

*Corporate Responsibility Report*



## *Contents*

## **Corporate Responsibility Report**

1. IBERIA's contribution to sustainability	<b>221</b>
2. Introduction	<b>223</b>
3. Principal indicators of corporate responsibility in IBERIA	<b>225</b>
4. Vision and strategy: our Corporate Responsibility management	<b>227</b>
4.1 Strategic objectives	<b>228</b>
4.2 Management of Corporate Responsibility	<b>229</b>
4.3 Our relations with interest groups	<b>230</b>
4.4 IBERIA: an innovating enterprise	<b>236</b>
4.5 Prizes and recognitions 2005	<b>237</b>
5. The economic dimension	<b>239</b>
5.1 Our customers	<b>241</b>
5.2 Corporate Governance	<b>243</b>
5.3 Suppliers	<b>244</b>
6. The social dimension	<b>245</b>
6.1 Our employees	<b>246</b>
6.2 Safety and hygiene	<b>252</b>
6.3 Equal opportunities and diversity	<b>253</b>
6.4 Social action in IBERIA	<b>255</b>
7. The environmental dimension	<b>263</b>
7.1 Environmental Management	<b>264</b>
7.2 Noise control in our operations	<b>270</b>
7.3 Climate change	<b>271</b>
7.4 Consumption of resources	<b>275</b>
7.5 Waste management	<b>276</b>
8. Annexes	<b>279</b>
8.1 Sustainability glossary and Abbreviations	<b>280</b>
8.2 Index of contents and indicators according to the Global Reporting Initiative	<b>282</b>





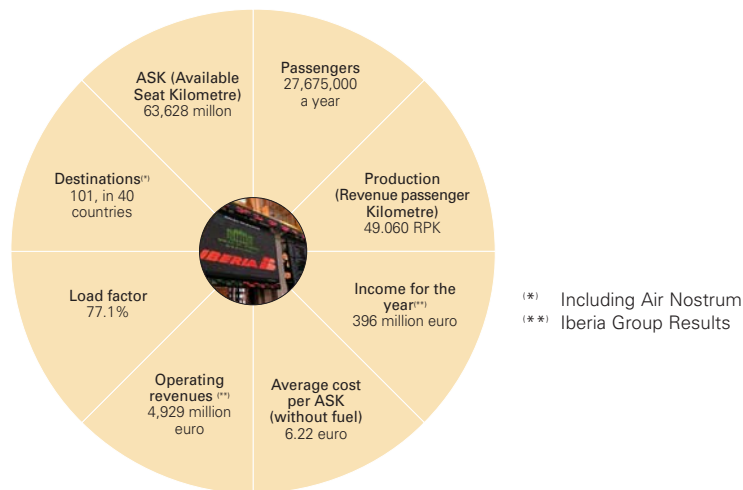
*IBERIA's contribution to sustainability*



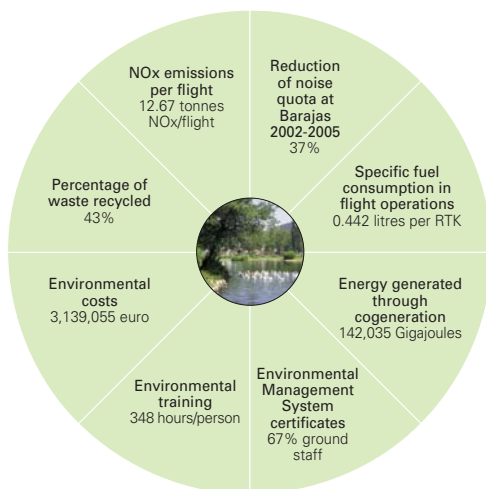
Since the company was founded and started flying, more than 575 million people have flown with IBERIA

## 1. IBERIA'S CONTRIBUTION TO SUSTAINABILITY

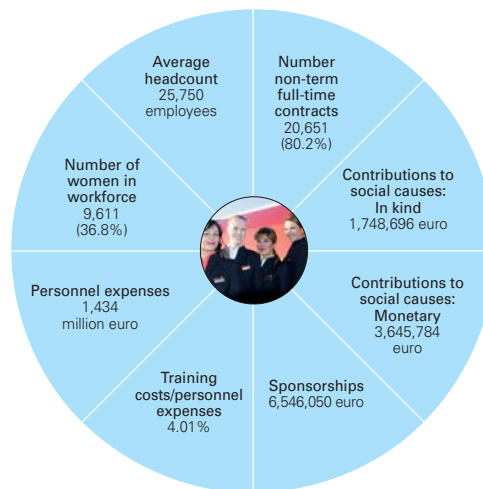
- IBERIA is an air carrier group founded in 1927. it is the leading airline in Spain.
- Our company operates mainly on three markets: Spain, Europe and America. It is the principal airline operating between Europe and Latin America.
- IBERIA flies to 97 destinations in 38 countries, and a further 69 destinations in 28 countries under codesharing agreements. With the oneworld alliance, the offer is extended to more than 500 airports in 134 countries.
- IBERIA is the only European network airline that has been posting profits for nine years in succession and it has been included in the selective Ibex 35 index since 2002, just one year after it went public.
- Our principal activities are air transport, airport services and aircraft and engine maintenance.



Principal economic aspects of sustainability



Principal environmental aspects of sustainability



Principal social aspects of sustainability



## *Introduction*

## 2. INTRODUCTION

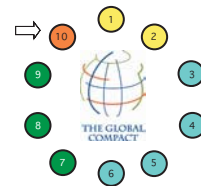
The Corporate Responsibility Report 2005 describes all the commitments assumed by IBERIA in respect of management of the three aspects of sustainable development: economic, social and environmental. This report supplements the financial and corporate governance information laid before the General Meeting. Both that information and this Report can be downloaded from IBERIA's web site: <http://grupo.iberia.es>.

### Application of GRI guidelines

- This report embraces all the activities of the Iberia Group. The methods used for compiling the information required for this report are voluntarily based on those indicated in the Global Reporting Initiative (GRI) and its principles, which are standard and most widely recognised methods in the world for preparing sustainability reports. GRI has been an independent institution since 2002, arising out of the United Nations Environment Programme (UNEP). Other international standards have also been taken into account, such as the Greenhouse Gas Protocol or the ISO standards, as well as the study of good practices in environmental management.

### Scope and methods

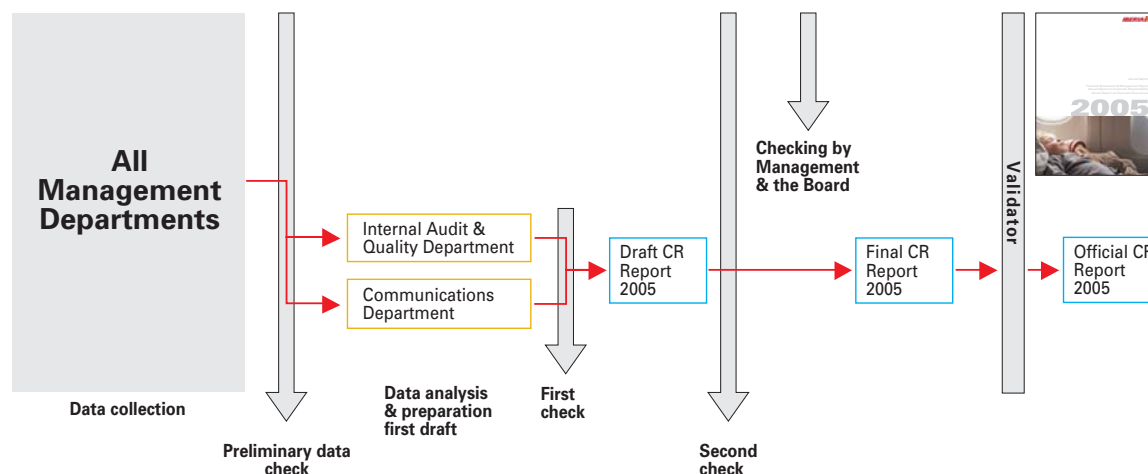
- Representation of application of the Global Compact principles:* IBERIA applies the principles of the Global Compact and, as such, is obliged to make an annual declaration (progress report) on the progress made in the fulfilment of these principles. Our progress report for this year is set out in this Report, indicating with the corresponding symbol the actions taken during the last period and indicating in each case the principle of the Global Compact to which they refer (1 - 10)<sup>3</sup>.
- Presentation of an Environmental Behaviour Index (EBI):* this indicator, developed in 2005, groups several key indicators that are highly representative of our company's activities.
- Indicators:* although this annual Report is issued for the entire Iberia Group, most of the indicators refer exclusively to Iberia, L.A.E., S.A.



### Validation

- The information set out in this report has been checked internally by the company and externally by AENOR, an accredited certification body (see validation report annexed hereto).

### Process of validation of this report



<sup>1</sup> World Business Council for Sustainable Development / World Resources Institute.  
<sup>2</sup> International Standardization Organization.  
<sup>3</sup> The 10 Principles of the Global Compact can be consulted at [www.pactomundial.org](http://www.pactomundial.org)

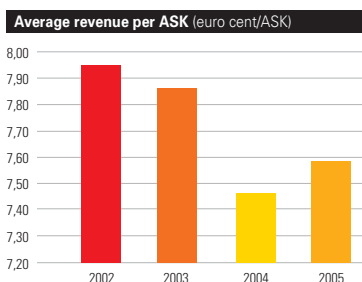
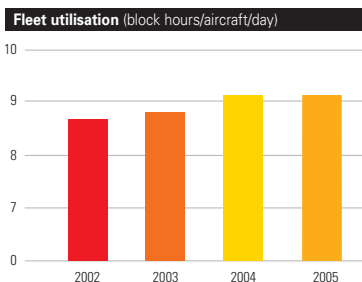
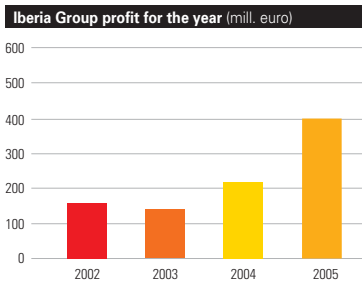
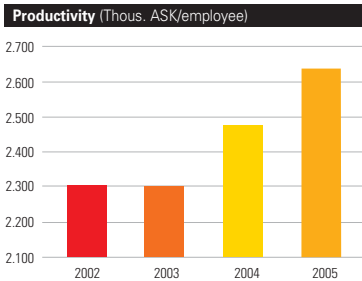
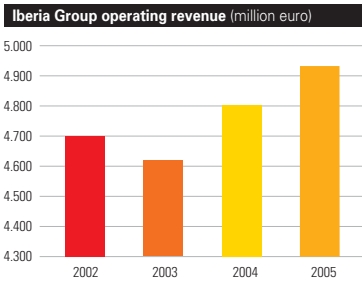




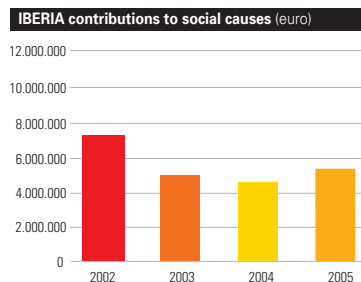
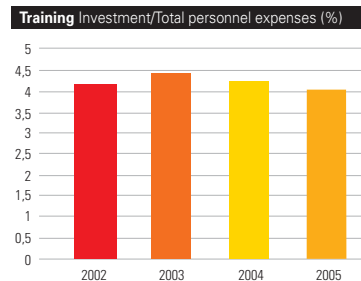
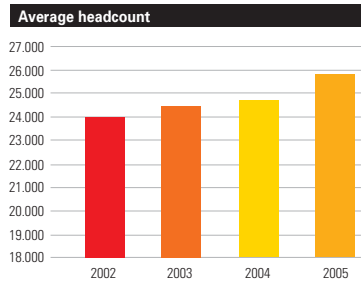
*Principal indicators of  
Corporate Responsibility in IBERIA*

### 3. PRINCIPAL INDICATORS OF CORPORATE RESPONSIBILITY IN IBERIA

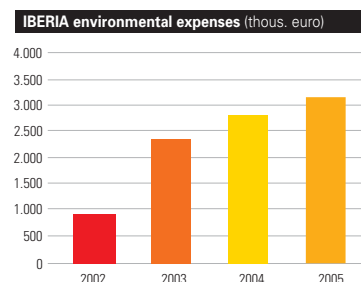
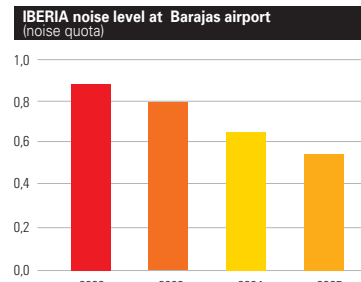
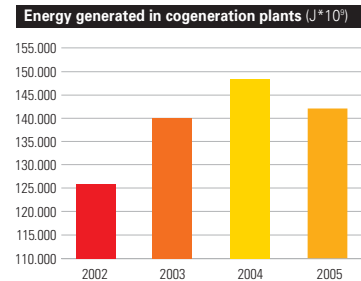
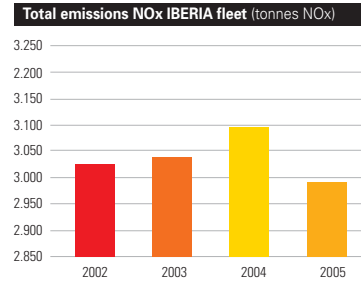
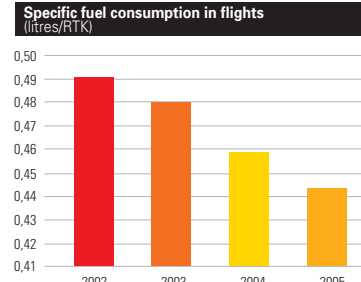
#### Economic



#### Social



#### Environmental

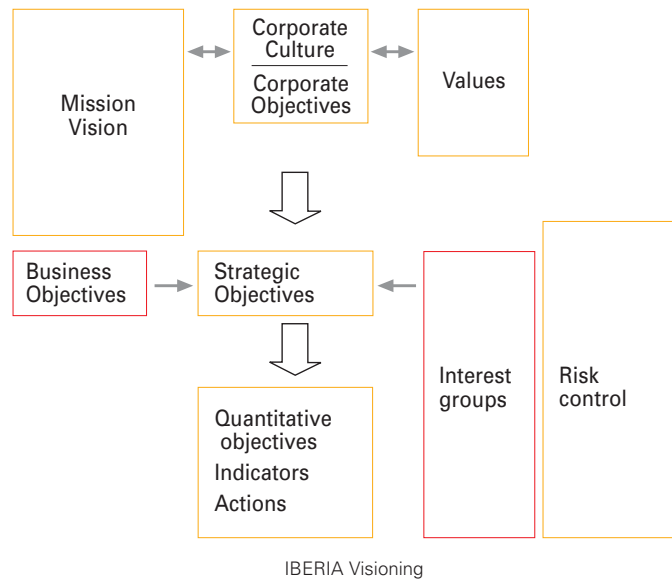




*Vision and strategy: our Corporate  
Responsibility management*

## 4. VISION AND STRATEGY: OUR CORPORATE RESPONSIBILITY MANAGEMENT

### 4.1. Strategic objectives



#### Our mission

IBERIA's mission is to offer air carriage, airport and aircraft maintenance services to meet our customers' expectations and create sustainable economic and social value.

#### Our vision

IBERIA aims to be leader in customer satisfaction, innovation and economic and social yield:

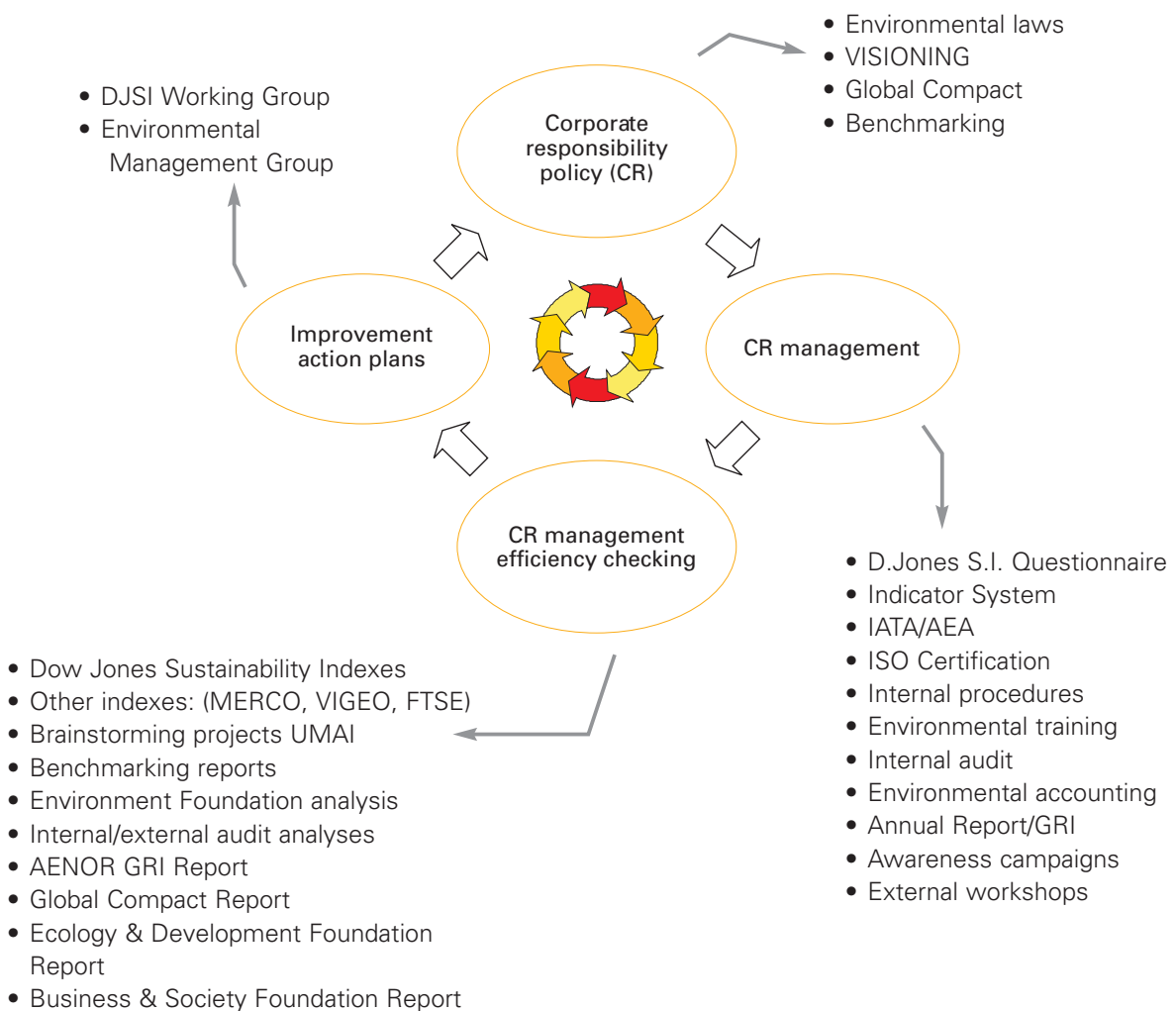
- Perceived as leader on the domestic, European and Latin American markets
- Preferred by customers for the best possible value for money
- Distinguished by shareholders for its sustained returns
- Recognised for its transparency, social and environmental commitment
- Desired by people for its professional development

#### Our values

focus on customers, creation of value, search for excellence in management, social commitment, importance of people, leadership, team work, constant improvement, adaptation to change and innovation.

