste mgmt.	118	529	529	573	8.35	YES	NO

ENVIRONMENTAL ASPECTS										
GRI Code	Indicator type	Indicator name	Location		2002	2003	2004	Var. 2003/2004	I. covered FTSE 4Good	DJSGI
			Section	Page						
INDUSTRIAL ZONES MADRID										
EN3	Core	BOILER FUEL CONSUMPTION								
		Natural gas consumption (Kwh)	Resource consump.	102	325,878,051	358,240,478	375,161,360	4.72	YES	YES
		Heating fuel consumption (litres)	Resource consump.	102	259,673	252,322	259,397	2.8	YES	YES
EN3	Additional	ELECTRICITY GENERATION IN COGENERATION PLANT								
		Net total (joules x 10 ⁹)	Resource consump.	103	125.754.88	140.150.21	148,422.40	5.9	YES	YES
		% Consumed at IBERIA	Resource consump.	119	83	54	34	-36.83	YES	YES
		% Sold to mains grid	Resource consump.	119	17	46	66	43.6	YES	YES
		Natural gas consumption (m ³)	Resource consump.	119	104,224,621	116,186,151	124,253,598	6.94	YES	YES
EN4	Core	TOTAL ELECTRIC ENERGY CONSUMPTION (joules*10 ⁹)	Resource consump.	102	153.226	194,000	228,127	17.59	YES	YES
EN5	Core	TOTAL WATER CONSUMPTION (m ³)	Resource consump.	103	588,883	622,057	228,127	17.59	YES	YES
EN12	Core	Disposal of polluting water	Resource consump.	119	0	0	0	0	YES	YES
EN8	Core	CO ₂ (Tonnes)	Resource consump.	102	31,142	34,149	35,749	4.69	YES	YES
EN10	Core	SO ₂ (Tonnes)	Resource consump.	102	1.02	0.9	1.02	2.8	YES	YES
		NOx (Tonnes)	Resource consump.	102	29.15	31.99	33.49	4.7	YES	YES
EN9	Core	CRITICAL USES OF HALON								
		Kg. installed in equipment	Resource consump.	119	7,085	7,450	7,620	2.28	YES	NO
		Kg. used	Resource consump.	119	80	80	150	87.5	YES	NO
		Kg. stored for these uses	Resource consump.		0	0	0	0	YES	NO
EN10	Core	Use of produces with VOCs in industrial zones (litres)	Resource consump.	103	277,050	242,907	298,719	22.98	YES	NO
EN11	Core	GENERATION URBAN WASTE (Tonnes) (paper and cardboard, wood, not separated)	Waste mgmt.	119	2,229	1,595	1,181	-25.95	YES	YES
EN11	Core	Urban waste management (%)								
		Re-use	Waste mgmt.	119	0	0	0	0	YES	YES
		Recycling	Waste mgmt.	119	43	43	43	0	YES	YES
		Valuation	Waste mgmt.	119	0	0	0	0	YES	YES
		Elimination	Waste mgmt.	119	57	57	57	0	YES	YES
EN11	Core	GENERATION HAZARDOUS WASTE (Tonnes)	Waste mgmt.	119	13,910	16,184	18,672(**)	15.38	YES	YES
EN11	Core	Hazardous waste management (%)								
		Re-use	Waste mgmt.	106	9	9	9	0	YES	YES
		Recycling	Waste mgmt.	106	21	21	21	0	YES	YES
		Energy valuation	Waste mgmt.	106	24	24	24	0	YES	YES
		Safe disposal	Waste mgmt.	106	46	46	46	0	YES	YES
EN 15	Core	Weight of recovered sold products	Waste mgmt.	119	NA	NA	NA	NA	YES	YES
EN16	Core	Episodes and fines associated with non-compliance of conventions, treaties, declarations and rules associated with environmental areas	General	119	0	0	0	0	YES	NO
GENERAL ENVIRONMENTAL ASPECTS										
EN14	Core	Environmental impact of main products and services	Environ. mgmt.	88	Chapter 7				YES	NO
EN33	Core	Action of suppliers regarding environmental aspects	Stakeholders	32	Chapter 4				YES	NO
EN35	Core	Total expenditure on environment (thousands of euros)	Environ. mgmt.	32	NA	2,311	2,771	19.9	YES	YES

(*) IBERIA indicators

(**) Includes industrial waste water as hazardous waste

Appendix II: Towards a sustainable model

Family Regrouping: not without my family

Thousands of immigrants are weaving their new life every day in Spain. In many cases their chief dream is to bring their loved ones here, to reunite their family. Through the Family Regrouping programme of the Spanish Red Cross, and in accordance with the collaboration agreement established with IBERIA, in some cases their long-awaited reunion becomes a reality.

What are your dreams? If we asked a 31-year-old Spaniard this question, he would answer something like having a stable job, buying somewhere to live, having fun with his friends, winning the lottery... For Álex, however, a young man from the Dominican Republic of the same age who came to Leon three years ago, his dream is very different: to be reunited with his family, with his wife and four children. And in his case, his dream has come true.

Thanks to the collaboration agreement between IBERIA and the Red Cross, over 50 people from different countries in Latin America, Cape Verde and Equatorial Guinea who had settled in Spain have managed to reunite with their families. This collaboration between both organisations started at the beginning of 2003 with the aim of funding the transfers of the people to be reunited and also giving members of the Iberia Plus loyalty scheme the option to take part in one of the social action projects run by the company, offering them the chance to donate their points to IBERIA for this programme.

For Álex, homesickness is no longer his worst enemy and he can now put up with the meteorological inclemency of Leon and his tough construction work with a smile. *"When I see my children sleeping I feel very happy. I believe you have to enjoy these things now because my children will soon leave, just as I had to, separating myself from my six brothers and sisters. Having them here has put my heart at rest"*, says Alex, while the apple of his eye, Melissa, aged six, is making faces at him.

His story will surely coincide essentially with that of the thousands of immigrants who have come to Spain and have settled here looking for a more favourable future than could be expected in their home countries, with such terrible economic and social conditions. *"It's only good over there for a holiday"*, says Álex of his native Dominican Republic, where he used to work as a hairdresser and occasional lottery salesman.