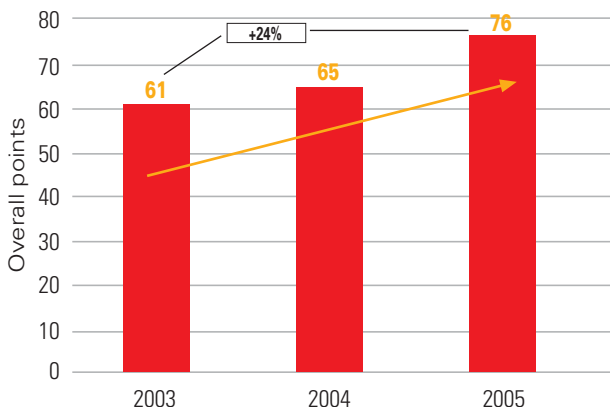
## 4.2. Management of Corporate Responsibility

In IBERIA, Corporate Responsibility is organised on an annual basis according to a circle of continuous improvement, which enables us, through different observatories and measurement systems, to define an Improvement Action Plan, ensuring that we permanently maintain the highest levels in this type of management: we **plan** through definition and development of the Corporate Responsibility Policy, we **create** and implement management systems, we **check** their efficiency and **act** by putting into practice the improvement actions.



### **IBERIA's participation in the DJSI process in 2005**

**Iberia's points in DJSI in last three years**



Evolution of IBERIA's points in the process for inclusion in the Dow Jones Sustainability Index (DJSI).

IBERIA has been put forward again in 2005 as a candidate for inclusion in the Dow Jones sustainability indexes: the Dow Jones Sustainability World Index and the Dow Jones Sustainability Stoxx Index (Europe). The policy of these indexes is currently to include just one company from the air sector. IBERIA was not included this time, being just one point behind the first position, with 76 points against 77.

As a result of this DJSI principle, IBERIA has far more points than corporations in other sectors that are included in the index.

Nevertheless, our company obtained more points than any other airline candidates in the environmental area, with a strong growth in overall points over recent years (see figure).

Inclusion in this index is an important external recognition of the efforts made in sustainability management, but is also an excellent instrument for internal measurement of management evolution according to the most stringent requirements and prevailing standards in this integral management.

### **4.3. Our relations with interest groups**

The company has identified these interest groups gradually since it started up, through development of its operations and direct observation of the interest they express. Information on the expectations of our interest groups is obtained through the established communication channels and continuous interaction with them.

The main characteristics and interactions of our company with its interest groups are set out in the IBERIA Corporate Responsibility Report 2004 (pages 26-34; see link). The principal new aspects in 2005 and the principal goals established for 2006 are set out below.

### 4.3.1. Internal interest groups

Interest Group	Shareholders
<b>Channel for contact in IBERIA</b>	
Finance Department (Investor Relations)	
Contact: Elena Baillo	
E-mail: invesrel@iberia.es	
<b>Principal novelties in 2005</b>	
<ul style="list-style-type: none"><li>• Obtaining of opinion of investors and shareholders on aspects relating to sustainability. This poll was conducted among 12 large investors, obtaining valuable information such as recognition of the improvement in sustainability management, the consideration of including sustainability in the future as a criteria to be considered for investments, or the importance attached to the Corporate Responsibility Report in the process for communication of sustainability practices.</li><li>• Facilitation of electronic votes at General Meetings. IBERIA has obtained some of the best results in this area among Spanish corporations.</li></ul>	
<b>Principal goals for 2006</b>	
<ul style="list-style-type: none"><li>• Creation of a mechanism based on a web application, to provide a service for supplying personalised information on IBERIA to any investors or shareholders who so require.</li><li>• Start-up of an internal electronic system to back the existing Code of Market Conduct and to avoid conflicts of interest in the purchase and sale of stocks and shares.</li><li>• Promotion of events to maintain regular, fluent relations with investors.</li></ul>	

Interest Group	Employees
<b>Channel for contact in IBERIA</b>	
Human Resources Department	
Contact: Pedro Sobrino / Gema Fernández	
E-mail: psobrino@iberia.es; gfernandezl@iberia.es	
<b>Principal novelties in 2005</b>	
<ul style="list-style-type: none"><li>• Approval of new Director Plan 2006 - 2008, which contemplates major actions in the areas of employee productivity, reduction of personnel expenses and implementation of training plans. The goals of this new Director Plan will be to reach the highest level of employment, while securing the future of our company.</li><li>• Commencement of negotiations to define the Ground and Flight Staff Collective Agreements.</li><li>• Means established to guarantee accessibility of employees to the new Terminal 4 at Barajas Airport, to be put into operation by AENA in February 2006.</li><li>• Creation of a shared services centre centralising the administrative tasks of the IBERIA human resources department.</li><li>• Initial implementation of an integrated business management system in human resources (ERP Human Resources: Oracle).</li><li>• Introduction of a corporate shift system for the areas of IBERIA subject to this type of work schedule. Implemented this year in: On-Line Maintenance and Systems Dept.</li></ul>	
<b>Principal goals for 2006</b>	
<ul style="list-style-type: none"><li>• Approval of Ground and Flight Staff Collective Agreements in the first quarter of the year.</li><li>• Implementation of ERP Human Resources Management including the payroll, personnel management and presence control processes.</li></ul>	

- Consolidation of the integration strategy for IBERIA employee and single employee data base systems (bringing IBERIA in line with the corporate social responsibility and information transparency strategies heralded by leading large companies worldwide in this area).
- Make the employee self-service the main reference for employees for administrative processes: online movement sheets, shift system, online employee management office; self-issuance of employee tickets; payment of travel expenses, etc.
- Give employees capacity to opt for tools that will enable them to access/get used to the new technologies from home.
- Implementation of the corporate shift system in the Maintenance and Engineering Dept.

#### 4.3.2. External interest groups

In view of its scope and importance, the information on Public Administration (included in the 2004 Report) has been included in each of the interest groups it affects.

Interest Group	Customers
<b>Channel for contact in IBERIA</b>	
Customer Relations Department	
Contact: José Gómez Pérez	
E-mail: <a href="mailto:jgomezp@iberia.es">jgomezp@iberia.es</a>	
<b>Principal novelties in 2005</b>	
<ul style="list-style-type: none"> <li>• Maintaining growth of the Iberia Plus frequent-flyer programme, with over 2.5 million customers in 2005, proving the value of participating in it.</li> </ul>	
<ul style="list-style-type: none"> <li>• Adaptation of the company's internal processes to European legislation on compensations for boarding denial, delays and cancellations. IBERIA has brought out an electronic voucher: the affected customer obtains a voucher at the time of the incident, accompanied by an electronic record, so that he can cash in his ticket, or exchange it for Iberia money obtaining an additional 25% compensation, which is still way above the legal minimum.</li> </ul>	
<ul style="list-style-type: none"> <li>• The <i>flex-pricer</i> tool has been made available on the web site <a href="http://iberia.com">iberia.com</a>, through which users of the portal obtain greater transparency when buying tickets, offering dates prior and subsequent to their request to obtain a more favourable price.</li> </ul>	
<b>Principal goals for 2006</b>	
<ul style="list-style-type: none"> <li>• Adaptation of the entire fleet to the new Business Plus class, scheduled for launching in the first half of 2006.</li> </ul>	
<ul style="list-style-type: none"> <li>• Simplification and accessibility of processes through consolidation of the on-line autocheck-in, launched in 2005, through which Iberia Plus customers can directly obtain their boarding cards 24 hours in advance on line.</li> </ul>	



**Interest Group****Society****Channel for contact in IBERIA**

Communications Department, Customer Relations Department and Investor Relations Department  
E-mail: dcomunicacion@iberia.es; invesrel@iberia.es; jgomezp@iberia.es

**Principal novelties in 2005**

- Expectations of the interest group concerning IBERIA: quality service with good value for money, respecting the fundamental social and environmental principles, promoting job creation and stability.
- IBERIA keeps in touch with the population through the usual communication channels. It offers regular information through its web site, [www.iberia.com](http://www.iberia.com), the contents of which are updated frequently. During 2005 this site has been bolstered, among other things with the incorporation of a search engine for news and other contents.
- IBERIA signed the Global Compact in 2004 and has strived since then to guarantee fulfilment of the 10 principles established therein on human rights, environmental protection and respect for the fundamental ethical principles. In September 2005, IBERIA delivered a report to the Spanish Global Compact office explaining the progress made in this area.

**Principal goals for 2006**

- Favour continuity in the application of the Global Compact principles through assignment of the necessary resources.
- Boost the communication channels with IBERIA's social environment through the inclusion of publications of general interest on its web site (daily newssheet Universal, Ronda Iberia, etc.).

**Interest Group****Media****Channel for contact in IBERIA**

Communications Department  
Contact: Margarita Blanco Gutiérrez; Jaime Pérez Guerra  
E-mail: mblanco@iberia.es; jpguerra@iberia.es; prensa@iberia.es; presnaintl@iberia.es

**Principal novelties in 2005**

- Creation of a daily newssheet in IBERIA ("Universal") publishing 70,000 copies/day, Monday-Friday, since April, handed out on practically all IBERIA flights and in the corporate buildings of the company. It mainly contains news of social interest, science, environment, culture and health, among others.
- Inclusion in the company's intranet of detailed information on the new Terminal 4, with useful hints for employees.

**Principal goals for 2006**

- Continue informing on the move to the new Terminal 4, providing practical information and informing on benefits for customers.
- Continue issuing ample information on all aspects of the Director Plan 2006 – 2008 and negotiation of the Collective Agreements.
- Include a new section on the company's web site for publications, improve the existing search engine and open a record to advise on the publication of news.

**Interest Group****Communities in the area surrounding the airport****Channel for contact in IBERIA**

Operations Department

Contact: Francisco Javier González Alcalde

E-mail: fgonzalez@iberia.es

**Principal novelties in 2005**

- Development of efficient fuel consumption programmes such as optimisation of speed and height in different flight stages and adjustment of the basic aircraft weights. IBERIA has a Fuel Watchdog Committee that meets every quarter to assess and guarantee the application of these measures.
- Measures to cut down noise pollution from flight operations at Barajas airport by pinpointing deviations in take-off and landing routes detected by the airport tracking system SIRMA. This was done through IBERIA's participation in the Barajas Noise Control Committee, which met regularly throughout 2005.
- Progressive replacement of the printed Flight Operations Manual with an electronic format (CD), saving approx. 11 tonnes of paper in 2005.

**Principal goals for 2006**

- Collaboration with airport authorities in defining and monitoring new anti-noise procedures, especially with the configuration of the new runways at Barajas airport.
- Continuation of the gradual lowering of IBERIA's noise level (NL) at Barajas airport.

**Interest Group****Suppliers and contractors****Channel for contact in IBERIA**

Purchases Department

Contact: Carlos Gros Aymerich and Belinda Collado

E-mail: cgros@iberia.es ; bcollado@iberia.es

**Principal novelties in 2005**

- New goods and services contracting guidelines were passed in July 2005, based on the principles of economic streamlining and management transparency. In comparison with the previous guidelines, procurements are now more centralised in the Purchases Department and more use is made of electronic tools and systems for bargaining, making negotiations more expeditious while complying with principles of transparency and confidentiality.
- All contracts include a clause obliging suppliers to comply with the principles of the UN Global Compact, undertaking to respect the rules of ethics and conduct generally accepted within their business area.

**Principal goals for 2006**

- Develop the new Goods and Services Contracting Guidelines.
- Contribute towards the cost-checking defined in the Director Plan 2006-2008.
- Continue developing the Supplier Portal, the main purpose of which is electronic invoicing. The project was resumed at the end of 2005, taking account of new solutions available on the market, and will be developed over 2006 in collaboration with the firm ADQUIRA, part-owned by IBERIA, which has already developed e-invoicing solutions for BBVA, Repsol-YPF and Telefónica.

Interest Group	International Relations: alliances and aeropolitical issues
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**Channel for contact in IBERIA**

International Relations Department

Contact: Elvira Herrero

E-mail: eherrero@iberia.es

**Principal novelties in 2005**

- Cooperation with the authorities in the development of specific rules and regulations for the air sector, such as EU directives on aids to airlines at regional airports or community-level consultations on airport capacity.
- The International Relations Department coordinates IBERIA's participation in the SESAR Project, which will define the future of European air traffic control, within the Single European Sky initiative. IBERIA is one of the four European airlines to join the Consortium created among airlines and their associations IATA and AEA, representatives of industry such as AIRBUS, and air navigation service providers and airports, such as AENA, which, financed with EU and Eurocontrol funds, will analyse the general framework of air navigation in Europe, define the capacity targets of the future air traffic management system, what concepts may be used to meet those targets, and the deployment and implementation of agreed measures. Finally, an ATM Master Plan of recommendations will be submitted, and a timetable of specific work entailed in the first phase of implementation.
- IBERIA participates in the initiative headed by IATA to simplify certain air transport processes that could lead to major savings: e-ticket, boarding cards with bar codes, self-billing posts, baggage labelling with radiofrequency technology, among others. The International Relations Department promotes and coordinates IBERIA's participation in the different projects.

**Principal goals for 2006**

- Bilateral agreements will be negotiated with the airlines Malev and Royal Jordanian, within the framework of their acceptance of the invitation to form part of the Oneworld alliance.

Interest Group	Travel Agencies
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**Channel for contact in IBERIA**

Commercial Department-DVE-Agency and Tour Operator Unit

Contact: Víctor Moneo

E-mail: vmoneo@iberia.es

**Principal novelties in 2005**

- The contribution of the portal iberia.com to the sales process has continued to grow, accounting for 4% of sales in 2004 and 7% in 2005.
- The number of travel agencies with which IBERIA works has also increased, from 7,300 to 7,850, in a clearly rising trend. The number of purely on-line agencies with which IBERIA works has also grown, by 140% in 2005.

**Principal goals for 2006**

- Continued reduction of distribution costs (commissions), guaranteeing the continuity of the good relations with travel agencies and maintaining the flexibility in strategic actions by both parties.
- Promotion of contact and direct presence of IBERIA at sales points, boosting IBERIA's image at those locations.

**Channel for contact in IBERIA**

Communications Department and Quality and Internal Audit Department (Environment and Innovation Unit)

Contact: Berta Valverde (Communications Department) and Marta Cózar (Quality and Internal Audit Department)

E-mail: [bvalverde@iberia.es](mailto:bvalverde@iberia.es); [mcozar@iberia.es](mailto:mcozar@iberia.es)

**Principal novelties in 2005**

- IBERIA continued collaborating closely with numerous NGOs, in both social and environment sectors, providing its services free-of-charge for this type of organisations, with the aim of contributing to a social or environmental cause of general interest.

**Principal goals for 2006**

- Continue cooperating closely with all NGOs, opening new channels of action and encouraging dialogue and social participation.

#### 4.4. IBERIA: an innovating enterprise

A company's ability to adapt to changing circumstances is the key to its success. However, this adaptation should not merely be a response to direct stimulation, but should be well-thought out and guided, knowing where to direct energy and resources. IBERIA has an innovative strategy, based on the management of knowledge built up over the years, optimising its internal know-how, transforming to adapt to new demands and getting ahead of future market requirements, with a view to being in the vanguard at all times in the services it offers.

Owing to its complex organisation IBERIA has an extensive structure, permitting an integral, effective management of innovation, involving and coordinating activities and managers in all areas of the company. The internal management systems established for this purpose enable regular assessment of our position on the market and the needs and new challenges to be met in each management area, so that we can define the outlines of new innovation projects to be developed. In this regard, some 35 R+D+I projects were implemented during 2005 in several different areas of the company, from development of a prototype hybrid electric vehicle powered with a fuel cell for airport handling services to the introduction of the on-line invoicing system on [iberia.com](http://iberia.com), enabling our customers to obtain their boarding cards on internet. The total budget for all innovation activities was more than 20 million euro in 2005.