He is grateful to the Red Cross and to the people who altruistically give their benefits conceded by IBERIA so that his family, and others in the same situation, can get the help they need. He found collaboration from the Red Cross right from the start, both via the Employment Plan and also with regrouping his family. *"I have relatives who had already settled in Leon"*, says this young man from the Dominican Republic, *"and I thought I'd have more possibilities here. I came with a work contract in October 2001 and then they gave me a residence permit and, all this time, I've been with the same company. At the start you are broken up, me here with my wife and four children over there, but thank God everything has come out alright in the end. You get to know people from the same country and they told me about what the Red Cross was doing, which really made a difference to me"*.

The 29th of March 2004 has become an unforgettable date for him: when he went to Barajas airport to pick up his wife, Sandra, and his four children, Albery, Ana, Euribiadi and Melissa, aged 16, 13, 12 and 6 respectively. He still gets emotional about it today and his face lights up with happiness when he remembers that moment: *"I looked and looked and couldn't see them. I had taken a camera and I got so nervous I couldn't even take a picture"*.

The support and advice of the Red Cross have been fundamental in this process of helping the family become a part of local society. And they are still receiving this support: Sandra is hoping to get a work contract and Albery, their eldest, will be able to take a Social Guarantee course free of charge, thanks to the immigration care programme.

Since the beginning of the collaboration between the Red Cross and IBERIA, Iberia Plus members have given their points to the company totalling a value of over € 15,400, accounting for 26% of the amount provided by the company for this project, which has totalled € 122,000 to date. And our joint project continues...

Soon, other families like Álex's will be able to make their dreams come true.

An essential bond

Even with a superficial reflection on the family and its importance for individuals and for society in general, it can be claimed to be a key element. In fact, both the Declaration of Human Rights and Spanish legislation expressly mention the right to protect the family nucleus.

In the Geneva Conventions and their additional Protocols it is stipulated that dispersed families must be given the possibility to find and reunite with each other, promoting the work of humanitarian organisations in this area.

The Family Regrouping programme is one of the oldest and most emblematic of the Spanish Red Cross. When it started, activity focused on regrouping families separated due to armed conflict or natural disasters, an activity which, in most cases, was linked to the prior work of finding and looking for family members.

The present-day beneficiaries are immigrants who, after renewing their residence and work permits, can apply for a visa for family regrouping, which will enable them to reunite with their sons and daughters and with the spouse they left behind in their home country. In 2003, thanks to the collaboration of IBERIA and its customers, Iberia Plus members, a total of 21 cases were dealt with, regrouping 30 people. Throughout 2004, 14 cases have been handled and a total of 23 people have been reunited.

**Staff and suppliers have made a bid for them:
€ 83,507 for *Mano a Mano* and the APMIB**

The Campaign to collect funds for the Iberia Association for Parents of Disabled Children or APMIB and *Mano a Mano*, organised by IBERIA for the second year running, has consolidated itself as a new social action project run every year, promoted by the company in collaboration with its staff and suppliers. Over € 80,000 was collected in the 2004 campaign, which will be given to these two organisations to finance the projects they carry out throughout the year.

Like the year before, and under the slogan "Bid for them", IBERIA wished to take advantage of the Christmas period to run a campaign whose aim was to collect funds in favour of the APMIB and the NGO *Mano a Mano*, organisations founded in the heart of the company and which enjoy the constant support of IBERIA for their activities.

On this occasion, the company decided to extend the campaign beyond the staff to the suppliers as well, with whom no charity campaign of this type had been carried out. And their collaboration was excellent: over 90 of IBERIA's suppliers offered their products or services, thanks to which our charity Christmas Campaign became a reality.

Over 30 volunteers, employees of IBERIA, helped to organise and run the event and almost 1,700 employees took part activity in the campaign, providing their help at the same time as obtaining some of their Christmas presents at special prices. Once again, staff participation was magnificent.

The Campaign took place in two phases. The first phase was a Solidarity Auction on IBERIA's intranet (Ibpróxima), aimed at all the company's employees, in which 47 products were auctioned provided by the suppliers, advertisers and donations from various companies. The auction was open for

two weeks and the website received over 8,900 hits and 652 bids were made for different products: a Smart Roadster Coupé, a Fiat Idea 1.4 16V Active or a Peugeot 206 X-Line 1.4; four plasma TV's, a DVD player/recorder with hard disk, an MP3 Jukebox and a Philips Keyring; five Inves Duna laptops; three Playstation 2 from Sony; eight Mitsubishi latest generation mobile phones; two monitors-TV's and eight LCD LG monitors; four Maurice Lacroix watches; and five paintings by artists such as Pedro Castrortega, José Manuel Ciriá, José Luis López Romeral, Juan Antonio Tinte and Neus Martín Arroyo. The total sum collected via the auction was 61,690 euros.

The second initiative of this Campaign took place on Saturday the 18th of December at the company's headquarters in Madrid, where a Charity Tombola and Solidarity Flea Market were organised. Almost 1,000 IBERIA employees paid a visit, many of them accompanied by their families, to try their luck at the Tombola and to buy Onboard Sales articles at special prices, with up to 50 per cent discount on their usual price.

Almost 5,000 Tombola tickets were sold and over 3,000 gifts were given out; aircraft tickets in business class to various company destinations, over 20 weekend breaks at some of the best hotels in Spain, Europe and Mexico, a week in Santo Domingo in a 5-star hotel all expenses paid, motorbikes, jewellery, engravings and paintings by leading artists, mini hi-fi's, bottles of wine, Spanish products, tee-shirts, diaries, leather handbags and luggage sets, and much more. All the gifts were donated free of charge by IBERIA's suppliers.

In total, the campaign raised € 83,507, shared equally by the *Iberia Association for Parents of Disabled Children* and *Mano a Mano* to finance their aid projects that both organisations carry out throughout the year.

IBERIA would like to thank the contributions and assistance provided by the following companies and suppliers, without whose help the Solidarity Campaign would not have been possible:

AGUAYO

AIRBUS

ALDETUR

ALTADIS

AUTOBAR

AUTOBUSES SÁNCHEZ

BARRUTIA PRODUCCIONES

BODEGAS BARÓN DE LEY

BODEGAS BRETÓN

BODEGAS CAMPOS REALES

BODEGAS EL COTO DE RIOJA

BODEGAS PIRINEOS

BOEING

CARMEN GARCÍA FERNÁNDEZ

CEPSA

COCA-COLA

DURÁN JOYEROS

DURÁN SUBASTAS DE ARTE

EL PUNTO DE LAS ARTES

ELITE TOURING

MONTESA-HONDA

FIAT-LANCIA

FREIXENET

GEBR.HEINEMANN

GRUP DEU

GRUPO AREAS

GRUPO ELBA

GRUPO MUNRECO

GRUPO TOMPLA

GRUPO ZETA

HOTEL ALFONSO XII – SEVILLE

HOTEL ARAGUANAY

HOTEL AROSA IN MADRID

HOTEL ASTORIA PALACE

HOTEL BAHÍA IN VIGO

HOTEL BARCELÓ IN PALMA DE MALLORCA

HOTEL CROWN PLAZA IN LONDON

HOTEL ERCILLA BILBAO

HOTEL GRAN COLÓN MADRID

HOTEL INTERCONTINENTAL

MEXICO & MADRID

HOTEL JEREZ

HOTEL LA RECONQUISTA OVIEDO.

HOTEL LOS MOLINOS IBIZA

HOTEL MAYORAZGO IN MADRID

HOTEL MELIÁ WHITE HOUSE IN

LONDON

HOTEL MENCEY IN TENERIFE

HOTEL PRAIA DEL REY IN

PORTUGAL

HOTEL REY JUAN CARLOS

BARCELONA

HOTEL SANTA CATALINA LAS

PALMAS

HOTEL SIDI SAN JUAN ALICANTE

HOTEL WELLINGTON IN MADRID

HOTEL WESTIN PALACE IN

MADRID

HOTELES COLLECTION NH

HOTELES MARRIOT MALLORCA &

DENIA

HOTELES SHERATON EL PAULAR,

OPORTO & ALGARVE

IMPRENTA LONGARES

INDUSTRIAL CUBERTERA DE

GALICIA

INVESTRÓNICA

ITALOAGENDAS

ITURRI

JOSÉ ANTONIO TINTE

JOSÉ LUIS LÓPEZ ROMERAL

JOSE MANUEL CIRIA

JULIÁ TOURS

LG

LOGISTA

MALLORCA

MARISQUERÍA BAHÍA EN VIGO

MAURICE LACROIX

MERCEDES BENZ

MITSUBISHI ELECTRIC

NAVIDUL

PEDRO CASTRORTEGA

PEUGEOT

PHILIPS

POLEPOSITION

PUIG

REPSOL

RESTOTEL VAJILLAS

RONCATO

SONY

SWAROVSKY

TEIDE TOURS

THERMIDOR.

TOUS

TRANSPORTES ALSA

TRANSPORTES ATA

TRANSPORTES BERENGUER

TRANSPORTES ETRAMBUS

TRANSPORTES MAITOURS

TRANSPORTES SAMAR

TRANSVÍA

VAIT

VIÑAS DEL VERO

VIVA TOURS

WORDFLAG

WUNDERMAN



Air transport and sustainability

(SOURCE: *Environmental Review 2004*. IATA)

Air transport provides **vital** economic and social benefits.

- Aviation is the only means of transport offering a worldwide network, essential for the globalisation of business and tourism. It plays a vital role in promoting economic development, especially in developing countries.
- 40% of manufactured goods exported are transported by air. Aviation also transports 1600 million passengers per year.
- Around 28 million people work directly or indirectly in the industry. In regions close to large airports, one out of every four jobs exists thanks to air transport.
- For medium and long-range journeys there is no alternative to air transport.
- Air transport is essential for delivering material the same or next day, as well as to transport urgent or time-sensitive goods, such as foreign press, transplant organs, live animals and perishables, including fresh food (fish).

Air transport **efficiently** manages resources and infrastructures.

- Air transport achieves very high occupation rates of between 65% and 70%, over double the rates achieved by the road or rail transport industries.

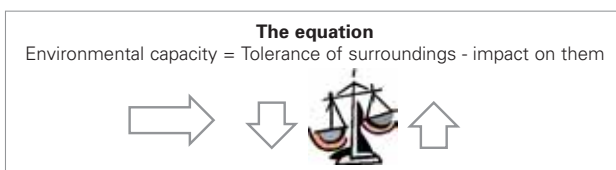
- Modern aircraft achieve efficient fuel consumption of 3.5 litres per 100 passenger/km. This is comparable to the consumption of small cars, although aircraft provide a means of transport that travels at six times the speed.
- The requirements of air transport infrastructures account for 1% of the transport total, with road requiring 83% and rail 4% (data valid for Europe).
- Airlines pay more for their needs than other means of transport. As a result, airlines meet almost the whole cost of their operations and infrastructures, while rail transport is highly subsidised (40,000 million euros per year in 15 member states of the EU).

Air transport **responsibly** reduces environmental impact.

- Aircraft entering into service at present are 20 decibels (dB) quieter than those of thirty years ago. In practice, this corresponds to a reduction in perceived noise of 75%. Over the same period air traffic has increased five-fold.
- By 2020, it is expected to reduce noise during take-off and landing by a further 50% (10dB less).
- Aircraft entering into service at present are 70% more efficient in terms of fuel consumption than 40 years ago. At the same time, carbon monoxide emissions have fallen by 50% and unburned hydrocarbons and smoke by 90%.
- In the spirit of recent programmes, the aim is to achieve reductions of 50% in fuel and 80% in nitrogen oxide by 2020.