### Principale innovation projects 2005

Promotion Area	Projects
CARGO	E-Commerce platform in cargo business
FINANCIAL	Price, fuel expense and consumption forecast management system
COMMERCIAL	Price management process optimisation system On-line invoicing system Technological development of a customer behaviour modelling system
MAINTENANCE & ENGINEERING	Research & development of new blade assembly system to correct imbalances Development of automatic system to control and generate routes and movement of platforms in aircraft maintenance Automation of inspection equipment for non-destructive testing of landing gear tyres Research & development of engine testing cell
AIRPORTS	Hybrid electric vehicle powered by fuel cell for movement within airport Intelligent equipment location system in platform Integrated vehicle for goods handling and transportation
SYSTEMS	Integrated system for mechanisation and control of invoicing
OPERATIONS	Advanced system for management of IBERIA Plus customer services Integral flight tracking system, self-dispatch and mobile office



### 4.5. Prizes and recognitions 2005

Prize	Date	Granted by
Gold trophy for repositioning of trademark	Jun-05	ESADE business school and daily financial newspaper <i>Expansion</i>
Prize for human values in the advertising creativity for the "Reencounters" campaign	Jun-05	European Marketing Institute
Best airline on European routes and best airline on Latin American routes	May-05	Agenttravel Magazine
Best financing structure 2004	Apr-05	Airfinance Magazine
Best internal communication project	Apr-05	Digital daily PRNoticias
Oneworld "Best Airline Alliance in the World"	Sep-05	Business Traveller Prizes
Oneworld "World Leader Airline Alliance"	Sep-05	World Travel 2005 Prizes
Business gold microphone	Apr-05	Federation of Spanish Radio and Television Associations

Recognition	Date	Granted by
Sixth Spanish most-mentioned undertaking and only airline mentioned in printed press for its social action	Dec-05	Business and Society ( <i>Empresa y Sociedad</i> ) Foundation
One of the best perceived companies for its social action	Dec-05	Business and Society Foundation
One of the companies making best treatment of Corporate Social Responsibility	Sep-05	Business and Society Foundation
Best valued environmental information	Sep-05	Business and Society Foundation
Top rating of environmental report in DJSI assessment	Sep-05	DJSI
Most outstanding Spanish company in Corporate Social Responsibility	Jun-05	Spanish Corporate Reputation Monitor
Among the ten enterprises most known for their social action	May-05	Business and Society Foundation in collaboration with market research firm TNS
One of the most prestigious companies	Mar-05	Spanish Corporate Reputation Monitor and printed in financial daily paper <i>Cinco Días</i>
Airline preferred by Spanish executives	Mar-05	Survey made by Diners Club and printed in financial daily paper <i>Cinco Días</i>



*The economic dimension*

## 5. THE ECONOMIC DIMENSION

### The economic contribution of the air sector

- The European air traffic industry consists of over 120 air carriers, a network of over 450 airports and approximately 60 air navigation service providers. The demand for air transport tripled in Europe between 1980 and 2000 and is expected to double between now and 2020 (possibly overshooting the 2.3 billion passenger mark).
- According to IATA, the direct economic contribution of air traffic is 320 billion euro. If we add indirect impacts and those related to tourism and cargo, the overall contribution of air traffic is estimated at 1.1 trillion euro worldwide.
- Air traffic provides more than 70% of tourism worldwide and plays a vital role in facilitating economic growth, especially in developing countries.
- Air traffic is estimated to create some 28 million direct, indirect and induced jobs worldwide. This figure is expected to grow to 31 million by 2020.

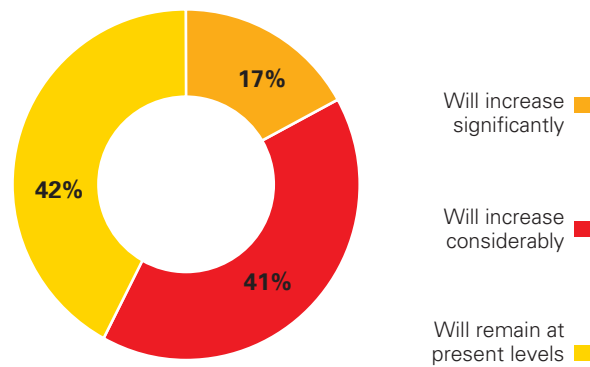
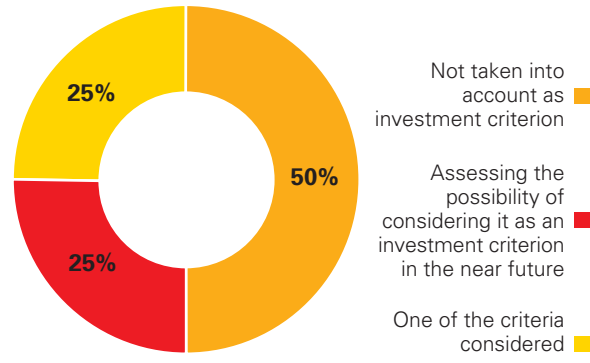
### Our investors' opinions on sustainability

IBERIA conducted a survey in 2005 among its principal investors, the main conclusions of which are set out below:

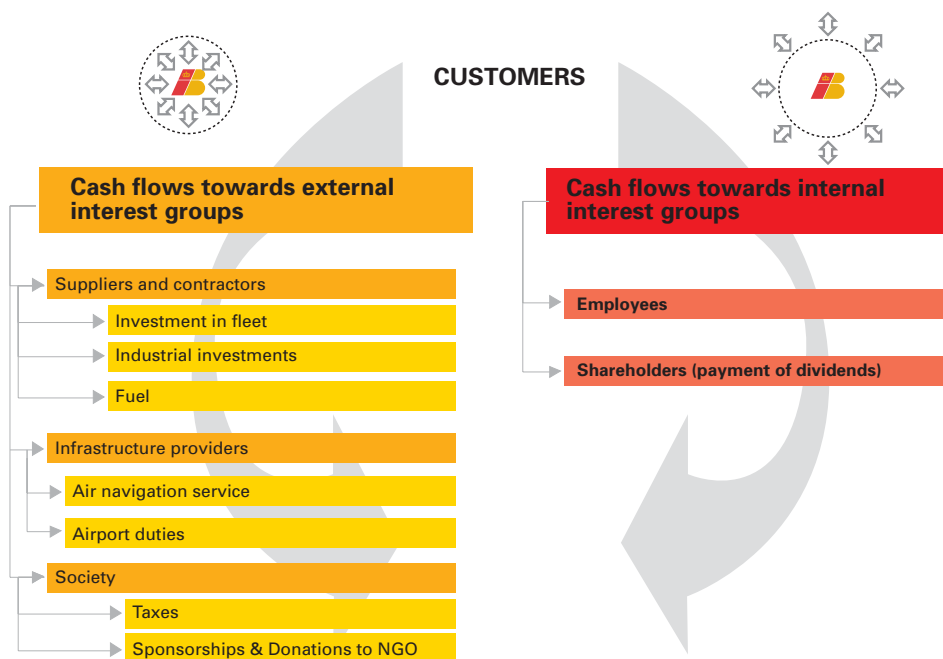
1. Sustainability management gives competitive edge.
2. It is necessary to continue to boost sustainability management and continuous improvement.
3. There is still a certain degree of ignorance on sustainability management.
4. Within communications, it is essential to adjust the information to be published to the demands of the company's interest groups.



### Assessment of sustainability by investors according to IBERIA survey







IBERIA cash flows towards interest groups in 2005



## 5.1. Our customers

### 5.1.1. Our commitments to customers

IBERIA is strongly geared towards its customers. It signed a service commitment on 2 July 2002, following joint bargaining between airlines, airport authorities and consumer organisations. This commitment establishes the service levels to be offered to customers before, during and after their trip and, inter alia, it proposes improving access by people with reduced mobility, ensuring that their needs are accounted for and that their safety and dignity are respected. This commitment was signed voluntarily. For further information consult IBERIA's web site ([www.iberia.com](http://www.iberia.com)).

IBERIA also has control systems to guarantee the confidentiality of its customers' data, in pursuance with prevailing data protection laws and regulations. To ensure passengers' comfort and health, each passenger is provided with a sheet on all flights containing a section of recommendations or in-flight health.

### 5.1.2. Our customers' opinions

We regularly collect and analyse our customers' opinions and their assessment of our services, comparing us with our closest rivals.

- *Customer satisfaction*: we monitor the satisfaction of our customers through Perceived Quality Surveys, which measure their assessment of 30 attributes of our service. The customer satisfaction studies are fully integrated with the other management indicators and the surveys we make are analysed to see what specific actions are necessary to improve our service quality. In 2005 we polled 20,000 customers, in two campaigns, obtaining a global assessment in the latest campaign of 85.3%.

For further information contact our Customer Services Centre at: Iberia, Líneas Aéreas de España, Centro de Atención al Cliente, Apdo. Correos 548 F.D., 28080 MADRID (Spain)

**Telephones:**  
In Spain: 902 400 433  
**Fax:** +34 91 5580029  
**E-mail:**  
[relacionesclientes@iberia.com](mailto:relacionesclientes@iberia.com)  
or  
[customerrelations@iberia.com](mailto:customerrelations@iberia.com)

- *Claims*: we consider the statements by unsatisfied customers a valuable source of information for correcting faults and adapting our service to suit their needs. They give us another opportunity to come up to their expectations. It should be noted that IBERIA is below the AEA average in claims for lost baggage, with the best results among European network airlines.

#### Customer claims 2005(per 1000 passengers)

Passengers	2.9
Baggage	13.9
Losses + Delays	11.8
Damage	2.2

#### 5.1.3. Boosting passengers' rights

The main stipulations of European legislation on compensation and assistance to passengers in cases of denied boarding, cancellation or long delay of flights are indicated below:

- Regulation (EC) No 261/2004 of the European Parliament and of the Council of 11 February 2004 establishing common rules for air carriers on compensation and assistance to passengers in the event of denied boarding against their will, cancellation or long delay of flights or change of class.
- This Regulation entered into force as of 17 February 2005.
- This Regulation is generally applicable whenever passengers have a confirmed reservation on the flight concerned and, except in the case of cancellation, present themselves for check-in at the time indicated in advance, or if no time is indicated, not later than 45 minutes before the published departure time.
- Compensations vary between 125 € and 600 €.

#### 5.1.4. Punctuality

This is one of the company's main challenges and is vital to offer a quality service. IBERIA has a good record in punctuality thanks to its punctuality committee and the efforts of all its employees. We consider punctuality important for assessing customer satisfaction and essential to be able to offer good flight connections, making Madrid-Barajas the main hub between Europe and Latin America.



#### 5.1.5. Iberia Plus: customer loyalty

The Iberia Plus programme was set under way in 1991 and since then more than 2,500,000 people from 60 countries have joined it (25% annual increase since 2002). There are currently more than 40 associated companies from different sectors (airlines, hotels, etc.). IBERIA's web site has a special section for Iberia Plus customers, where they can effect several different transactions. This year we launched the Iberia Plus Empresa programme, with its own web site ([www.iberiaplusempresas.com](http://www.iberiaplusempresas.com)), through which any SME can organise its business trips. Almost 900,000 Iberia Plus customers are registered at [iberia.com](http://iberia.com).

### 5.1.6. Iberia.com: improving online services

IBERIA is in the vanguard in customer-related technology. Through the electronic ticket sales and other additional services our customers save both time and money. The average number of visits to our web site was 250,000/day in 2005. Electronic sales have increased by 40% a year on average since 2002. It is now possible to make a number of consultations on Internet, such as checking flight times, real-time information on IBERIA flights, newssheet, reservations and, for the first time in 2005, customers can obtain their boarding cards via Internet (5,000 customers obtain their cards through this means every day).

There are also auto check-in machines, not only at the main airports, but also at certain hotels in large cities.

### 5.1.7. Quality certification

The air traffic sector has traditionally been seen as a high quality business, both because of its safe, although extremely complex, operations, and for the level of service.

Since 1997, different areas of the company have received certification under the requirements of the international standard ISO 9001:1994. In 2003 the process began of adapting these certificates to the new standard ISO 9001:2000. The following areas currently have these certificates:

- Maintenance and Engineering Department
- Cargo Department
- Airports Department, which simultaneously obtained an environmental management certificate under ISO 14001, integrated with the quality certificate
- Systems Department
- Infrastructures Department

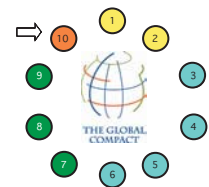
### 5.1.8. Advertising

IBERIA is a member of the Commercial Communication Self-Regulation Association (Self-Control), which upholds advertising as a useful instrument in the economic process, ensuring respect of consumer and user rights and fair competition.

## 5.2. Corporate Governance

For the AGM held on 26 May 2005, the company offered its shareholders the possibility of distance voting. Shareholders could thus vote by post or through electronic means. Shareholders duly identified by an electronic certificate issued by the National Mint (*Fábrica Nacional de Moneda y Timbre*) voted electronically on all the items on the agenda. This system was also extended for the first time to include the granting of proxies, which could previously only be done by post.

There has been a high level of participation by shareholders in this new system. Of 1,020 shareholders attending the AGM, 738 did so either by post or through electronic means. The company received 138,979 electronic votes, corresponding to 26 shareholders.



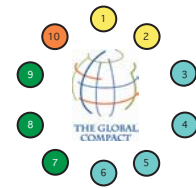
The company has specific codes of conduct for executives and employees in positions handling price-sensitive information. The company is currently working on a broader code for all employees, apart from the general rules of conduct set out in the collective agreements.

### 5.3. Suppliers

One of the principal developments during the first year after joining the Global Compact, with a strongly global since it affects all the principles of the Global Compact, was that promoted by the company's Procurements division. In an attempt to extend these principles and increase awareness among our suppliers, one of the principal interest groups of the company, IBERIA has drawn up two clauses, one general, the other specific, for security contracts, to be inserted in all contracts, whereby the supplier undertakes *"not to violate any of the Principles established in the United Nations Global Compact, of which IBERIA is a member, and offer effective fulfilment, in the performance of its duties, of all obligations deriving therefrom"*.

The importance of these clauses should be stressed, since they affect a very large number of contracts. The main obligations specified in the contracts refer to practically all the Principles of the Global Compact, with specific aspects exclusive to security contracts.

The designer Adolfo Dominguez designed IBERIA's new uniforms, brought out coinciding with the company's move to the New Terminal Area of Barajas in late January 2006. It should also be mentioned in this regard that Adolfo Domínguez has had its own Social Responsibility Policy and Code of Conduct since 2003.



The actions concerning suppliers in application of the Global Compact affect all the principles, since the main aim is to extend the commitments under the Compact to all the suppliers with whom we operate.





*The social dimension*

## 6. THE SOCIAL DIMENSION

### 6.1. Our employees

#### The Director Plan 2006-2008: the best possible management to compete on the market

The Director Plan 2006-2008 will enable IBERIA to take up a strategic position in the current economic and competitive framework.

This Plan establishes a number of measures designed to guarantee the competitiveness of the company's human resources and reduce the unit personnel expense by increasing productivity and polyvalency and reducing associated expenses.

In this regard, our company must be sufficiently profitable to be able to compete on the market, in the face of serious threats such as low cost carriers, and thus guarantee the maximum number of jobs.

The objectives of the Director Plan 2006-2008 in the human resources area include:

- 1) Conversion of fixed remuneration to variable remuneration linked to the achievement of company objectives.
- 2) Improvement of productivity.

#### 6.1.1. Our workforce

The Iberia Group had 25,750 employees at 31 December 2005, 75% of which were ground staff. Our workforce consists of ground staff, pilots, technical crew and flight attendants.



Employee group	Women		Men		Total	
	Number	%	Number	%	Number	%
Senior management & technical officers	439	2	805	3	1,244	4.8
Maintenance engineers*	62	0	3,195	12	3,257	12.6
Data processing officers	12	0	54	0	66	0.3
Auxiliary technical staff	0	0	2	0	2	0.0
Administrative staff	4,601	18	2,521	10	7,122	27.7
Auxiliary services	495	2	6,186	24	6,681	25.9
P.V.T.	46	0	75	0	121	0.5
External ground staff	531	2	479	2	1,010	3.9
Total ground	6,186	24	13,317	52	19,503	75.7
Pilots	60	0	1,794	7	1,854	7.2
Flight assistants	3,220	13	1,173	5	4,393	17.1
Total flight	3,280	13	2,967	12	6,247	24.3
<b>Total</b>	<b>9,466</b>	<b>36.8</b>	<b>16,284</b>	<b>63.20</b>	<b>25,750</b>	<b>100</b>

\* Aircraft, ground equipment, installations, information and telecom systems.

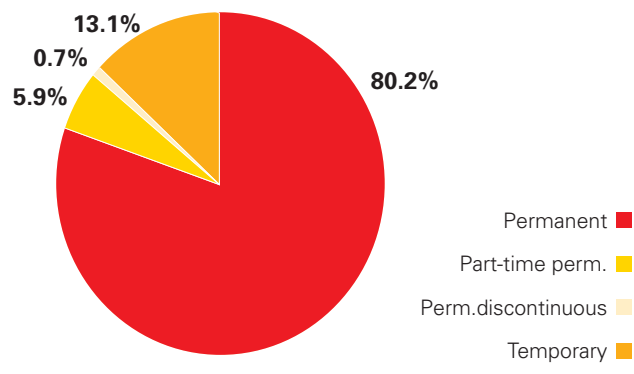
IBERIA workforce at 31 December 2005.

### IBERIA Employees by type of contract

In 2005, more than 20,500 employees, 80.2% of the workforce, had permanent contracts.

This figure is 2% more than in 2004 and coincides with a reduction by the same proportion in temporary contracts.

The average of the IBERIA workforce is 41.97, with an average seniority of 14.72 years.



A project was launched in September 2005 to implement an ERP for the Personnel and Payroll Administration Area in the Human Resources Department. This is to be developed over 2006. The basic aim is to provide IBERIA with an Integral Online Human Resources Management System, optimising the workforce restructuring processes and increasing management information to assist in solving problems.

Employee satisfaction is mainly measured through the suggestion box created by the company and the open door policy of management and executives. Satisfaction is also monitored through the unions and committees.

#### 6.1.2. Training

The Training Plan, in coherence with the Strategic Training Plan 2005 and in line with the company's new Director Plan 2006-2008, aims to train all the employees in the new procedures and systems that are being put into operation, to guarantee a quality service in line with new customer requirements. The main lines of action are described below:



- *Improve the customer service:* customer service is an increasingly powerful means of distinguishing an airline from its rivals. Our principal actions in this area consist of:
  - Training plan for the move and to guarantee the good service provided for customers at the new Terminal. Training was provided this year for 5,135 employees, with 149,748 hours' participation in different training actions.
  - Training project for the Iberia-Plus Platinum and Gold Customer Services Centre.
  - Training plan for sales agents to improve and homogenise the service provided to our customers through the call centres.
- *Training in sales technology:* in 2005 continuous training was established in the Amadeus system, our main distribution system, with a view to keeping all our national and international agents up to date and well trained.
- *Local training:* a Training Plan has also been established for staff hired locally for the lines to be opened to Moscow and Beirut.

During 2005, IBERIA invested approximately 69 million euro in 884,986 hours of training, given to 80,355 participants on 11,772 courses, which is on average more than 36.5 hours per employee. The number of courses and participants was very significant, with a ratio of investment to personnel expenses of over 4% in recent years. IBERIA continued in 2005 to promote training management through the Iberia Personas (Iberia People) portal, explained hereinbelow. This online system enables a homogenous, practical and functional administration and management of training.

### IBERIA training 2005

Year	No. Courses	No. Participants	Hours/ Participants	Ratio Investment/Personnel Expenses
2001	7,750	48,448	795,607	4.8%
2002	7,772	51,568	706,733	4.2%
2003	10,659	71,444	878,757	4.4%
2004	11,018	67,056	880,820	4.5%
2005	11,772	80,355	884,986	4.8%

IBERIA uses the Integral Training Management System called IBcomp in its training management. With this system information can be centralised, reports can be prepared on courses and training certificates can be issued. All the company's training centres have been incorporated, except the Flight Training Centres.

### Integration of the academic world in the business world

IBERIA has signed collaboration agreements with 60 national and international universities and training institutions. It also collaborates regularly with educational establishments in the education system, by both adapting the specific vocational training modules on the air sector and providing on-the-job training for vocational training students, undergraduates and graduates.

Contracts (Perm + Training)	Graduate grants	Voc. train. practical training	Undergraduate grants
69	50	58	70
Engineering Area: 48%	Engineering Area: 52%	Aircraft Maintenance Engineer: 95%	Engineering Area: 40%
Economic Area: 30%	Economic Area: 24%	EDP development & applications technicians: 5%	Economic Area: 26%
Other Areas: 22%	Other Areas: 24%		Other Areas & studies abroad: 34%

Training & grants most requested in 2005.

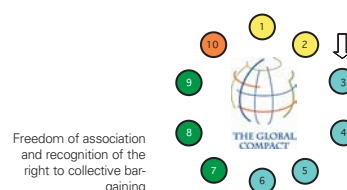
### 6.1.3. Industrial relations and union representatives

#### Union representation: organisation, representatives and affiliation

IBERIA has two committees (Ground Staff Inter-Workplace Committee and Flight Committee) to maintain continuous relations with the unions. It also has a Social and Economic Monitoring Committee, on which there are representatives of the unions UGT, CC.OO., SEPLA and SITCPLA.

The union representatives of Ground staff sit on 22 Workplace Committees (works councils) nationwide, and a further 14 workplaces have workers' delegates.

Employee Group	Percentage affiliation through 2005 payroll
Ground	57.48%
Pilots	100%
Flight assistants	31.30%





### **Collective agreements and Redundancy proceedings**

IBERIA has set out its industrial relations with its employees in four collective agreements, one for ground staff and three for flight crew, three of them in force up to 31 December 2004.

On 16 December 2004, the Spanish Directorate General for Labour authorised the extension of the IBERIA 's current Redundancy Proceedings for Ground Staff, Flight Attendants and In-Flight Technical Crew up to 31 December 2007. IBERIA had reached an agreement with the representatives of these employee groups. The measures established in these redundancy proceedings were take up in 2005 by 196 employees, 182 of whom took early retirement, 6 deferred reassignment, 5 contract novation and 3 took a pay-off.

On 3 October 2005, an agreement was reached between IBERIA, the Inter-Workplace Committee and the unions CC.00. UGT, USO and ASETMA to sign the Document on Companion Measures included in the Social Plan, in respect of the Redundancy Proceedings instituted by IBERIA on 30 September 2005, which affect Ground Staff, within the framework of the I General Collective Agreement for the Handling Sector.

The Directorate General for Labour passed its decision on the redundancy proceedings (no. 35/05) resolving to:

- Authorise, as guidelines, the termination of 1,074 contracts of ground staff working at Spanish airports. This authorisation is valid up to 31 December 2007. The agreed contracts will be terminated by virtue of supplementary decisions, as appropriate in each case, once the corresponding agreement has been reached on the monitoring committee set up among representatives of the representatives of the inter-workshop committee and the company to decide in each case on the structural excess at each of the airports affected by the loss of business.
- Authorise the termination of 28 contracts of ground staff working at the Canarias airports included in the structural excess.



#### **6.1.4. Social benefits for employees**

<b>Social benefits for employees</b>	<b>Principal terms</b>
APMIB	<ul style="list-style-type: none"> <li>• The IBERIA Employees Parents of Disabled Children Association receives economic aid which the Ground crew supports with funds from the Solidarity Fund and in the Flight crew with direct contributions by workers, as established in the Agreement.</li> </ul>
Solidarity Fund	<ul style="list-style-type: none"> <li>• The funds are used to meet social needs, such as aids for education, camps, aids for disabled children and those chronically ill, welfare loans, expenses incurred through sickness, among others.</li> </ul>
Social Funds for Ground and Flight crew	<ul style="list-style-type: none"> <li>• 50% financed by the company and the employee. This fund covers disability and retirement benefits. In the case of flight crew, it also covers long-term temporary disability and death benefits.</li> </ul>
Pilots Mutual Fund	<ul style="list-style-type: none"> <li>• This fund is financed with contributions of 1% by employees and 8.90% by the company of the established regulatory base. The benefits are for retirement, disability and death.</li> </ul>
Group Life Assurance Policy	<ul style="list-style-type: none"> <li>• This assurance covers death and permanent disability. In the case of flight crew, it also covers the contingency of definitive loss of licence. It is 60% financed by the company and 40% by the employee.</li> </ul>
Housing loans	<ul style="list-style-type: none"> <li>• The number of loans granted a year may be up to 4% of the ground staff and flight attendants on the payroll at 31 December of the preceding year.</li> </ul>
Medical cover	<ul style="list-style-type: none"> <li>• IBERIA takes and manages all activities and actions required to secure recovery of workers who suffer accidents.</li> </ul>

### 6.1.5. Employee recognition

To stimulate creativeness and individual and group efforts, and as a basic factor in continuous improvement, IBERIA has established a personnel recognition system for all its employees based on individual or group suggestions and recognition of exceptional actions. Suggestions embrace both technological innovation and suggestions regarding procedures. Exceptional actions are those in which an employee demonstrates a high level of dedication.

Rewards are related to the yield obtained as a result of the proposal for improvement, ranging from being congratulated by the Acknowledgements Committee to an economic reward of 6,250 euro.



### 6.1.6. Associations

IBERIA's social activity, which complements its solidarity and labour responsibility activities, also extends into other areas such as leisure and culture. In this regard, the work of Club Iberia and the Veterans Association is worthy of mention.

### 6.1.7. Intranet: "Iberia Próxima" and "Iberia Personas"

IBERIA employees have access to the portal "Iberia Próxima" (Iberia on hand), where they can find abundant updated information on the company, the national press, the price of IBERIA shares and other aspects of interest. The HR department has integrated the global management of all aspects related with employees on the portal "Iberia Personas" (Iberia People).

Iberia Personas is a tool enabling the centralised management of employee data, considerably expediting human resources management, from the company's and employees' point of view.

Among other things, employees can consult their pay, internal job offers, travel offers and internal IBERIA notices, and access other services such as ticket issuing.

**IBERIA PERSONAS: Management and internal communication tool enabling employees to access more and more administrative and management information on a self-service basis**

Personnel	Instantly updates the personal information on each employee; employees can make personal consultations, see their pay slips, income tax certificates, withdraw meal vouchers, read general IBERIA notices and announcements and consult the personal tasks they are to carry out (e.g. jobs pending), the hours worked per employee can also be consulted.
Help them, help yourself	Section controlled by the HR Department, where it is possible, inter alia, to make donations to the NGO Mano a Mano or the IBERIA Employees Parents of Disabled Children Association.
Collective agreements	For consultation of the collective agreements of pilots, flight attendants and ground staff.
Performance assessment	IBERIA employee assessment procedure.
mibillete.free	Tool available for employees to arrange travel, both duty travel organisation (hotel bookings, ticket reservations, etc.) and for free tickets offered by the company to its employees. Travel offers and related news can also be consulted.
Occup.hazard prevention	To consult Occupational Hazard Prevention Plan, training courses, rules and regulations, medical guidance, etc. Consultations and suggestions can also be made.
Management service	Management information for persons in structural management positions within the company.
<b>Total accesses Iberia Personas 2005: 1,693,969</b>	

Information found on the portals Iberia Próxima and Iberia Personas



## 6.2. Safety and hygiene

### 6.2.1. Occupational Hazard Prevention

Occupational hazard prevention is considered critical and fundamental in IBERIA, and its actions in this respect cover practically all sectors of its activity. Special attention is paid to the following, owing to their greater damage potential:

- Coordination of business activities, considering all contracting of works and services and the leasing of installations to third parties (hangar rental).
- Maintenance work in industrial areas, especially in processes with a high risk of falling from a height and work with hazardous products.
- Loading and unloading of cases on aircraft owing to the high risk of muscle/bone injuries.
- Work at cargo terminals, owing to the variety of products handled, including animals, perishable goods and radioactive products.
- New installation projects, purchase of new equipment, occupation of new premises, etc.

The total number of accidents was down 3.2% year on year in 2005.

IBERIA cooperates with the Ministry of Labour in actions designed to improve occupational hazard prevention at airports. Apart from the decision to put a number of measures into practice IBERIA sent AENA, the competent authority in airport infrastructures., a report informing on the current situation of progress and studies in this area.

Among the measures taken by IBERIA and put into practice in 2005:

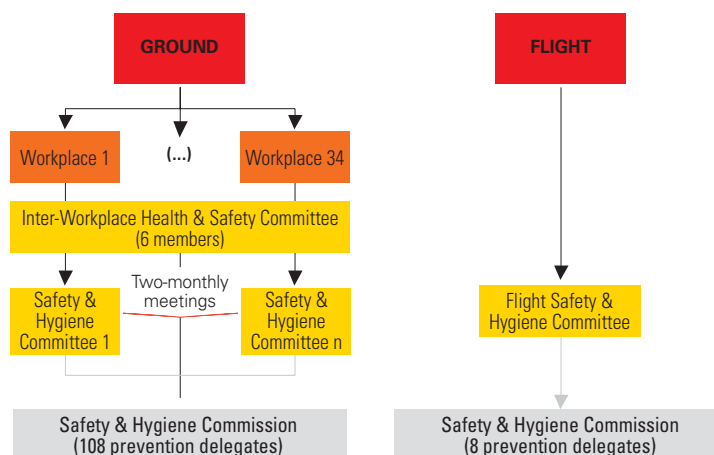
- New "heavy baggage" labels have been designed to permit better identification of such baggage, accompanied by a campaign to promote their use by check-in employees.
- New individual protection equipment has been selected to protect employees who have to work kneeling down.

#### *Organisation and principal occupational hazard prevention measures*

Procedures developing the Occupational Hazard Prevention Management System were established and published during 2005, covering important aspects such as the organisation of prevention, pinpointing of risks and selection of Individual Protection Equipment. These procedures are available on the occupational hazard protection portal on Intranet.

There are 108 prevention delegates in the company, distributed among the different workplaces.

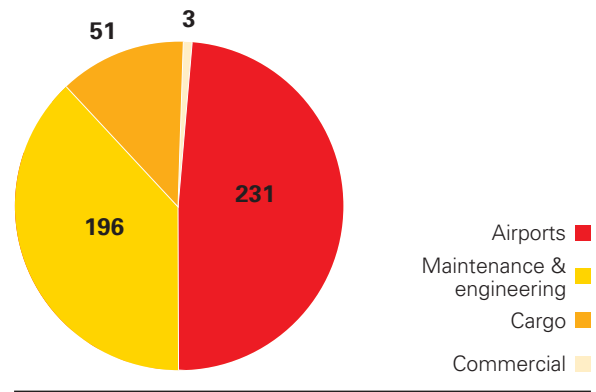
#### **Organisation of occupational hazard prevention in IBERIA**



**NB:** the workplaces are: Alicante, Almeria, Barajas, Barcelona, Bilbao, Fuerteventura, Gerona, Ibiza, Jerez de la Frontera, La Palma, Lanzarote, Las Palmas, Madrid, Mahon, Malaga, Melilla, Murcia, AZI (Old Industrial Area), NZI (New Industrial Area), Oviedo, Palma de Mallorca, Pamplona, Reus, San Sebastián, Santander, Santiago, Sville, Tenerife, Valencia, Valladolid, Valverde, Vigo, Vitoria and Zaragoza.

**Occupational hazard prevention training courses, by divisions**

Some 481 courses were given during the period January-November 2005, with a total of 24,159 hours



Finally, IBERIA has an Aeronautics Medical Centre duly approved by the Ministry of Development for the medical examination of its own crew members and those of other airlines and individuals; these examinations are a requisite for renewing pilot's licences.

**Evolution of industrial risks and follow-up of accidents**

Over the period January-November 2005, 23 initial risk assessments were made and 166 assessment updates.

**IBERIA accident registration**

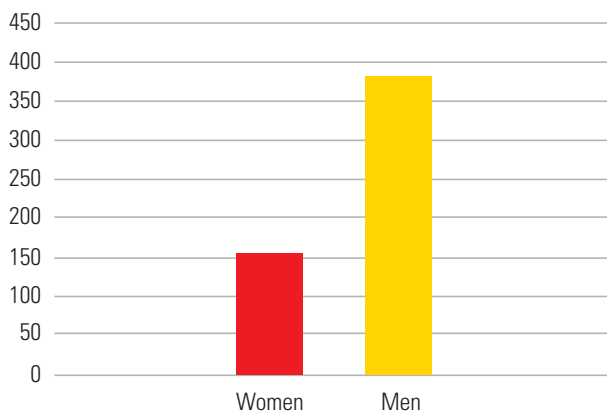
**Handling of information on occupational hazard prevention**

The Systems Department has prepared an application for notification and registration of industrial accidents. The industrial accident reports are sent to the Ministry of Labour and Social Affairs through the Ministry's application Delt@ (Electronic declaration of industrial accidents).

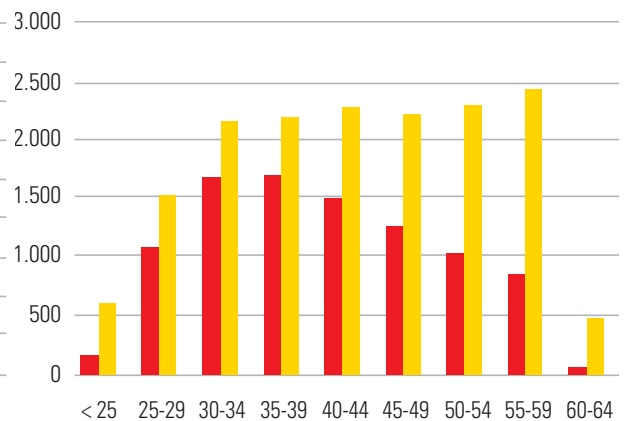
The internal standard SH-400 "Analysis and investigation of industrial accidents" provides the criteria for establishing the process of notification and registration in the different Departments. On the basis of that data, the application developed in IBERIA permits immediate follow-up of industrial accidents for the Health and Safety Unit. The Health and Safety Unit prepares monthly accident reports based on the data obtained on industrial accidents, which enable the different units to monitor the evolution of number of accidents.

**6.3. Equal opportunities and diversity**

**Men and women in structural management positions in IBERIA 2005**



**Employee pyramid by sex, 2005**  
Women: 9,466 (36.8%) Men: 16,284 (63.2%)



Women account for 29% of the "structural" management positions.



With regard to equal opportunities, it should be noted that in 2005 IBERIA had 131 women in management positions in its ground staff, 32.5% of the total headcount in this type of position. There were also 60 women pilots on the IBERIA payroll.

With a view to promoting good business practices concerning disability and improving specific aspects, IBERIA has, since April 2005, been participating in the Business and Disability Programme. This programme was developed by the *Fundación Empresa y Sociedad* through a three-year multi-firm plan, for the period 2005-2008. The basic goals of this project are: improve accessibility in the surroundings of the company; design new products and services for customers with disabilities; encourage the direct employment of persons from this segment of society, or if this is not possible, increase our contribution through alternative measures, such as hiring the services of Special Employment Centres and making donations to welfare institutions.

### 6.3.1. Maternity benefits

The applicable provisions of law (Reconciliation of Working and Family Life Act no. 39/99 and Workers' Statute, Act 1/1995) have been followed in respect of maternity protection.

Aspects relating to maternity protection	2004	2005	% Change 2005-2004
<b>Employees applying shorter working hours for legal custody</b>			
Ground	373	505	35.30%
Flight	733	904	23.30%
Pilots	174	259	48.80%
Flight attendants	559	645	15.30%

In this regard, the next ground staff collective agreement, the XVI Collective Agreement for Ground Staff, could include the cumulative reduction of working hours during the breastfeeding period, and lengthening of the period of legal custody.

### 6.3.2. Employment of disabled persons

IBERIA's Human Resources policy includes a number of measures designed to favour the integration in employment of disabled persons, by directly employing handicapped workers and through alternative measures such as signing commercial contracts with Special Employment Centres for the provision of services in the company or making donations to public enterprises that favour the global integration of the handicapped and disabled.

- Direct employment of handicapped workers: In 2005 IBERIA employed 240 handicapped workers.
- Commercial contracts with Special Employment Centre, IBERIA has signed numerous contracts with the Special Employment Centre "*IBERIA Employees Parents of Disabled Children Association*" (APMIB) for the provision of outside services complementing its business activities. A sum of 3,150,098.33 euro, equivalent to 186 employees, was invoiced under these contracts in 2005.
- Donations and Sponsorship: IBERIA makes cash donations to the aforesaid association, which has received recognition as a Public Utility Association for the social integration of the disabled. The monetary donations made to said association in 2005 totalled 273,874.46, equivalent to 32 workers.

The company also reassigns any employees who, although not handicapped or disabled, suffer a reduction in capacity owing to sickness or age, putting them in positions suitable to their conditions. This undertaking is set out in the Ground Staff Collective Agreement.

With a view to promoting good business practice in respect of disability and improving specific aspects, in April 2005 IBERIA participated in the Business and Disability Programme, developed by the Business and Society Foundation, through a three-year multicompany plan, 2005-2008. The basic objectives of this pro-

ject are: to improve accessibility in the business environment; design new products and services for disabled customers; encourage the direct employment of individuals in this category or, if this is not possible, increase our contribution through alternative measures, such as the contracting of services to Special Employment Centres and donations to welfare institutions.