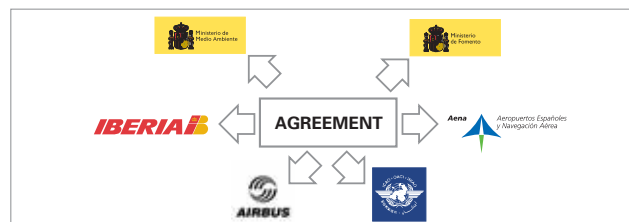
The environment: everyone's commitment

The start-up of the new facilities at Barajas airport is going to be a great challenge in many aspects for airport operations: airlines, AENA, controllers, pilots, Security Forces and Units, handling companies, commercial dealers - everyone is concerned that their current way of working could change with the inauguration of a new infrastructure of such huge proportions as the one that is going to be opened.



Another challenge, equally or even more significant than all the operational aspects, is that of the environment, as it is unthinkable that the development and expansion of the new Barajas should be carried out without taking into account the environmental repercussions. The concept of sustainable development, although somewhat hackneyed, is still important and, in this case, is the criterion which all organisations and companies must bear in mind when calculating their growth estimates. It is a well-known fact that Barajas Airport generates significant benefits for the community surrounding it, both economic and social, and will generate many more once the new facilities are in operation. However, this cannot be at the cost of affecting the surrounding area or even reducing the quality of life. That is why all of us who can play a part must ensure that the growth of Barajas respects the surroundings of the people living around it.

Technicians have drawn up routes which, after presenting them to experts such as pilots and controllers, among others, were approved by the CIDEFO (Inter-Ministerial Committee of Defence and Development). In addition to the criteria of maximum safety and capacity for the Airport, these routes have also been designed following the criteria of minimum environmental impact and distribution of noise among those affected. The shifting of Ground operations from one zone to another of the Airport, further away from inhabited areas, will also benefit a lot of people.



However, and in spite of all the efforts made during the design process, the real problems will appear when real operations start and when some people see aircraft flying where they didn't fly before. This is the time when the agreement and commitment of all concerned will be absolutely essential in order to comply and ensure compliance with environmental standards. It will also be vital to understand that, although the future of Barajas might be in doubt without everyone's help, it will definitely be in doubt without the help of the airlines, whose bottom line is affected by having to fly more costly routes with less noisy aircraft, and of the pilots, who have to take off and land at Barajas via routes that are not as easy as they might have wished in order to avoid inhabited areas.

In a city like Madrid, the problem of air pollution is increasingly acute and the Airport, which is the only facility that cannot think of reducing its traffic, must collaborate by ensuring that its operators pollute less and less. That's why handling companies have to make a great effort to renew their fleets of Ground equipment, generally very old, gradually incorporating equipment that uses less polluting energy sources, and indeed AENA will require this in its new handling specifications.

The Airport's environmental capacity will end up increasing, not only by reducing environmental impact to levels that can be compensated by the benefits generated, but also by increasing the tolerance of those affected, convincing them that all, I insist, all the agents involved in airport activity are aware of their problems and that they are not being misled nor do they forget that the best way for the most important groups to be able to carry out their daily work is by making sure these groups are not affected to any greater degree, although this may require additional effort.

Mr. José Sanz Dodero
Head of the Management and Environment Office
at Madrid-Barajas Airport

Climate change – Some pointers for the future

Historically, aviation's biggest environmental issues have been associated with airports. These remain a major impediment to achieving maximum airport throughput, and without their successful resolution it will be impossible to deliver sufficient capacity. EUROCONTROL's recently published *Challenges to Growth 2004* report deals comprehensively with this issue. There is an emerging view, however, that aviation's single biggest environmental challenge is that of mitigating its effects on global warming or climate change. This is principally an en-route issue. Although scientific evidence would suggest that aviation's global warming impact is greater than previously thought, the evidence is not yet irrefutable. Nevertheless, the risk remains that, at some point during the next ten to fifteen years, there may be a shift in society's perception of air transport that leads to further constraints being imposed on the industry to tackle climate change.

The key problem for aviation is the following potent mix: society's demand for air travel is not expected to slow down for the foreseeable future; the numbers of flights and passengers are expected to double sometime around 2020; the majority of jet aircraft in operation today will still be operational in fifteen years' time; consequently aviation's greenhouse gas emissions will increase absolutely, and also relative to other industries whose own performance improves. So, despite outstanding 70% reductions in both aircraft noise and emissions in the past forty years, aviation has quite a challenge ahead if it is to become sustainable!

Policy makers are now turning to the following fiscal measures to establish whether these could be used to improve the industry's environmental performance: emissions taxes, emissions charges and emissions trading. However, achieving agreement on any of these through the International Civil Aviation Organisation is still several years away.

Although the European Union's emissions trading scheme for 12,000 "point source" emitters came into being at the start of 2005, several scientific, legal and administrative hurdles must be overcome before aviation could be included in it; and then not before the second phase period of 2008-2012. However, since aviation is truly international in its scope, it is not yet clear if any other region would follow suit.

The emerging climate change topic for aviation is that of cirrus clouds generated from the condensation trails that form behind aircraft when flying at cruising altitudes through cold, damp air masses. Although much further research is needed there is a growing body of evidence that the global warming impact of these clouds could be of a magnitude similar to that of aviation's Carbon Dioxide emissions – CO₂ being the principal greenhouse gas. The environmental lobby has already identified this as an issue and the first signs of pressure for change are beginning to emerge.

Air traffic management is seen as one of the means by which aviation's climate change impact could be reduced in the future. More efficient flight profiles and a fully optimised route network should help to reduce flight times, thereby reducing fuel burn and greenhouse gas emissions per flight. This is clearly beneficial to airlines and other airspace users who should reap the economic benefits of such efficiency improvements. But, what could ATM do to reduce the generation of those "man-made" cirrus clouds? It is claimed, for example, that all aircraft could be artificially capped at a certain flight level so as not to enter into the air masses where contrails, and hence cirrus clouds, could form. But, what sort of knock-on effect would that have on the air traffic system? Nobody knows. There must be many mitigation options possible, certainly on a flight by flight basis. However, when dealing with an average of 25,000 flights per day in European airspace, a large proportion of which could generate contrails, this is no longer a simple problem to solve.