#### 6.4. Social action in IBERIA



Social Objectives and Specific Measures		
Objectives	Measures	Current state
Open new collaboration channels with social institutions	Improve usual collaboration agreements and establish new ones (e.g. Agreement with Cuidam Foundation).	In progress
Ensure sustainability of projects performed by Mano a Mano and APMIB	Achieve work contracts from other companies and public and private institutions.	In progress
Implement measures to guarantee monitoring and control of fulfilment of the Global Compact principles	Request certificates from the company's suppliers to ensure that they do not use any products manufactured with child labour.	Completed
Develop social projects and actions, increasing our contribution wherever possible	Christmas campaign, sponsorship agreements, cooperation with Mano a Mano, cooperation with SPMIB, ONT and Special Olympics, among others.	In progress
Establish our 3-year objectives for the Business & Disability Programme	In the areas of accessibility, design for everyone and employment of the disabled.	In progress

The company's social action is currently focused on four essential interest groups:

Interest group	Organisation	Activities carried out
Employees	Mano a Mano	<ul style="list-style-type: none"> <li>• IBERIA uses its resources to send humanitarian aid to countries hit by natural disasters or wars and deliver that aid without middlemen.</li> <li>• It brings children, together with their families, to Spain to be operated on. Once in Spain, Mano a Mano provides them with accommodation and anything else they may need.</li> <li>• Aid to development projects in certain countries IBERIA flies to.</li> </ul>
	IBERIA Employees Parents of Disabled Children Association (APMIB)	<ul style="list-style-type: none"> <li>• APMIB activities focus on the protection, assistance, education and social integration of any physically, mentally or sensorially handicapped children or wards of IBERIA employees.</li> </ul>

Interest group	Organisation	Activities carried out
Institutions	National Transplant Organisation	<ul style="list-style-type: none"> <li>• IBERIA cooperates with the National Transplant Organisation, providing free transport for organs on its scheduled flights.</li> </ul>
	'Crecer Jugando' (Grow Playing) Foundation	<ul style="list-style-type: none"> <li>• Solidarity campaign "One Toy, One Joy", organised together with Radio Nacional de España by the Crecer Jugando Foundation, with the main aim of raising funds to send toys to third-world or developing countries, and to start up a toy library at schools in developing countries.</li> <li>• IBERIA participates by supplying plane tickets, thereby facilitating and partially financing the delivery of toys at some of the destinations to which the airline flies. In exchange for this cooperation, the Foundation gives IBERIA toy libraries for the centres that Mano a Mano, the company's NGO, has in Peru, Ecuador, Guatemala, Cuba, Argentina and Ecuatorial Guinea.</li> </ul>
	Spanish International Cooperation Agency (AECI) Ministry of Social Affairs Ilusiones Foundation Miguel Angel Blanco Foundation	<ul style="list-style-type: none"> <li>• IBERIA cooperates with these institutions, offering them special discounts on its flights.</li> </ul>
Customers	Special Olympics	<ul style="list-style-type: none"> <li>• Organisation set up to improve the quality of life of the mentally handicapped through sport.</li> <li>• IBERIA participates in the project with a coin collection scheme on its international flights.</li> </ul>
	Spanish Red Cross	<ul style="list-style-type: none"> <li>• Members of the Iberia Plus frequent flyer programme can assign their points to IBERIA to be used for collaboration in the Red Cross Family Regrouping project.</li> </ul>
Suppliers	Christmas Campaign	<ul style="list-style-type: none"> <li>• The basic aim is to raise funds to help finance projects organised throughout the year by APMIB and the NGO Mano a Mano.</li> <li>• This initiative, consisting of a solidarity auction, a charity tombola and a solidarity flea market, with the participation of both IBERIA employees and suppliers.</li> </ul>

IBERIA's contribution to the social interest groups mentioned at the beginning of this section totalled 5,330,133 euro, including both financial contributions and contributions in kind (see table).





### Contributions made by iberia to social causes and entities during 2005

Entity	Collaboration	Euro	Value in kind (€)
Mano a Mano	Remittance of 281 tonnes of assistance		708,400
	Medical assistance for foreign children in Spain (31 tickets)		43,400
	Management and supervision of projects overseas (8 tickets)		23,632
	Donation IBERIA employees	2,289	
	Contribution Management Committee and prizes awarded by chairman	3,484	
	Christmas Campaign 2005 "bid for them"	55,153	
APMIB	Donation of plane tickets for project management		1,700
	Annual non-repayable aid	72,121	
	One-off IBERIA donation	41,753	
	Viability Plan Donation	160,000	
	Christmas Campaign 2004 "bid for them"	55,153	
	Contribution Management Committee and prizes awarded by chairman	3,584	
	Invoicing IB contracts	3,214,446	
Special Olympics	Donation	36,000	
A.E.C.I.	Collaboration in all activities and projects		540,900
Ministry of Labour and Social Affairs	Cooperation with more than 1,500 NGOs and other welfare entities accredited by the Ministry		97,000
RED CROSS	Donation	600	
	Family Regrouping Project		61,000
Spanish Cancer Association	Donation	600	
Cáritas	Donation	600	
Crecer Jugando Foundation	"One toy, one joy" campaign		45,000
Ilusiones Foundation	Cooperation in its projects with sick children		30,000
Miguel Angel Blanco Foundation	Cooperation in the activities of the Foundation		6,010
Xunta de Galicia	Cooperation with the Immigration Department		24,000
Firemen in Action / without Frontiers	Cooperation in its projects and sending cargo of special material		42,000
Toledo International Centre for Peace	Cooperation in its activities		50,000
FUNDIPAX	Cooperation in its activities		48,000
Madrid Football Federation	The Immigration Mini World Championship		12,000
Christmas Campaign 2004	Plane tickets for the Solidarity Tombola (6 tickets)		15,654
<b>TOTAL</b>		<b>3,645,784</b>	<b>1,748,696</b>
<b>Total contributions in money and in kind</b>			<b>5,394,480</b>

Numerous collaboration agreements were signed during the year with different entities. In most of these agreements, the amount undertaken by IBERIA is provided through economic facilities in the issuance of air tickets for passengers and cargo.

The total investment in sponsorship agreements in 2005 was 6,546,050 €.



The innovative social actions performed by IBERIA during 2005 through each of the named interest groups are listed below:

Interest groups	Significant projects or actions	Main features	
			(1)
X	X	<ul style="list-style-type: none"> <li>• Christmas campaign 2005 to raise funds for APMIB and Mano a Mano</li> <li>• On-line auction on the company's intranet, a tombola with almost 6,000 prizes and a solidarity flea market with in-flight sales products no longer in the catalogue.</li> <li>• Raising of 110,306 euro, distributed between the two welfare associations created within the company: the IBERIA Employees Parents of Disabled Children Association (APMIB) and the company employees' NGO Mano a Mano.</li> <li>• 70 companies and individuals have cooperated with IBERIA in this humanitarian cause.</li> </ul>	



Interest groups				Significant projects or actions	Main features
(1)	(2)	(3)	(4)		
X				<ul style="list-style-type: none"> <li>• IBERIA Employees Parents of Disabled Children Association (APMIB) – devising of a Future Plan 2005-2010</li> </ul>	<ul style="list-style-type: none"> <li>• Dedication to developing a sustainable growth strategy to enable the social impact to be extended. Three objectives have been set: increase in revenues, total freezing of expenses and incorporation of extraordinary financing.</li> <li>• Creation, in the second quarter of 2005, of four committees to study and develop the basic strategies. These committees are: Special Employment Centres Committee, Social Services /Action Committee, Non-business Financing Committee and Organisation Committee. All these committees are headed by former IBERIA executives, who collaborate altruistically.</li> <li>• Through the work of these committees, an action plan was drawn up at the end of 2005 consisting of 20 lines of action, with 110 initiatives and an impact for 2006 of a 700,000 increase in revenue according to the least optimistic forecasts.</li> </ul>
X				<ul style="list-style-type: none"> <li>• IBERIA Employees Parents of Disabled Children Association (APMIB) – implementation of an ERP</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of an Integrated ERP (Enterprise Resource Planning) Management System. This system will provide a global solution covering all the functional areas that need computer processing. This will result in real-time economic information, which will facilitate decision-making.</li> </ul>
X				<ul style="list-style-type: none"> <li>• Guardian Foundation APMIB - awarding of residential grants and financial aid</li> </ul>	<ul style="list-style-type: none"> <li>• These contributions were made to entities such as APMIB and Mens Sana.</li> <li>• The grants were used to finance part of the registration fees of students on the Training Course for Management of Social Services Centres given by the Foundation.</li> <li>• In total, the contributions made by IBERIA and its employees to APMIB and the Guardian Foundation amounted to 4,363,208 euro.</li> </ul>
X				<ul style="list-style-type: none"> <li>• Guardian Foundation APMIB - training activities for parents of disabled children and professionals of the sector</li> </ul>	<ul style="list-style-type: none"> <li>• Workshops on legal protection of the disabled (1 course given) and training course for the management of social services centres, given at University Rey Juan Carlos.</li> </ul>
X				<ul style="list-style-type: none"> <li>• Guardian Foundation APMIB - fourth research grant</li> </ul>	<ul style="list-style-type: none"> <li>• Research grant of 6,010 euro granted in February 2005, to the Spanish Professional Occupational Therapists Association and the Madrid Bar Association for the work "Dependant Handicapped and Disabled. Legal and Social/Medical Framework".</li> </ul>
X				<ul style="list-style-type: none"> <li>• Mano a Mano - donation of our former uniforms</li> </ul>	<ul style="list-style-type: none"> <li>• Mano a Mano will see to them, transporting to company destinations in dire need</li> <li>• The clothing to be donated will be in good condition and, moreover, will not bear any identification of the company, e.g. skirts, trousers or raincoats.</li> <li>• IBERIA has provided several channels for employees nationwide to contribute these items of clothing, either delivering them directly in the Former Industrial Zone or by other means, contacting Mano a Mano.</li> </ul>

Interest groups (1) (2) (3) (4)				Significant projects or actions	Main features
X				<ul style="list-style-type: none"> <li>Mano a Mano - organisation of summer camp "We all fit in"</li> </ul>	<ul style="list-style-type: none"> <li>Organisation of the VII International Summer Championship "We all fit in", lasting 10 days and with the collaboration of IBERIA, the school San Francisco, the City Council and all the entities in the village Los Navalmorales (Toledo).</li> <li>60 children from 12 countries participated.</li> </ul>
X				<ul style="list-style-type: none"> <li>Mano a Mano - sending plane with aid to Guatemala</li> </ul>	<ul style="list-style-type: none"> <li>The aircraft A430-600 was sent on 25 October 2005 to mitigate the effects of the hurricane STAN, with 15,000 kg of aid in the cabin and a further 42,000 kg in the bellies. A further 2,000 kg of additional aid was sent on regular flights.</li> <li>The cargo consisted of food, water, blankets, medicines and medical material.</li> <li>In total, Mano a Mano sent 281 tonnes of humanitarian aid to different parts of the world during 2005.</li> </ul>
X				<ul style="list-style-type: none"> <li>Mano a mano - creation of a Theatre Workshop in Ciudad de los Niños de la Inmaculada, Lima (Peru)</li> </ul>	<ul style="list-style-type: none"> <li>The Theatre Workshop will meet the emotional needs of these children, who are very aggressive, suffering the effects of being uprooted and the break-up of their families; this measure also generates jobs, contracting experts in the matter.</li> <li>Financial and humanitarian aid has also been sent.</li> </ul>
X				<ul style="list-style-type: none"> <li>Mano a Mano - start-up of Rural School La Concordia project in Ecuador</li> </ul>	<ul style="list-style-type: none"> <li>School situated in rural environment for physical and mentally handicapped children from humble country families.</li> <li>Mano a Mano has cooperated by providing the entire infrastructure of the building and purchasing kitchen and educational material.</li> </ul>
X				<ul style="list-style-type: none"> <li>Mano a Mano - project in the school Alegría del Señor, Lima (Peru)</li> </ul>	<ul style="list-style-type: none"> <li>Mano a Mano has built a water therapy swimming pool in a school for disabled children aged 5-18, run by the nuns Siervas del Plan de Dios. A swimming pool of this nature is essential for the development of these disabled children.</li> </ul>
X				<ul style="list-style-type: none"> <li>Mano a Mano - donation of "Solidarity Prize" to an Ecuatorian boy with cancer</li> </ul>	<ul style="list-style-type: none"> <li>The "Solidarity Prize" was granted by the auditor Deloitte to Mano a Mano at the end of November at the Fine Arts Circle in Madrid. The contribution was used in its entirety to finance a false leg for an Ecuatorian boy with cancer, who has had half a leg amputated, found by the Chairwoman of Mano a Mano in a hospital in Quito.</li> </ul>
X				<ul style="list-style-type: none"> <li>Mano a Mano - sending aid to those affected by the Tsunami</li> </ul>	<ul style="list-style-type: none"> <li>Sending aid, through Messengers of the Peace, for those affected by the Tsunami in Asia.</li> </ul>
	X			<ul style="list-style-type: none"> <li>National Transplant Organisation (ONT).</li> </ul>	<ul style="list-style-type: none"> <li>Urgent transportation of organs extracted for transplants was required on 127 occasions during 2005; on all these occasions, IBERIA and its subsidiaries provided the necessary transport.</li> </ul>

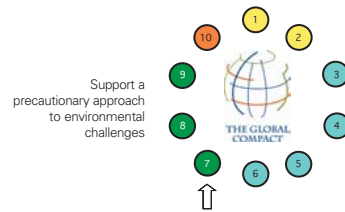
Interest groups				Significant projects or actions	Main features
(1)	(2)	(3)	(4)		
X		X		<ul style="list-style-type: none"> <li>Special Olympics</li> </ul>	<ul style="list-style-type: none"> <li>During 2005 IBERIA raised 23,677 euro, and since 1998 more than 471,769.13 euro, used among other things to prepare training courses and organise Championships and International Games for mentally handicapped sports men and women.</li> <li>IBERIA donated 36,999 euro to this institution during the period.</li> </ul>
X	X			<ul style="list-style-type: none"> <li>Concert in IBERIA hangar no. 6 in La Muñoza, within the cycle "Music in factories"</li> </ul>	<ul style="list-style-type: none"> <li>Piano concert held in an IBERIA hangar with an area of 20,000 m<sup>2</sup> between two Airbus A320.</li> <li>The concert lasted 50 minutes and 250 chairs were arranged for the company employees.</li> <li>The concert was part of the "Music in Factories" cycle organised by the Largo Caballero Foundation.</li> </ul>
	X			<ul style="list-style-type: none"> <li>Donations or sale at special prices to NGOs</li> </ul>	<ul style="list-style-type: none"> <li>Theatre Company Tribueña: Participation in the "Casa Báltica" Festival in Saint Petersburg. IBERIA contributed 12 plane tickets to Moscow, valued at 8,400 €, plus 100 kg excess baggage.</li> <li>Participation of Carla Marrero in the charity events organised by the Salud Arte Foundation to support its children's medical programme. The young violinist participated in this event as Ambassador of Good Will of the Foundation, giving several recitals in the cities of Lima, Bogota, Maracaibo, New York and Miami. IBERIA contributed four plane tickets to Lima, valued at 8,200 €.</li> <li>Carla Marrero. Violinist, 10 years old. Pre-College admission tests to Musikhochschule, Cologne. IBERIA contributed 2 plane tickets to Düsseldorf valued at 2,720 €</li> <li>Donation of 4 plane tickets to Philips, as prize in a draw organised by this company. Value of tickets: 5,354 €</li> <li>Contribution of 6 plane tickets for the Christmas Campaign 2005 for a total value of 15,654 € (2 tickets on domestic flights, 2 tickets on European flights and 2 tickets on inter-continental flights, all in business class).</li> </ul>
	X			<ul style="list-style-type: none"> <li>Other donations</li> </ul>	<ul style="list-style-type: none"> <li>Infante de Orléans Foundation (12,020 €), Empresa y Sociedad ("Business and Society") Foundation (18,000 €), AECC Against Cancer (600 €), Cáritas (600 €) and Red Cross (600 €).</li> </ul>
		X		<ul style="list-style-type: none"> <li>Red Cross – Iberia Plus.</li> </ul>	<ul style="list-style-type: none"> <li>During 2005 holders of Iberia Plus cards contributed 6,144 euro, 10% of the total assigned during the year.</li> <li>Thanks to the contributions of this initiative, during two years of collaboration, a total of 86 people -43 men and 43 women- have been regrouped.</li> </ul>

(1) Employees; (2) Institutions; (3) Customers; (4) Suppliers





*The environmental dimension*



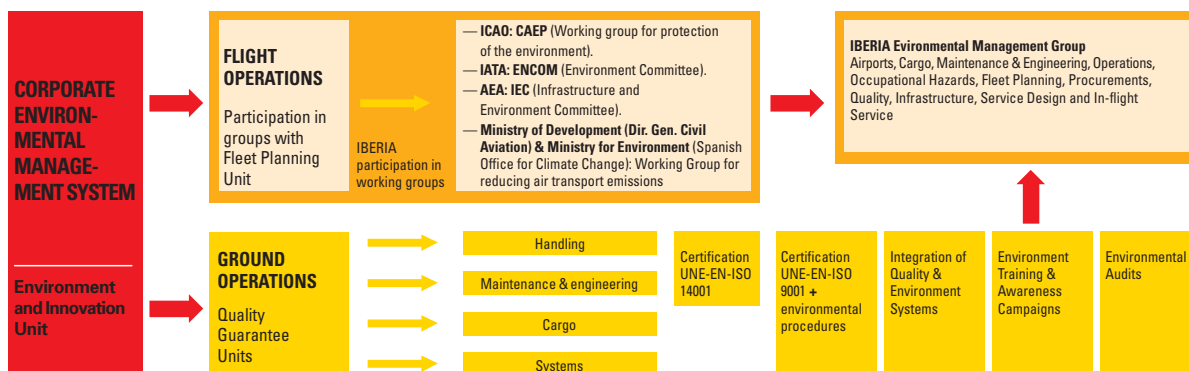
## 7. THE ENVIRONMENTAL DIMENSION

### 7.1. Environmental Management

#### 7.1.1. The environment in IBERIA

IBERIA has established certain lines of action in the area of environmental management, based on the Corporate Responsibility Policy:

- IBERIA plans to take measures to ensure compliance with current legislation and advance beyond it.
- IBERIA undertakes to minimise the damaging effects on the environment caused by its activities, including those of suppliers and subcontractors.
- IBERIA favours and promotes the implementation of certified Environmental Management Systems in all operating areas with significant impact.
- IBERIA is actively involved in national and international actions designed to resolve global environmental problems and promote sustainable development. IBERIA supports the development of public actions and programmes aiming to protect and improve the environment and increase awareness.
- IBERIA provides training, encouraging, stimulating awareness and informing its employees so that they will exercise environmental responsibility in their work.
- IBERIA makes regular environmental audits of its environmental management system and is continuously enhancing them.
- IBERIA promotes open dialogue with its employees and the public at large on environmental issues and informs on its environmental actions.