It is unlikely, therefore, that fiscal or operational measures will be introduced before 2010 to combat aviation's climate change impact. Despite mounting scientific concerns, it is just not yet possible to make a sufficiently robust business case, acceptable to all stakeholders, for significant changes to be made. Since it is suspected that certain greenhouse gases may have different effects on the atmosphere depending on the altitude at which they are emitted, it is also clear that many, many interdependencies must be resolved before clear policies will emerge.

Several organisations, including EUROCONTROL, the European Commission and the European Space Agency, fund extensive research programmes which seek to deliver the answers to the challenges that have been set out above. We may expect, therefore, to live in "interesting times" as the results of their research emerge.

Mr. Andrew Watt,
EUROCONTROL Environment Domain Manager

Appendix III: More social and environmental information on IBERIA

IBERIA provides social and environmental information via different channels, each with a different focus, offering the possibility to choose the kind of information best suited to the interests of the person concerned.

Social and environmental information: in the Annual Report on Corporate Social Responsibility, aimed principally at those people who might be interested in the social development and care of the environment encouraged by the company, such as client companies, people in charge of taking policy decisions with responsibilities in the area of transport and the environment, environmental journalists and other people with work related to the air industry, as well as IBERIA staff.

Financial information: in the Financial Economic Report, environmental information occupies a significant position as IBERIA has included new environmental accounts since 2002, such as duties for water disposal, transport as a consequence of waste management, environmental publications, certificates and audits, fees for participation in environmental bodies, forums and institutions, cost of environmental permits and licences, among others. This information is aimed at shareholders, financial analysts and possible investors.

Ronda Iberia, Iberiavión and Iberia Plus magazines: the IBERIA Group communicates its social and environmental actions to its clients in the Ronda IBERIA magazine offered during its flights, as well as in the Iberia Plus magazine, sent to clients who are members of the Iberia Plus loyalty scheme. For employees, IBERIA publishes a bi-monthly magazine Iberavión, which includes a permanent section on the company's social action initiatives.

Onboard video: on some flights, IBERIA projects videos describing the company's social actions.

Internet: the environment section of IBERIA's website (www.iberia.com) offers complete information on the company's commitment to the environment, previous environmental reports, the eco-efficiency initiative adopted by IBERIA and experiences of the IBERIA Group relating to the care and protection of the environment, available for those with a special interest in the environment.

Intranet (Ibpróxima): lastly, at the disposal of all IBERIA's staff, the intranet includes a section entitled Iberia Solidaria which details the company's social actions, contained within general information on facts and figures for the company. In the area of the environment, and in addition to the information provided by the company's website, the intranet adds the possibility to receive online training courses on the environment, diagrams of the organisation of the Environment Unit of the IBERIA Group and a suggestions box dealing with the environment.

The validation report for this Report is also at the disposal of the public at large.

IBERIA contact person for comments and/or suggestions concerning social actions:

Communication Department - Publicity & Sponsorship Unit
Mr. Juan José Jiménez de Muñana y Campa
Head of the Publicity and Sponsorship Unit
C/ Velázquez 130, Bloque VI, Planta 6ª,
Madrid 28006 Spain
jjjimenez@iberia.es

IBERIA contact person for comments and/or suggestions concerning environmental actions:

Internal Auditing and Quality Dept. - Environment & Innovation Unit
Mr. Joaquín Rivera Ysasi-Ysasmendi
Head of the Environment Unit
C/ Velázquez 130, Bloque VI, Planta 6ª, Madrid
28006 Spain
jriveray@iberia.es

Appendix IV: Glossary and abbreviations

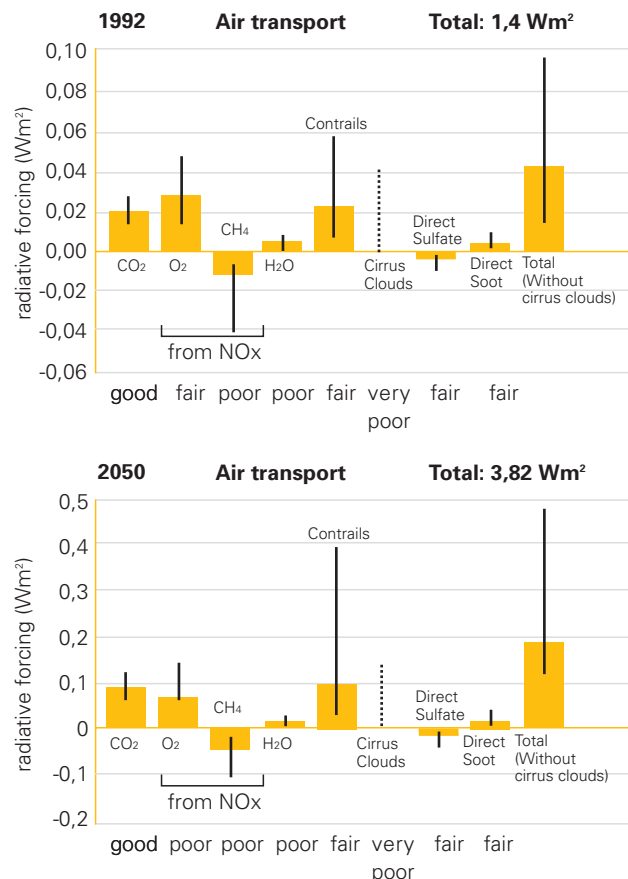
Glossary

- **Anti-ice:** preventative measure aimed at preventing the accumulation of ice, frost or snow on the surface of aircraft during a specific period of time. This protection is normally achieved via the use of fluids with propylene or glycol on the clean surface of the aircraft.
- **Balanced approach:** consists of the adoption of measures to reduce acoustic impact in four areas of action: reduction of noise at source, operational measures (operational procedures, routes), land use management (planning immediately around airports) and, when these three measures have been exhausted, the adoption of operational restrictions.
- **Atmosphere:** volume of gas surrounding the earth consisting of various layers (troposphere < 15km; stratosphere 15-50km; mesosphere > 50km). The so-called ozone layer is located in the stratosphere.
- **Birdlife:** all the birds belonging to a territory or a period of time. At some airports there are procedures to avoid the collision of birds with aircraft, due to reasons of safety. In Spain, AENA usually hires a bird sighting system at these airports, the preventative and corrective measures being the responsibility of each airport authority.
- **LTO Cycle:** the landing and take-off cycle. LTO cycles have an active influence on environmental factors, such as emissions, noise, etc.
- **Climate change:** this consists of all alterations occurring as a result of the emission into the atmosphere of greenhouse gases. These are the components of the atmosphere that absorb and re-emit infrared radiation, produced both by natural processes and by anthropogenic sources. Greenhouse Gases included in the Kyoto Protocol are the following: carbon dioxide (CO₂), methane (CH₄), dinitrogen oxide (N₂O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs) and sulphur hexafluoride (SF₆). However, it is necessary to point out that there are other gases that, although they are not included in the Kyoto Protocol, nonetheless have a potential greenhouse effect. This is the case, for example, of CFCs.
- **ICAO Appendix 16 Chapters:** depending on the existing requirements for certification, aircraft must comply with the noise standards established in Chapters 2, 3 and 4 of Appendix 16, where Chapter 4 has the strictest limits. Acoustic certification includes measurement of the noise level at three points: two during take-off and a third during the flight. International regulations require that all aircraft had to be at least certified based on Chapter 2 of Appendix 16 by the 1st of April 2003.
- **CFCs:** a family of gases employed in numerous applications, the main ones being the refrigeration industry and aerosol propellants. They are also present in heat insulation. CFCs reach the stratosphere where there are disassociated by ultraviolet radiation, releasing the chlorine in their composition and starting the process of destroying the ozone.
- **Olivencia Code:** on the insistence of the Ministry of the Economy, the Olivencia Code was drawn up in 1997 and was made public in February 1998, as a voluntary ethical code of good governance for companies involved in financial markets. Among the recommendations of this code are the separation of the positions of Managing Director and President; the appointment of a considerable number of independent board members; the separation of income from consultancy and auditing; and the offering of sufficient information and time to the board members to take decisions.
- **Fossil fuels:** those coming from deposits of coal, petroleum, gas, bitumen, peat, lignite or anthracite. The supply of fossil fuels is limited and cannot be regenerated.
- **Volatile organic compounds (VOCs):** gases emitted during the incomplete combustion of fossil fuels and via evaporation after using certain compounds, fundamentally solvents.

- **COP:** acronym for the Conference of Parties, of the Convention on Climate Change. The last meeting held was the ninth (COP9), in Milan (Italy).
- **CRM:** acronym for Customer Relationship Management. A process of management and strategic focus that allows for the identification, attraction and increase in the bond and loyalty of clients via relations with them and the integrated use of technologies and negotiation processes.
- **Decibel:** unit expressing the difference between two sound intensities. It is adimensional.
- **Sustainable Development:** that which meets the needs of the present generations without compromising the capability of future generations to meet theirs.
- **Carbon dioxide (CO₂):** colourless gas, dense and not very reactive, formed from the combustion of fossil fuels. CO₂ emissions by air companies are being reduced via the use of more effective fuel for each of the aircraft, this also having a positive economic result as maintenance costs are lowered.
- **Sulphur dioxide (SO₂):** colourless gas formed from the combustion of fossil fuels. Sulphur dioxide is toxic when inhaled in high quantities. The fuel used in aircraft has small proportions of sulphur, so that the emissions of this gas in aviation are not very high.
- **Dumping:** procedure of fuel disposal carried out in an emergency, when it is necessary for the aircraft to land just after take-off. Dumping is carried out in order to avoid the procedure known as "landing overweight". The tendency is to dump the minimum amount of fuel, afterwards carrying out an inspection on the aircraft.
- **Eco-efficiency:** tool that can be used by companies to achieve economic efficiency via the matching of the existing production systems to the needs of the environment. The aim of eco-efficiency is to generate qualitative growth by taking maximum advantage of available material and energy.

- **Radiative forcing:** change in the net flow of radiative energy towards the surface of the earth measured at the top edge of the troposphere (approx. 12,000 m above sea level), as a result of internal changes in the composition of the atmosphere or changes in the external contribution of solar energy. Expressed in W/m². A positive radiative forcing contributes to the warming of the earth's surface, while a negative forcing leads to cooling. The figure shows the increase in radiative forcing that will occur up to 2050 due to greenhouse gases emitted by aviation.

Radiative forcing of greenhouse gases and aerosols. Source: IPCC



- **Emission:** dispersion of a substance into the air, land or water.
- **EPNdb:** acronym for equivalent perceived noise in decibels. A commonly used unit in aviation to express the average figure of perceived noise.
- **Global Compact:** an initiative launched by the UN in 1999 to bring together companies, bodies, workers and representatives of civil society to support nine universal principles in the area of human rights, work and the environment.
- **Global Reporting Initiative (GRI):** an organisation set up in 1997 by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP) with the aim of designing a globally applicable framework that integrates business information with the areas of economics, society and the environment.
- **Handling:** services provided to a user in the airport of origin or destination of the flight: administrative assistance and supervision for air transport companies, passenger assistance, ramp handling and other aircraft services, handling of cargo and post, flight operation assistance and administration of the crew and steward assistance.
- **Unburned hydrocarbons (HC):** gases from the incomplete combustion of fossil fuels.
- **Noise footprint:** area of disturbance generated around a modern aircraft on take-off or landing. The figure shows the noise footprint depending on the LTO procedure established.
- **Degradation rate:** indicator that calculates the degradation of an engine over time. IBERIA calculates the engine degradation rate to carry out a thorough control on the quality of combustion. The older the aircraft, the higher the rate, giving rise to higher consumption.
- **Sustainability indices:** stock market indices that quantitatively evaluate sustainable business behaviour based on environmental, social and economic criteria. Some of the leading exponents are those corresponding to the family of the Dow Jones Sustainability Index.
- **Core GRI indicators:** those that are of interest to most informing organisations and most stakeholders.
- **Additional GRI indicators:** those that have one or more of the following characteristics: they represent an outstanding practice in the economic, environmental or social measurement, although their use is not currently very extensive among the informing organisations; they provide information relevant to those stakeholders that are of special importance to the informing organisation; research into these indicators is considered advisable so that they may move to the main category in the future.
- **Carbon monoxide (CO):** toxic gas formed from the incomplete combustion of fossil fuels.
- **Nitrous oxides (NOx):** gases caused by the reaction of nitrogen and oxygen, due to the high pressure and temperature generated in aircraft engines; principally on take-off and during the aircraft's ascent.
- **Ozone (O₃):** gas from the effect of sunlight on oxygen. The only substance in the atmosphere that can absorb harmful ultraviolet radiation (UV-B) from the sun.
- **Continuous descent approach (CDA):** procedure via which aircraft land following a lineal route with a fixed angle to the horizontal. In this way the acoustic impact of the landing is reduced. The figure compares the CDA procedure with the traditional approach.
- **Kyoto Protocol:** international protocol drawn up in Kyoto in 1997 according to which the countries adhering to its text undertake to reduce their greenhouse gas emissions within the period 2008-2012, taking as a base the emissions of the year 1990. Spain, together with all the countries of the EU, formally joined the Kyoto Protocol in 2002.
- **Corporate Responsibility:** the EU, in its Green Paper, defines CR as "the voluntary integration, on the part of companies, into the social and environmental concerns in their commercial operations and their relations with their