#### CAEP 7

IBERIA participates actively in the working groups of the Committee on Aviation Environmental Protection (CAEP), within the International Civil Aviation Organisation (ICAO), especially with regard to noise and aircraft emissions. CAEP has recently studied the limitation or reduction of greenhouse gases from aircraft by adopting technical measures in respect of the operation of aircraft or based on emissions allowance trading.

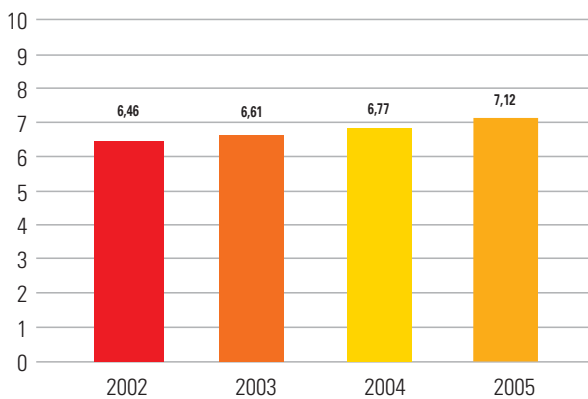
The principal working group of CAEP met in Montreal in October 2005, resolving to continue studying several issues to be decided at the group's general meeting in 2007. Among other issues, it drew up instructions to improve the quality of air in and around airports, set targets for reducing NOx emissions, interrelations in the application of measurements for reducing noise and aircraft emissions and the presentation of guidelines for introducing an aviation emission allowance trading system and implementing airport duties on the emission of NOx.



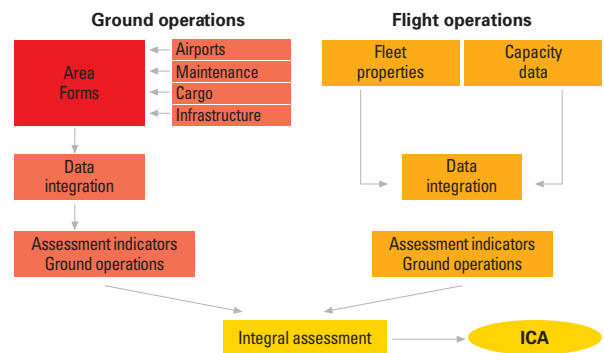
### 7.1.2. Environmental Behaviour Index (EBI)

An index was prepared in 2005 to assess our management of environmental impact. This index covers practically all environmental aspects deriving from the company's activities, including the impacts of both flight and ground operations to make a global assessment. The assessment ranges from 0 to 10 (outstanding management). The scores obtained over the period 2002-2005 are shown below:

**Evolution of the environmental behaviour index in IBERIA (2002-2005)**



**General outline of the environmental behaviour index (EBI)**



The Environmental Behaviour Index (EBI) is created on the basis of data from more than 30 indicators of results in global environmental management. The flight operation indicators (e.g. specific consumption, relative NOx emissions per flight, average age of fleet or noise level at Barajas) mark most of the behaviour owing to the enormous environmental impact of passenger and cargo carriage operations compared to other ground operations. Some of the indicators included in ground operations are the generation of urban and hazardous waste and the consumption of resources such as water, paper, gasoil, natural gas or electricity.

The results of the evaluation of indicators reflects the individual management of each aspect over time against objectives and the different measures applied to measure management of such aspects.

This index will be updated regularly and published in different environmental management communication channels existing in IBERIA (intranet, internet).

### 7.1.3. Fleet renewal

Since the mid-XX century, the most efficient way of reducing the noise level and emissions has been through technological improvements.

IBERIA invests continuously in fleet renewal to incorporate the most modern aircraft, where the environmental factor is decisive both to comply with the increasingly more stringent environmental legislation and to achieve cleaner, more efficient operation. The aircraft incorporated now are 75% less noisy than those they replace (Chapter III v Chapter II), and in terms of energy efficiency, current levels are 70% better than than the aircraft used in the sixties.

### Average age of IBERIA fleet

Year	Fleet	Average age (years)
2001	144	7.4
2002	147	7.3
2003	149	7.9
2004	154	7.7
2005	153	7.9
2006*	148	7.9

\* Forecast

The average age of the IBERIA fleet in 2005 was 32% lower than the average of the worldwide fleet, according to figures published by IATA.

The average will be brought down further in forthcoming years, through retirement of the oldest aircraft of the air carrier (MD 87 and MD 88).

#### 7.1.4. Environmental management control

In its determination to apply correctly the principle of precaution, IBERIA has ISO 14001-certified Environmental Management Systems (in some cases, such as Handling, integrated within ISO 9001-certified Quality Management Systems), which account for 67% of the IBERIA headcount. Adaptation of these systems to the new UNE-EN-ISO 14001:2004 was completed during 2005.

To give an example of application of the Principle of Precaution in environmental matters during 2005, at its waste water treatment plant in Madrid (La Muñoza), Iberia makes controls and analyses of its effluent discharged into public waterways more frequently than is required by the Tagus Water Board.

The adequate functioning and continuous improvement of the certified Environmental Management Systems is checked every year through the internal and external Audit Programme. Action plans are then devised to rectify any non-conformities detected.

### Environmental audits 2005 (auditor days)

Area	Handling	Maintenance & Engineering	Cargo
Scope	Domestic stopovers	Industrial areas Madrid & domestic installations	Domestic cargo terminals
External ISO audits (AENOR)	12	12	—
Internal ISO audits	25	8	—
Internal inspections	—	16	10

“Non-conformities” are pinpointed during the environmental audits and inspections. These non-conformities are set out in the final report and included in the Corrective Action Plan, establishing the cause, who is responsible, proposed action and time for implementation. During 2005, 35 “environmental non-conformities” were detected.

#### 7.1.5. Training and awareness campaigns

Among the environmental awareness actions implemented by IBERIA in 2005, it organised a campaign to encourage water and energy saving in the different installations of the company, with posters and information on the main Intranet page. Training on environmental issues during 2005 included courses in the Airports and Maintenance & Engineering Departments on the new standard ISO 14001/2004, with a total of 348 hours. A 20-hour course was also given in the Cargo Department on the new Hazardous Waste Management Procedure, for the Cargo Terminals.

More than 1000 posters were distributed in 2005 (4 different models) throughout the different workplaces, to increase the awareness among IBERIA employees of responsible consumption of resources and waste management.



Within the environmental awareness campaigns in IBERIA, in February 2005 the Operations Department published edition no. 17 of the magazine "Tecnops", which includes guidelines for Technical Crew on how to reduce fuel consumption by operating at optimum flight levels.

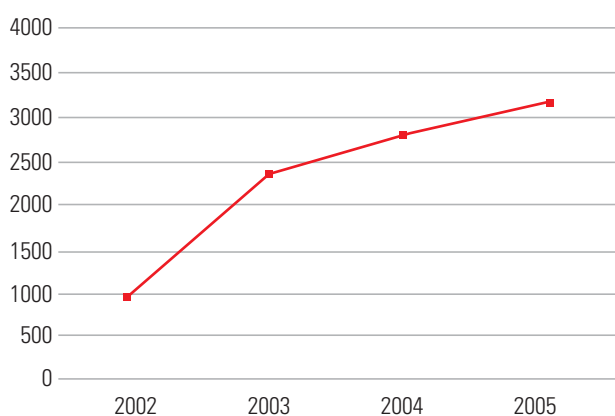
### 7.1.6. Environmental accounting

The internal procedures regulating environmental accounting management were reviewed during 2005 to improve the quality of information and expedite the internal procedures for transferring information between different areas of the company.

Environmental expenses 2005	
Environmental repair & upkeep	1,174,117.23
Technical services	714,998.74
Sponsorship & publications	31,196.20
Personnel expenses*	992,395.64
Environmental taxes & duties	226,347.96
<b>Total</b>	<b>3,139,055.77</b>

\* Associated with environment-related tasks.

**Evolution of environmental expense items 2004**  
(thous. euro)

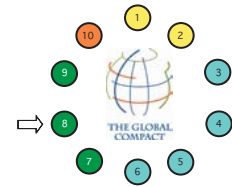


### 7.1.7. Our environmental objectives

<b>Environmental objectives and specific measures</b>		
<b>Objectives</b>	<b>Measures</b>	<b>Current state</b>
<i>General aspects</i>		
Quantitative assessment of the air carrier's environmental behaviour	Definition and establishment of an Environmental Behaviour Index (EBI)	New
<i>Flight operations</i>		
Reduction of aircraft operation emissions	Continuous updating of fleet renewal plans with consequent increase in efficiency	In progress
	Reduction of specific fuel consumption by 19% over period 2001-2006	In progress
	Participation in working group with authorities (Min. of Development and Min. for Environment) in defining the framework of action for the future emissions trading market for air transport	New
	Signing of voluntary agreement with the Directorate General for Civil Aviation (Ministry of Development) on management and operating measures to reduce the environmental impact of our operations	New
	Development of procedures and programmes to optimise fuel consumption	In progress
	Raising number of hours of training in simulators	In progress
Reduce the impact on the local air quality deriving from the carrier's operations	Optimisation of procedures for use of ground vehicles in handling activities	In progress
	Continuous renewal of ground vehicle park at airports	In progress
Reduce the impact of noise from our operations on the local community	Short haul fleet renewal (MD 87/88)	In progress
	Collaboration with local airport authorities to define and monitor new anti-noise operating procedures, especially with the new runway configuration at Madrid Barajas airport	In progress
Back the development of inter-modal arrangements with rail transport	Promotion of intermodal high-speed rail-air transport at major airports and underground-airport transport	In progress

## Environmental objectives and specific measures

Objectives	Measures	Current state
<i>Ground operations</i>		
Improvement of environmental communication	Designing of a new environmental communication plan in production centres	New
Improvement of indicator system	Updating of environmental and social indicator system	Completed
Improvement of electricity consumption monitoring	Installation of electricity consumption meters in each production process line in industrial areas	New
Promotion of R+D to progress towards cleaner ground vehicle park	Development of an airport handling vehicle powered by fuel cells	New
Reduction of paper consumption in offices	Use of electronic versions of documents for Flight Operation Manuals	In progress
Implementation of Environmental Management Systems in different areas	Migration of the two certified systems to adapt them to the requirements of the new standard UNE-EN ISO 14001:2004, published in November 2004	Completed
	Extension of scope of the standard UNE-EN ISO 14001:2001 in the Maintenance & Engineering Department from Industrial Area 2 to Industrial Area 1	New
	Updating and implementation of environmental management procedures in the Cargo Department.	Completed
Reduction of volume of hazardous waste in maintenance	Development of Hazardous Waste Minimising Plan in the Airports Department	Completed
	Studies to replace aircraft maintenance products with more environmentally friendly products in collaboration with manufacturers and the AEA	In progress
	Improvements in the storage system for special products	In progress
	Improvement of hazardous waste deposit point signalling system in the Madrid aircraft maintenance workshops (Maintenance & Engineering Dept.)	Completed
	Adaptation of hazardous waste storage installations to the aircraft maintenance activity (Maintenance & Engineering Dept.)	In progress
Improvement of medical waste management	Optimising of management of biosanitary waste generated by the Medical Service	Completed

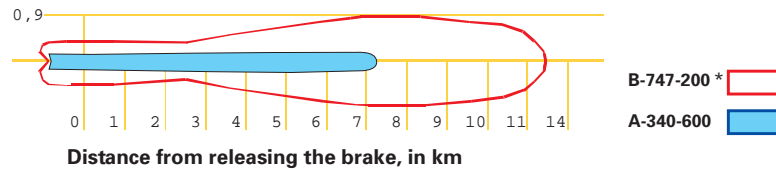


Undertake initiatives to promote greater environmental responsibility

## 7.2. Noise control in our operations

Noise is a major environmental impact generated by the aviation industry and one of the main objectives of IBERIA in environmental issues is to reduce it year by year.

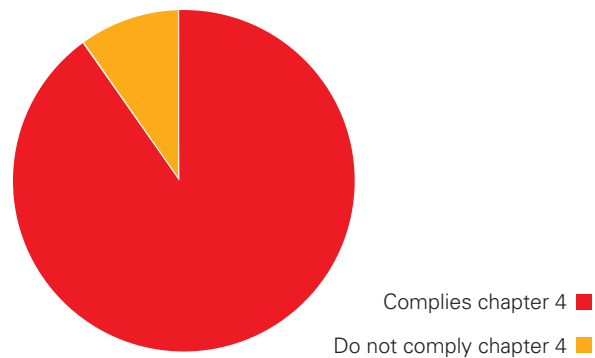
### Noise contour on takeoff, 85 dB (A)



\* End of operation in 2005

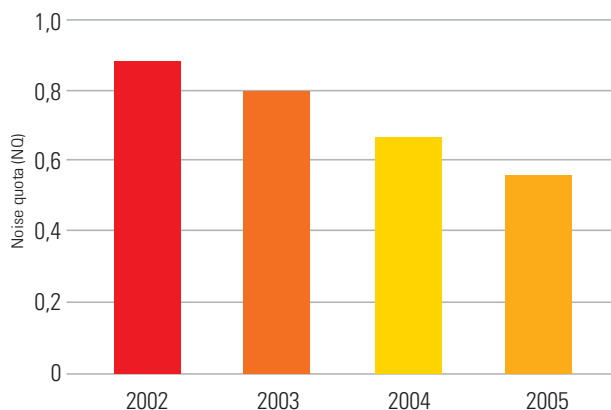
IBERIA's entire present fleet has been certified under the requirements of ICAO Chapter 3 Noise. However, practically all the fleet also meets the requirements of Chapter 4, even though they are not applicable to IBERIA's present fleet. These requirements were approved at the ICAO CAEP 6 on noise, which applies a minimum reduction of the margin in respect of Chapter 3 of 10 dB for aircraft certified on or after 1 January 2006.

### % of IBERIA fleet complying with future requirements of ICAO Chapter 4 noise



IBERIA is an active member of the Noise Control Committee at Madrid (Barajas) airport, where 60% of all its operations are performed. This committee met regularly during 2005, with an exhaustive of any deviations from the takeoff and landing routes detected by the airport tracking system SIRMA. On detecting these deviations, the causes were analysed and measures proposed to avoid any further occurrence. This committee consists of representatives of the Directorate General for Civil Aviation, AENA (Barajas Airport) and the air carriers.

**IBERIA noise level in terms of noise quota  
Barajas airport, 2003-2005)**



The noise quota (NQ) is based on the certified noise level of aircraft. There is a classification of different NQ for different levels of decibels, ranging from 0 to 16 (the closer to 0 the lower the noise level).

IBERIA's NQ (applicable to takeoffs and landings at Madrid-Barajas airport) was below 0.6 in 2005, 35% better than in 2002.



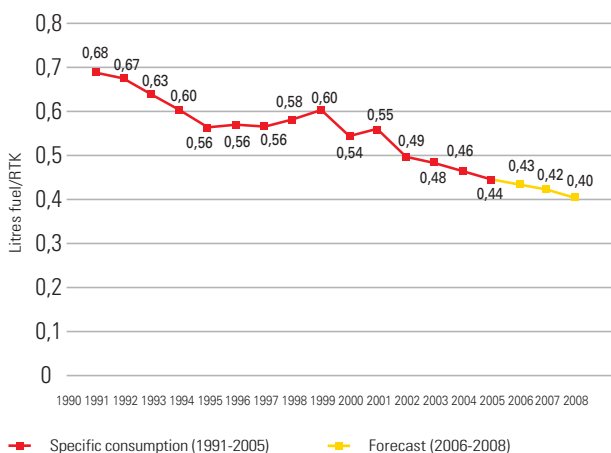
**7.3. Climate change**

**7.3.1. Emissions and energy efficiency**

Air transport contributes to climate change through CO<sub>2</sub> emissions, which account for around 3.5% of the total CO<sub>2</sub> emitted into the air according to the Intergovernmental Panel on Climate Change (IPCC). Other gases and particles are also emitted during aircraft operation, although their effects on climate change are not yet certain.

The improvement in management of the impacts produced through aircraft operation is largely due to specific consumption (which is proportional to the specific CO<sub>2</sub> emissions).

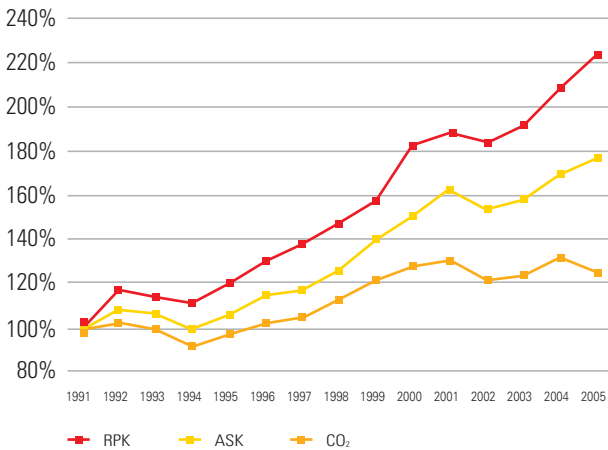
**Specific consumption (1991-2008)  
IBERIA passenger fleet**



The specific consumption, i.e. the consumption of fuel in accordance with the total revenue/tonne/kilometer carried, improved in 2005, down 4% on 2004, and the cumulative reduction since 1991 is around 35%.

IBERIA has set itself the target of reducing its specific consumption by 19% over the period 2001-2006. This target was reached during 2005.

**Evolution total ASK, RPK & CO<sub>2</sub> 1991-2005**  
(operated by IBERIA group + other airlines for IBERIA)



Over the past 15 years, the adjustments between supply (ASK) and demand (RPK) has led to an increase in the average load factors on IBERIA flights, which has had a positive effect on reducing specific consumption.

The load factor has been raised from 61% in 1991 to 77.1% in 2005.

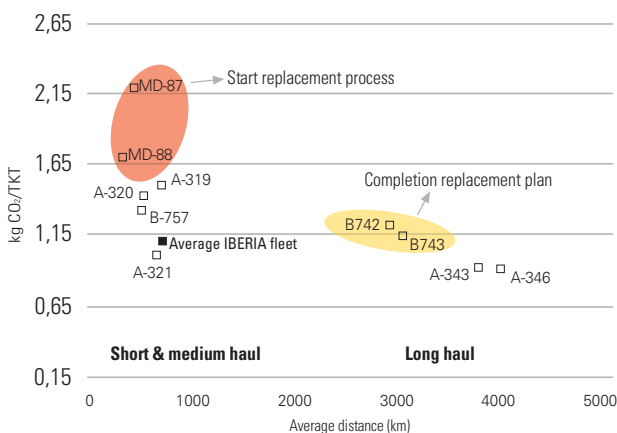
At the same time, IBERIA's overall CO<sub>2</sub> emissions were reduced by 4.5% year on year in 2005. This reduction was achieved through both fleet renewal and the different measures applied in operations and flight scheduling, since the CO<sub>2</sub> emissions in other activities (Cargo, Handling, Aircraft Maintenance) account for a minimal percentage of the total.