interlocutors". For more information, we recommending visiting the following website: http://psicondec.rediris.es/responsabilidad_social.htm

- **SID:** procedures to reduce noise on departure routes, known as Standard Instrument Departure.
- **Environmental Management System:** that part of the overall management system consisting of: the organisational structure, responsibilities, practices, procedures, processes and resources to determine and carry out an environmental policy. The most widely accepted world standard is the ISO 14001 from the International Standards Organisation.
- **STAR:** procedures to reduce noise on arrival routes, known as Standard Terminal Arrival Route.
- **Triple bottom line:** philosophy created by Jon Elkington based on making economic development, environmental quality and social justice compatible.
- **UNFCCC - SBTA:** acronym for the United Nations Framework Convention on Climate Change - Scientific Body on Technological Advice.

Abbreviations

- **AEA:** Association of European Airlines
- **APK:** Available Passenger/Kilometres
- **APU:** Auxiliary Power Unit
- **ATC:** Air Traffic Control
- **ATK:** Available Tonne Kilometres
- **ATM:** Air Traffic Management
- **CAEP:** Committee on Aviation Environmental Protection
- **ENTAF:** Environmental Task Force
- **IATA:** International Air Transport Association
- **ICAO:** International Civil Aviation Organization
- **IPCC:** Intergovernmental Panel on Climate Change
- **ISO:** International Standards Organisation
- **LTO:** Landing-Take off
- **QCL:** Noise Quota at Landing
- **QCTO:** Noise Quota at Takeoff
- **RTK:** Revenue tonne kilometres
- **TTK:** Transported Tonne Kilometres

Appendix V: Validation report

AENOR Asociación Española de Normalización y Certificación
SUSTAINABLE REPORT VALIDATION
VMS-Nº 002/05
The Spanish Association for Standardisation and Certification (AENOR) validates that the sustainable Report of the following firm:
IBERIA L.A.E., S.A.
Entitled: "IBERIA, CORPORATE RESPONSABILITY REPORT 2004"
Legal deposit number: B-16282-2005
This Report is in accordance with the requirements of the 2002 edition guide for the elaboration of Sustainable Reports, developed by the Global Reporting Initiative (GRI). The validation has been fulfilled on 8 th March 2005 and no subsequent performances can be considered
The present validation will be in force, unless it is cancelled or withdrawn upon AENOR's written notification and according to specific terms of the contract – application nº GRI – 001/2005 of 26 th January 2005 and to the General Regulation of January 2005, which require, amongst other commitments, the permission to visit the installations by the technical services of AENOR to verify the veracity of stated data.
This declaration does not condition the decision that Global Reporting Initiative can adopt to incorporate to IBERIA L.A.E., S.A. in the "In accordance reporters list", and that GRI publishes in its Web http://www.globalreporting.org/guidelines/reporters_IA.asp
Issued on: 9 th March 2005
 General Manager of AENOR

Appendix VI: Associations IBERIA belongs to or collaborates with

- Dow Jones Sustainability Indexes
- Global Compact
- Foro de Reputación Corporativa
- Fundación Empresa y Sociedad
- Asociación de Padres con Hijos Minusválidos de Iberia
- Mano a Mano
- Special Olympics España
- Organización Nacional de Trasplantes
- Cruz Roja Española
- Fundación Entorno