**7.3.2. Measures to reduce emissions**

Since the CO<sub>2</sub> emissions are proportional to fuel consumption, the measures implemented to reduce consumption and improve energy efficiency will also lead to environmental improvements.

The main measure applied to reduce emissions, on both absolute and specific levels, is fleet renewal, investing in the most modern aircraft with the lowest CO<sub>2</sub> emission rates.

**Specific CO<sub>2</sub> emissions per average distance flown 2005**



On both short and long haul flights, the aircraft with higher CO<sub>2</sub> emission rates have now been replaced (B-747 by A-340) or their substitution has commenced (MD-87 and MD-88 by aircraft in the A-320 family).



There are also operation-related measures which result in considerable fuel savings and, therefore, reductions in CO<sub>2</sub> emissions. Some of the major measures are optimisation of flight levels and speed in the different phases of operation and adjustment of the basic aircraft weights.

To guarantee and assess application of these measures, IBERIA set up a Fuel Control and Monitoring Committee, which meets once a quarter.

The fleet densification and increase in the number of hours of pilot training spend in a simulator instead of instruction flights are another type of measures being applied. By increasing simulator hours, IBERIA estimates a reduction of 3-5% in total CO<sub>2</sub> emissions in 2005.

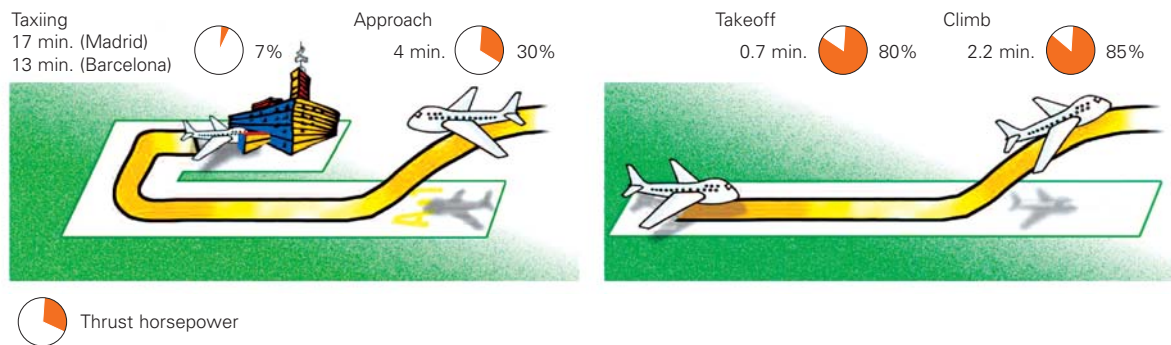
Finally, IBERIA is one of the four European air carriers that have joined the SESAR Consortium ("Single European Sky ATM Research", the European project to modernise air traffic control).

As shown in the graph, once this European air traffic management system has been fully defined and implemented, it is estimated that between 6% and 12% of CO<sub>2</sub> emissions could be avoided (route defined by yellow line).



### 7.3.3. Local air quality: LTO (landing and takeoff) cycle emissions

#### LTO Cycle

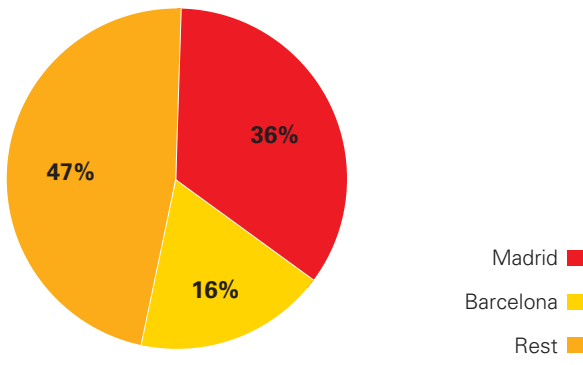


The LTO cycle is the operation of the aircraft including approach, taxiing, takeoff and climbing to a height of 900 metres. Therefore, local emissions are called LTO emissions.

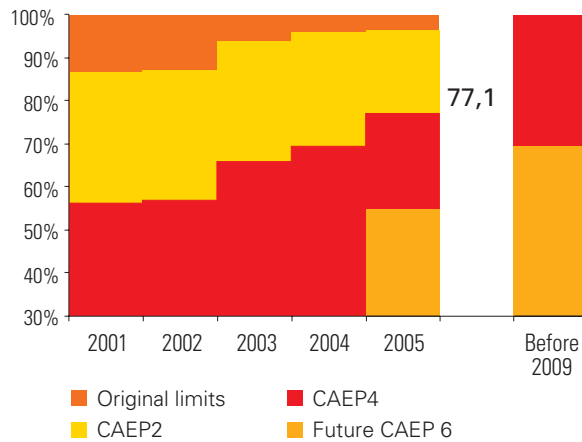
Quantifying landing and takeoff cycle emissions is important for determining the emission of pollutants in the surrounding areas of airports, which directly affects the quality of local air. The main pollutants emitted in this phase are unburned hydrocarbons (UHC), carbon monoxide (CO) and nitrogen oxides (NOx).

Over the past 40 years, local emissions have been reduced by around 90% in the case of UHC and 70% in CO, through technological developments applied to the engines. However, this improvement has been less spectacular in the case of NOx because the technology capable of achieving drastic reductions in NOx produce greater levels of CO<sub>2</sub> emissions and vice versa. Consequently, the industry is forced to seek alternatives to maintain a balance between the CO<sub>2</sub> and NOx rates, hence the constraint on reducing NOx emission levels.

**Impact of NOx emissions at Madrid and Barcelona airports over total (2005)**

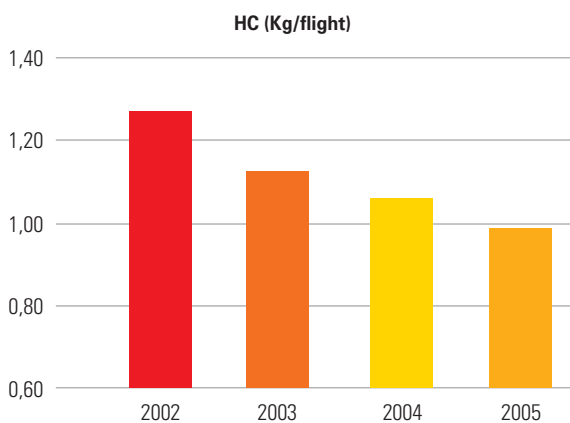
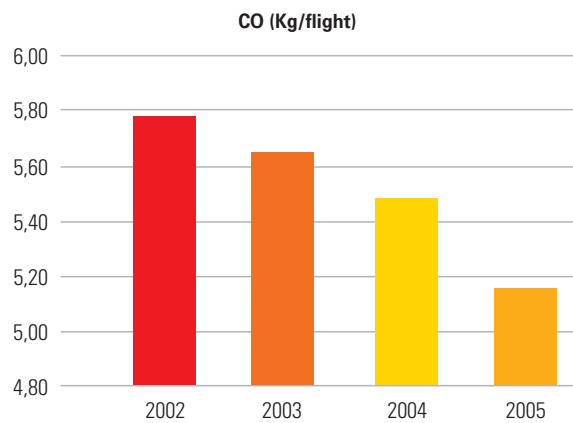
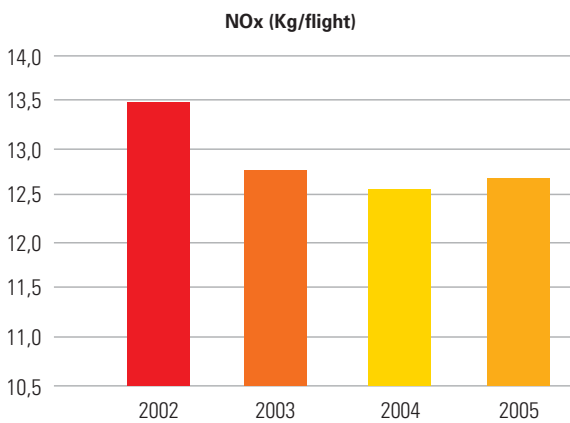


**% of IBERIA fleet meeting the ICAO NOx standards**



The ICAO regulations on NOx emissions are more and more stringent and have been revised on 3 occasions over the past 15 years. The last review made in the ICAO CAEP/6 limits NOx emissions to 12% for engines certified on or after 1 January 2006. Although these regulations are not applicable to our present fleet, more than 77% actually meet the requirements.

**UHC, CO and NOx emissions per number of flights of the IBERIA fleet (2002-2005)**



Local UHC, CO and NOx emissions per number of flights have been reduced in recent years. Absolute emissions of the three gases in 2005 was lower than in 2004, due mainly to flight scheduling and fleet renewal.

Apart from the measures in aircraft operation mentioned above, measures are also contemplated for other activities performed at airports such as Madrid-Barajas:

- Renewal of airport vehicles, replacing existing vehicles running on petrol and diesel with electric-powered vehicles
- Introduction of ISO-14001 Environmental Management System in aircraft maintenance at Barajas airport.
- New operating procedures and best environmental practices at Barajas Terminal 4.
- Information campaigns to encourage good environmental practices.

#### 7.4. Consumption of resources

One of the basic objectives in IBERIA is to achieve a correct management of environmental impact produced through aircraft maintenance and engineering, ramp and passenger handling in the airport area and goods transport in the cargo area.

Through adequate technical maintenance of the installations generating energy in IBERIA their yield can be optimised and the emissions of polluting gases generated during combustion processes can be kept at very low levels. These emission levels are regularly checked by an independent certified firm. The ISO Quality and Environment Management Systems implemented in the industrial areas also include the necessary procedures for monitoring and control of these maintenance activities.

##### Consumption of energy resources in 2005 in the IBERIA industrial areas in Madrid

Natural gas (kWh)	181,808,413
Diesel (litres)	257,632
Electricity (joules*10 <sup>9</sup> )	218,057

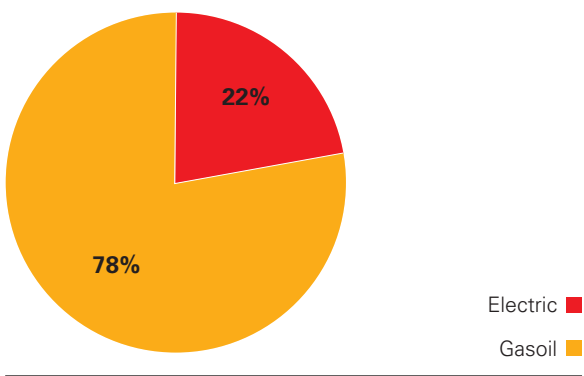
The use of certain products in the cleaning and painting of aircraft generates Volatile Organic Compounds (VOC). The IBERIA installations at which these activities are performed are designed to limit the outlet of these compounds into the environment. In 2005 paints have been used with a minimal concentration of solvents and volatile chemicals. There is an updated inventory of this type of products, which indicates the hazard levels of each one, and this information is used to define the aircraft cleaning and painting processes.

##### Use of products with VOC in 2005

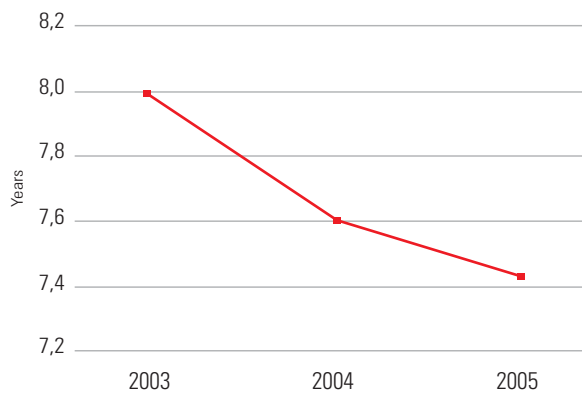
	Quantity (litres)
Solvents	91,688
Paints with solvents	2,253
Hardeners	573
Thinners	20,474
Oil	2,555
Other products with VOC	5,186
<b>TOTAL</b>	<b>122,729</b>

The consumption and emissions of IBERIA vehicles in ramp and passenger handling and in the cargo area are directly related to the age and preventive maintenance of these vehicles. An externally certified ISO 9001 Quality System is used for this maintenance. The company also has a programme to introduce electric vehicles wherever possible.

**Composition of vehicles used in cargo 2005**



**Evolution of average age of handling and cargo vehicles**



## 7.5. Waste management

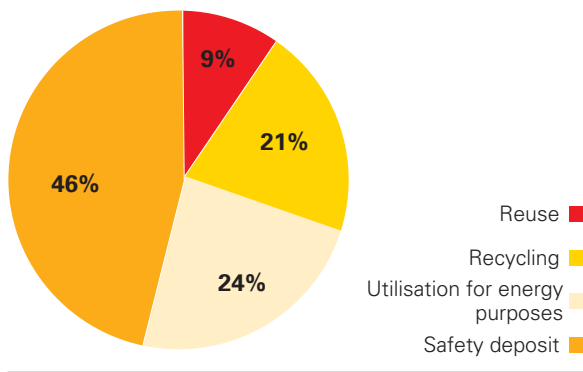
IBERIA's main goal in the management of waste generated in its operations is to reduce the quantities produced and recycle the largest possible types of waste.

### Manual of good practices in the maintenance and engineering area

In 2005, within its ISO 14001 Management System, the IBERIA Maintenance & Engineering Department prepared a Good Practices Manual to improve the environmental management of its operations. Some 4,000 copies of this manual have been distributed. This publication, intended for environmental training and awareness campaigns, includes *inter alia* the procedures for storing hazardous waste and the correct way of dealing with leaks of hazardous substances at the workplace.



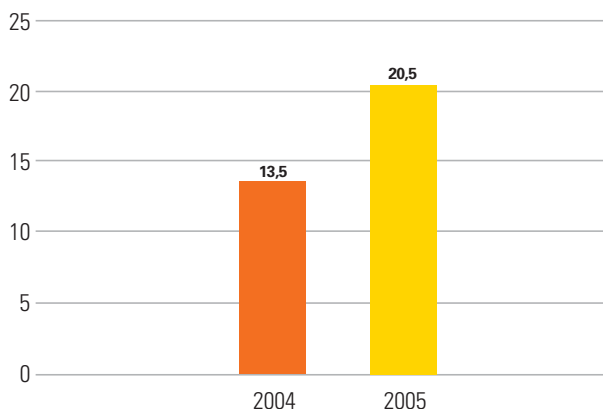
### Final destination of hazardous waste generated in the industrial areas of IBERIA 2005



Good practices in hazardous waste management include not only their delivery to authorised managers but also the guarantee that the waste is reused or recycled as far as possible, as in the case of certain industrial oils, or utilised for energy purposes, in the case of certain fuel wastes.

The IBERIA Airports Department carried out a series of exhaustive examinations on domestic stopovers during 2005 to see what measures could be adopted to minimise the generation of hazardous waste in these activities. These studies analysed specific aspects in each stopover, such as organisation of the centre, types of installation, processes generating waste and the list of IBERIA suppliers involved in these processes. A number of measures have been defined and will be implemented during 2006, including, *inter alia*: replacement of hazardous products with non-hazardous products, lengthening of the useful life of the oils used, laying down specific guidelines for washing vehicles in order to reduce the sludge produced in cleaning, and the use of sepiolites with greater absorption capacity.

### Recycling of timber waste (pallets) from catering, tonnes



The storage of raw materials for IBERIA catering can generate large quantities of waste (timber, paper, plastic, etc.). In 2005 the firm Iberswiss, S.A. improved the timber waste management process by using more modern procedures and contracting new waste managers to remove the waste.

During 2005, the IBERIA Operations Department continued to substitute CD-ROM carriers for paper in the publication of the Operations Manual. So far, three-quarters of the Technical Crew are using this new digital form, through which a saving of approximately 11 tonnes of paper has been achieved.





*Annexes*

## 8. ANNEXES

### 8.1. Sustainability glossary and Abbreviations

#### 8.1.1. Sustainability glossary

- **Additional GRI indicators:** indicators meeting one or several of the following conditions: represent an outstanding practice in economic, environmental and social measuring, although their use is not currently very common among reporting organisations; offer important information to interested parties that are especially important for the reporting entity; their investigation is considered advisable to move them into the category of core indicators in the future.
- **Antifreeze:** preventive measure to prevent the building-up of ice, frost or snow on the surface of aircraft over a given period of time. This protection is usually achieved through the application of fluids containing propylene or glycol on the clean surface of the aircraft.
- **Atmosphere:** volume of gas surrounding the earth, consisting of several layers (troposphere <15km; stratosphere 15-50 km; mesosphere >50km). The ozone layer is in the stratosphere.
- **Balanced approach:** consists of adopting measures to reduce noise in four areas of action: reduction of noise at source, operating measures (operating procedures, routes), land use planning (zoning around airports) and when these three measures have been exhausted, imposing operating constraints.
- **Carbon dioxide (CO<sub>2</sub>):** colourless, dense gas, not very reactive, formed from the combustion of fossil fuels. CO<sub>2</sub> emissions in air carriers are being reduced through the use of a more effective fuel for each of their aircraft, which is economically profitable since maintenance costs are reduced.
- **Carbon monoxide (CO):** toxic gas formed from the incomplete combustion of fossil fuels.
- **CFC:** family of gases used in numerous applications, principally in the refrigeration and aerosol propellant industries. They are also present in thermal insulators. CFCs reach the stratosphere, where they are broken down by ultraviolet radiation, releasing chlorine atoms that deplete the ozone layer.
- **Chapters of ICAO Annex 16:** depending on the requirements for certification, aircraft must meet the noise standards established in Chapters 2, 3 and 4 of Annex 16; the strictest limits are established in Chapter 4. Noise certification includes measuring of noise levels at three points: two during takeoff and the third during flight. International regulation required all aircraft to be certified at least under Chapter 2 of Annex 16 by 1 April 2003.
- **Climate change:** Climate change consists of the set of alterations produced as a result of the emission of greenhouse gases into the atmosphere. These are the components of the atmosphere that absorb and reemit infrared radiation, produced through both natural and anthropogenic (man-made) processes. The greenhouse gases contemplated in the Kyoto Protocol are: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), dinitrogen oxide (N<sub>2</sub>O), perfluorocarbons (PFC), hydrofluorocarbons (HFC) and sulphur hexafluoride (SF<sub>6</sub>). However, it should be noted that there are other gases which, although not contemplated in Kyoto, have a potential greenhouse effect. This is the case, for example, of the CFC.
- **Continuous descent approach (CDA):** procedure through which aircraft land following a steady descent at a fixed angle from the ground. This reduces the noise of landing. The figure shows the CDA compared with traditional landing procedures.
- **COP:** Conference of the Parties to the Convention on Climate Change. The last one held was number eleven (COP11) in Montreal (Canada).
- **Core GRI indicators:** those of interest for most reporting organisations and of interest for most of the interested parties.