Index of tables and figures

Index of tables

Table 1. The values of IBERIA.....	19
Table 2. Social goals, measures and status.....	23
Table 3. Environmental goals, measures and status.....	24
Table 4. Principles of the United Nations Global Compact.....	26
Table 5. IBERIA's internal and external agents.....	26
Table 6. Main collaborations with technology-based firms and research organisations.....	37
Table 7. Certifications of quality and environment in IBERIA. February 2005.....	41
Table 8. Site map of the new corporate website of the IBERIA Group.....	42
Table 9. Key operational data for IBERIA.....	46
Table 10. Main companies of the IBERIA Group.....	46
Table 11. IBERIA shareholders.....	47
Table 12. Complaint rates in 2004.....	48
Table 13. Main characteristics of the new Regulation regarding compensation and assistance for passengers in the case of denied boarding, cancellation or long flight delay.....	48
Table 14. IBERIA: Patron of the "Fundación Empresa y Sociedad".....	54
Table 15. IBERIA staff at 31st December 2004.....	58
Table 16. Main health and safety actions at IBERIA.....	60
Table 17. Training in work-related hazard prevention.....	61
Table 18. Relationship between the lowest salary and the national minimum wage.....	62
Table 19. Shares exercised from the Options Plan for employees, 2004.....	63
Table 20. Areas most requested in 2004.....	63
Table 21. Breakdown of IBERIA staff by labour group.....	65
Table 22. Trends in IBERIA training: number of courses and students.....	66
Table 23. Percentage of annual union membership. Data from 2004.....	67
Table 24. Measures taken in the Redundancy Measure and number of workers affected.....	68
Table 25. Characteristics of flexibility agreements in IBERIA in 2004.....	68
Table 26. Summary of awards from the suggestion programme.....	70
Table 27. Our social stakeholders and projects carried out.....	71
Table 28. Social contributions carried out by IBERIA in 2004.....	72
Table 29. APMIB staff.....	73
Table 30. Contributions by IBERIA and its staff to the APMIB and its Governing Foundation, 2004.....	74
Table 31. Financial support by IBERIA of social organisations via Mano a Mano.....	75
Table 32. Sponsorship agreements during 2004.....	81
Table 33. Sponsorship throughout 2004, broken down by areas of action.....	84
Table 34. Contribution in kind by IBERIA to people affected by the attacks on the 11th of March 2004.....	85
Table 35. Contributions in kind by IBERIA for social causes in 2004.....	85
Table 36. IBERIA's participation in working groups.....	90
Table 37. Internal and external audits carried out by IBERIA 2004.....	91
Table 38. Environmental training given in 2004.....	92
Table 39. Joint actions IBERIA-Spanish Red Cross.....	93
Table 40. IBERIA's environmental costs in 2004.....	93
Table 41. Fleet renewal with respect to the number of block hours compared with specific consumption.....	98
Table 42. Comparison of training flight hours on simulator/real flight.....	99
Table 43. Impact of NOx by IBERIA airport activity (2004).....	101
Table 44. Main consumption of resources and associated atmospheric emissions.....	102
Table 45. Fundamental energy parameters of cogeneration in industrial zones.....	103
Table 46. Products containing VOCs.....	103
Table 47. Hazardous waste generated by IBERIA in aircraft maintenance and handling.....	105
Table 48. Treatment parameters in IBERIA's treatment plant in Madrid.....	107
Table 49. Indicators not included in this Annual Report.....	114

Index of figures

Figure 1. Diagram of the integration of Corporate Responsibility management into IBERIA's strategy.....	10
Figure 2. Main activities of IBERIA.....	14
Figure 3. Integration of Corporate Responsibility management within IBERIA's strategy.....	18
Figure 4. IBERIA's Corporate Responsibility Factbook.....	20
Figure 5. Statistics on access to IBERIA's new corporate website.....	43
Figure 6. IBERIA share price trends during 2004 together with the IBEX 35 Scale: euros per share.....	47
Figure 7. IBERIA's main corporate interlocutors.....	54
Figure 8. IBERIA staff averages 2000-2004.....	58
Figure 9. Location of IBERIA staff worldwide.....	59
Figure 10. IBERIA staff by type of contract.....	62
Figure 11. Pyramid of employees by sex.....	64
Figure 12. Men and women in executive positions in IBERIA, 2004.....	64
Figure 13. Breakdown of invoicing by APMIB to IBERIA in 2004.....	73
Figure 14. Contributions from Iberia Plus members to the Family Regrouping project.....	78
Figure 15. Trends in the collection in IBERIA for the Special Olympics programme.....	78
Figure 16. Main environmental impacts of IBERIA's activity in its life cycle.....	88
Figure 17. The Dow Jones Sustainability Index and our progress towards sustainability strategy.....	89
Figure 18. Trends in noise of aircraft engines.....	95
Figure 19. Accumulated margin with respect to ICAO (EPNdB) chapters vs. year of incorporation into IBERIA's fleet.....	95
Figure 20. Number of cases of using APU on platform sent as infractions by the DGAC Noise Control Committee (January - October 2004).....	96
Figure 21. Continuous Descent Approach Procedure (CDA).....	96
Figure 22. Specific fuel consumption (1991-2006).....	98
Figure 23. Specific emissions of CO2 by average distance travelled by fleet.....	98
Figure 24. Trends in APK, PKT and CO2 1991-2004.....	99
Figure 25. Percentage of emissions of HC, CO and NOx, according to plane stage.....	100
Figure 26. % of the fleet complying with NOx standards with respect to CAEP.....	101
Figure 27. Emissions of HC, CO and NOx in "LTO" cycle with respect to the number of total flights per year (2002-2004).....	101
Figure 28. Composition and average age of cargo-related vehicles at IBERIA 2004.....	104
Figure 29. Final destination of hazardous waste generated in IBERIA's industrial zones 2004.....	106
Figure 30. Composition of IBERIA's catering waste in 2004 separated in the treatment plant for its later recycling.....	106
Figure 31. Main actions covered during these ten years of environmental information.....	108

We are interested in your opinion on this annual report

• How would you rate this Annual Report (from 1 to 5)?

• What stakeholder group do you belong to?

- | | |
|---|--|
| <input type="checkbox"/> Shareholders | <input type="checkbox"/> Communities near airports |
| <input type="checkbox"/> Employees | <input type="checkbox"/> Suppliers and Subcontractors |
| <input type="checkbox"/> Unions | <input type="checkbox"/> Air sector associations & organisations |
| <input type="checkbox"/> Customers | <input type="checkbox"/> Alliances and rivals |
| <input type="checkbox"/> Public Administrations | <input type="checkbox"/> Travel agencies |
| <input type="checkbox"/> Society | <input type="checkbox"/> Ecological organisations |
| <input type="checkbox"/> Media | |

• What are the 3 areas that most concern your stakeholder group?

A. _____

B. _____

C. _____

• How would you rate the relationship held between IBERIA and your stakeholder group?

- Bad
- OK
- Good
- Very good

• How long have you belonged to one of IBERIA's stakeholder groups?

• What content do you think should be added to the Annual Report?

A. _____

B. _____

C. _____

• What content do you think is not essential in the Annual Report?

A. _____

B. _____

C. _____

• How did you get access to this Annual Report?

Thank you for helping us improve. You can send this survey to:
Iberia L.A.E., C/ Velázquez, 130, U. Medio Ambiente e Innovación, Bloque VI, Planta 6ª, 28006 Madrid, Spain.
You can also complete this survey digitally on our website: <http://grupo.iberia.es>



© 2005 Iberia, L.A.E., S.A. - D. Comunicación

Edition & Design

Gosban
Tel.: 93 539 44 50
www.gosban.com

Print

Tecfa Group

Legal Deposit

XXXXX