- **Corporate Responsibility:** In its green paper the EU defines the corporate social responsibility (CSR) of businesses, or Corporate Responsibility, as “the voluntary integration of social and environmental concerns into business operations and in companies’ interaction with their stakeholders”.
- **CRM (*Customer Relationship Management*):** a management process and strategic focus to pinpoint, attract and increase the bond and loyalty of customers through relations with them, using integrated business processes and technology.
- **Decibel:** unit expressing the ratio between two sound intensities. It is a dimensionless unit.
- **Eco-efficiency:** Tool available for businesses to achieve economic efficiency by adapting their production systems to the needs of the environment. The aim of eco-efficiency is to generate qualitative growth by making the most of the available materials and energy.
- **Emission:** dispersion of a substance in the air, soil or water.
- **Environmental Management System:** the part of the general management system comprising: the organisational structure, responsibilities, practices, procedures, processes and resources to define and implement an environmental policy. The most widely accepted standard worldwide is ISO 14001 of the International Standardisation Organisation.
- **EPNdb (*Equivalent perceived noise*):** unit commonly used in aviation to express the average noise perceived.
- **Global Compact:** is an initiative launched by the UNO in 1999 to bring together businesses, organisations, workers and representatives of civil society, to back nine universal principles on human rights, labour and the environment.
- **Global Reporting Initiative (GRI):** organisation set up in 1997 by Coalition for Environmentally Responsible Economic (CERES) and the United Nations Environment Programme (UNEP), to design a framework, applicable globally, integrating business reporting on economic, social and environmental aspects.
- **Handling:** services provided to a user at the departure and destination airport: administrative assistance and supervision for air carriers, passenger assistance, ramp handling and other aircraft services, cargo and post handling, flight operation assistance, crew administration and catering services.
- **Kyoto Protocol:** International Protocol drawn up in Kyoto in 1997 whereby the countries signing it undertook to reduce their greenhouse gas (GHG) emissions over the period 2008-2012, in respect of the 1990 emissions. Spain, together with all the EU countries, formally joined the Kyoto Protocol in 2002.
- **LTO Cycle (Landing and Takeoff):** reference landing and takeoff cycle. LTO cycles affect environmental factors such as emissions, noise, etc.
- **Nitrogen oxides (NOx):** gases produced from the reaction of nitrogen and oxygen, due to the high pressures and temperatures generated in the aircraft engines, mainly during takeoff and climbing.
- **Noise contour:** area of disturbance generated around a modern aircraft on landing or takeoff. The figure shows the noise contour according to the established LTO procedure.
- **Ozone (O<sub>3</sub>):** gas produced through the effect of sunlight on oxygen; it is the only substance in the atmosphere able to absorb the harmful ultraviolet radiation (UV-B) from the sun.
- **SID (Standard Instrument Departure):** procedures for noise attenuation on departure routes.
- **STAR (Standard Terminal Arrival Route):** procedures for noise attenuation on arrival routes.
- **Sulphur dioxide (SO<sub>2</sub>):** colourless gas formed in the combustion of fossil fuels. Sulphur dioxide is toxic when inhaled in large quantities. The fuel used in aircraft contains small proportions of sulphur, so emissions of this gas are not very high in aviation.

- **Sustainability Indexes:** Stock exchange indexes that make a quantitative valuation of sustainable business performance, incorporating environmental, social and economic criteria. Some of the benchmark indexes are those included within the family of Dow Jones Sustainability Indexes.
- **Sustainable Development:** meeting the needs of present generations without jeopardising the needs of future generations.
- **Unburned hydrocarbons (UHC):** gases produced by the incomplete combustion of fossil fuels.
- **UNFCCC–SBTA:** United Nations Framework Convention on Climate Change – Scientific Body on Technological Advice. This body provides technical counselling for members of the UN Convention on Climate Change.
- **Volatile Organic Compounds (VOC):** gases emitted during incomplete combustion of fossil fuels and evaporation after the use of certain compounds, especially solvents.

### 8.1.2. Abbreviations

AEA: Association of European Airlines

ASK: Available Seat Kilometres

ATC: Air Traffic Control

ATK: Available Tonne Kilometres

ATM: Air Traffic Management

APU: Auxiliary Power Unit

CAEP: Committee on Aviation Environmental Protection

ENTAF: Environmental Task Force

IATA: International Air Transport Association

IPCC: Intergovernmental Panel on Climate Change

ISO: International Standardisation Organisation

LTO: Landing and Takoff Cycle

ICAO: International Civil Aviation Organisation

RPK: Revenue Passenger Kilometres

RTK: Revenue Tonne Kilometres

## 8.2. Index of contents and indicators according to the Global Reporting Initiative

### 8.2.1. Contents

This section sets out the references of the contents required by the Global Reporting Initiative guidelines for the Corporate Responsibility Report. The contents have been classified, similar to the 2004 report, according to whether or not they are contemplated in the questionnaires regarding the sustainability indexes DJSI and FTSE4Good.

## Vision and strategy

GRI Section	Contents	Location in Report Page	Indicator contemplated in DJSI
1.1	Statement of Vision and Strategy	228	NO
1.2	Chairman's statement	2	NO

## Profile

GRI Section	Contents	Location in Report Page	Indicator contemplated in DJSI
2.1	Name of reporting organisation	224	NO
2.2	Principal goods and services	222	NO
2.3	Operational structure of organisation	82	NO
2.4	Description of structure of organisation	82	NO
2.5	Countries in which the organisation operates	222	NO
2.6	Nature of ownership	224	NO
2.7	Nature of markets served	222	NO
2.8	Size of reporting organisation	222	NO
2.9	List of interested parties	230	NO
2.10	Contact in the organisation	291	NO
2.11	Period covered by the Report	224	NO
2.12	Date of most recent previous report	224	NO
2.13	Scope of the Report	224	YES
2.14	Significant changes in the organisation	285	NO
2.15	Bases for preparing reports of joint companies, shared subsidiaries, leased installations, operations of external services and other situations that may have a material effect on the possibility of comparison between periods and/or reporting companies.	The information on indicators of this report belongs to Iberia L.A.E., although the Annual Report contains a section on the Iberia Group, which sets out consolidated group data.	NO
2.16	Description of the nature and effect of any reformulation of information set out in earlier reports and the reasons for such reformulation (e.g. mergers/takeovers, change of base periods or years, nature of company, measuring methods).	There has been no major reformulation of existing information.	NO
2.17	Focus of the organisation on the management of indirect economic, environmental and economic impacts produced as a result of its activities.	IBERIA applies the GRI principles as reflected on page 224 of this Report.	NO
2.18	Accounting principles applied	20	NO
2.19	Significant changes in calculation of indicators	285	NO
2.20	Policies for guaranteeing data precision	224	NO
2.21	Policies for guaranteeing independence of auditing	224, 292	NO
2.22	Location of any additional information available	291	NO

## Governance structure and management systems

GRI Section	Contents	Location in Report Page	Indicator contemplated in DJSI
3.1	Governance structure of the organisation	82	YES
3.2	Percentage independent directors	322	YES
3.3	Definition of environmental and social risk strategies	348	NO
3.4	Pinpointing and handling of opportunities	348	NO
3.5	Direct remuneration and achievement objectives	325	YES
3.6	Structure of the organisation	82	NO
3.7	Statements of mission and values	228	YES
3.8	Communication of stakeholder recommendations	230	NO
3.9	Selection of interested parties	230	YES
3.10	Consultation of interested parties	230	YES
3.11	Information of afore-mentioned consultations	230	NO
3.12	Use of afore-mentioned information	230	NO
3.13	Use of Precaution Principle	266	NO
3.14	Voluntary initiatives and commitments	224	NO
3.15	Membership of associations	293	NO
3.16	Policies for management of indirect impacts	244	NO
3.17	Management of indirect impacts	268	NO
3.18	Principal decisions on location of operations	Not significant in respect of Iberia's activities during 2005	NO
3.19	Programmes economic, social & environmental aspects	255, 268	NO
3.20	Certification economic, social & environmental management	243	YES

References of contents required by GRI

### 8.2.2 Indicators

a) In order to draw up the IBERIA Corporate Responsibility Report in accordance to the standards established in the GRI, all the core indicators must be included, or their omission explained. The core indicators not included in this Report are listed below, indicating the reasons for their exclusion:

Indicator	GRI Code	Type	Reason for exclusion in the Corporate Responsibility Report 2005
Percentage of raw materials that are wastes from sources external to the reporting organisation	EN2	Core	Not significant in respect of the activities performed by IBERIA.
Indirect energy consumption	EN4	Core	Not significant in respect of the activities performed by IBERIA
Location and size of land owned, leased or managed in biodiversity-rich habitats	EN6	Core	No significant impacts in IBERIA
Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater and marine environments	EN7	Core	Not significant in respect of the activities performed by IBERIA
Polluting effluent	EN12	Core	No effluent
Significant spills of chemicals, oils, and fuels	EN13	Core	No spills of chemical substances in 2005
Proportion of recycled products sold	EN15	Core	IBERIA is a services undertaking and, as such, this indicator is not applicable in respect of the activities performed by IBERIA
Description of HIV/AIDS policies	LA8	Core	No programmes have been developed in this area.
Composition of senior management and corporate governance bodies	LA11	Core	Information included in IBERIA Corporate Governance Report.
Policy, management systems and procedures regarding political lobbying and contributions	SO3	Core	Not performed

b) IBERIA has also included some indicators complementing those listed in the GRI guidelines, in view of their importance in its activities and compliance with the principle of transparency expressed in said guidelines.

c) There have been no material changes in this edition in the indicators or methods for calculating them, so the principle of comparability is ensured.

d) As mentioned earlier, a classification of indicators has been included this year, which shows approximately how they are considered within the criteria for including a company in the Dow Jones Sustainability

Index and FTSE4Good (see last columns of the following tables). This was also done in the 2005 Corporate Responsibility Report. A number of qualifications could be made in this regard:

a. As is well-known, the questionnaire, completed in-house or sent to companies, is the main tool for those responsible for the social and environmental analysis required to build up the indexes considered, the FRSE4GOOD and Dow Jones Sustainability Group Index. SAM Group is the agency responsible for making the analysis for Dow Jones; EIRiS and its international network of partners for FTSE4GOOD.

b. The identification made for the indicators, according to their inclusion in those questionnaires, is not univocal, so they are not always defined in the same way. It has in any case been considered interesting to make such classification to identify qualitatively which aspects are considered by these benchmark sustainability indexes. It should also be mentioned that the criteria established by DJSI and FTSE4Good require certain specific information not required by GRI. This is the case, for example, of the information on strategic planning methods used, which DJSI requires in its questionnaire for inclusion or renewal.

### Economic aspects

GRI Code	Type of indicator	Name of indicator	Location in Report (page)	Indicator contemplated in DJSI			
				2003	2004	2005	
EC1	Core	Operating revenues (million euro)	222	4,321	4,523	4,729	YES
EC2	Core	Geographical breakdown of markets	180				YES
EC3	Core	Cost of materials & goods purchased and services contracted	38				YES
EC4	Core	Percentage of contracts paid in accordance with agreed terms	286	100%	100%	100%	YES
EC5	Core	Total payroll and benefits	222				YES
EC6	Core	Distributions to providers of capital (debts & borrowings)	42, 54				YES
EC7	Core	Increase/decrease in retained earnings at end of period	41				YES
EC8	Core	Taxes paid	46				YES
EC9	Core	Subsidies received	49				YES
EC10	Core	Donations to community (euro)	257	3,381,545	4,542,316	5,394,480	YES

## Social aspects

GRI Code	Type of indicator	Name of indicator	Location in report				Variation 2003/2004		Indic. cont. in DJSI
			Section	Page	2003	2004	2005	(%)	
LA1	Core	Workforce (December 31)							NO
		Ground	Employees	246	19,753	19,695	19,503	-1.0	NO
		Flight	Employees	246	6,561	6,421	6,247	-2.7	NO
(*)		Average seniority (years)	Employees	247	14.1	13.97	14.72	5.4	NO
(*)		Average age of workforce (years)	Employees	247	41	41	42	2.0	NO
LA1	Core	Type of contract							NO
		Number of permanent contracts	Employees	247	19,308	19,495	20,651	5.9	NO
		Promotion of non-term contracts	Employees	287	1,955	1,727	1,519	-12.1	NO
		Permanent discontinuous	Employees	287	244	247	180	-27.1	NO
		Number of temporary contracts	Employees	287	2,933	3,208	3,373	5.1	NO
LA2	Core	Net employment creation (Average Work Force)	Employees	287	24,441	24,677	24,160	-2.1	YES
LA3	Core	Percentage union affiliation (%)							YES
		Ground	Employees	247	68	67.8	57.48	-15.2	YES
		Pilots	Employees	247	100	100	100	0.0	YES
		Technical crew	Employees	287	100	100	100	0.0	YES
		Flight attendants	Employees	247	32	31.07	31.3	0.7	YES
(*)		Sponsorship	Social action projects	258	8,109,045	7,895,584	6,546,050	-17.1	NO
LA4	Core	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organization's operations	Employees	248			Qualitative		YES
LA5	Core	Practices on recording and notification of occupational accidents and disease	Employees	252			Qualitative		YES
LA6	Core	Description of joint health and safety committees	Employees	252			Qualitative		NO
LA7	Core	Number of occupational accidents <sup>(*)</sup>	Employees	291	2,323	2,608	2,569	-1.5	YES
LA9	Core	Training and furtherance							YES
		Number of courses	Employees	248	10,659	10,659	11,772	10.4	YES
		Number of participants	Employees	248	71,444	67,343	80,355	19.3	YES
		Hours * participants	Employees	248	878,757	866,754	884,986	2.1	YES
		Practical training programmes							YES
		Number of graduate grants	Employees	248	81	81	50	-38.3	YES
		On-the-job training contracts	Employees	248	61	61	69	13.1	YES
LA10	Core	Equal opportunities							YES
		Women	Employees	253	9,529	9,611	9,466	-1.5	YES
		Men	Employees	253	16,293	16,655	16,284	-2.2	YES
LA11	Core	Proportion between sexes in senior management departments	Employees	253			Qualitative		YES
LA12	Additional	Employees on shorter hours for maternity							YES
		Ground	Employees	254	233	373	505	35.4	YES
		Flight	Employees	254	519	733	904	23.3	YES
LA15	Additional	Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements	Employees	252			Qualitative		NO
LA16	Additional	Description of programmes to support the continued employability of employees and to manage career endings	Employees	254			Qualitative		NO
LA17	Additional	Specific policies and programs for skills management or for lifelong learning	Employees	254			Qualitative		YES
HR1	Core	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results. State how policies relate to existing international standards such as the Universal Declaration and the Fundamental Human Rights Conventions of the ILO	Our social & environmental commitments	224			Qualitative		NO

## Social aspects

GRI Code	Type of indicator	Name of indicator	Location in report		Variation 2003/2004			Indic. cont. in DJSI
			Section	Page	2003	2004	2005 (%)	
HR2	Core	Consideration of human rights in decision-making	Our social & environmental commitments	224			Qualitative	NO
HR3	Core	Assessment of human rights by suppliers	Our social & environmental commitments	244			Qualitative	NO
HR4	Core	Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	Employees	253			Qualitative	NO
HR5	Core	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue	Employees	248			Qualitative	NO
HR6	Core	Description of policy excluding child labour as defined by the ILO Convention No. 138 and extent to which this policy is visibly stated and applied, description of procedures/programmes that address this issue, including monitoring systems and results of monitoring	Our social & environmental commitments	224			Qualitative	NO
HR7	Core	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring. See ILO Convention No. 29, Article 2.	Our social & environmental commitments	224			Qualitative	NO
SO1	Core	Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring. Include explanation of procedures for identifying and engaging in dialogue with interested parties of the community	Environmental Management	268			Qualitative	NO
SO2	Core	Corruption & bribery policy, management systems and procedures and mechanisms to secure compliance	Customers	224			Qualitative	NO
SO4	Additional	Prizes and recognitions	Prizes & recognitions	237			Qualitative	NO
PR1	Core	Customer health and safety policy	Customers	241			Qualitative	NO
PR2	Core	Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling	Customers	241			Qualitative	NO
PR3	Core	Customer privacy protection mechanisms	Customers	241			Qualitative	NO
PR8	Additional	Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction	Customers	241			Qualitative	YES
PR9	Additional	Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising	Customers	243			Qualitative	NO
PR10	Additional	Number and types of breaches of advertising and marketing regulations	Cientes	243			Qualitative	NO

(\*) No fatal accidents and only 7 serious accidents out of 2569.



## Environmental aspects

### Flight operations

GRI Code	Type of indicator	Name of indicator	Location in report				Variation 2003/2004		Indic. cont. in DJSI
			Section	Page	2003	2004	2005	(%)	
EN3	Core	Fuel consumption (tonnes/year)	Climate change	289	1,935,221	2,010,728	1,920,569	-4.5	YES
		Specific fuel consumption (litres/RTK)	Climate change	271	0.479	0.459	0.44	-5.1	YES
EN8	Core	CO <sub>2</sub> emissions (tonnes) for all IBERIA flights	Climate change	289	6,095,945	6,333,794	6,049,793	-4.5	YES
EN10	Core	NOx emissions in LTO cycles (tonnes)	Local air quality	289	3,034	3,097	2,995.27	-3.3	YES
		UHC emissions in LTO cycles (tonnes)	Local air quality	289	1,352	1,358	1,219.24	-10.2	YES
		CO emissions in LTO cycles (tonnes)	Local air quality	289	269	261	233.76	-10.3	YES
(*)		Average age of fleet (no. years)	Noise control	266	7.90	7.71	7.95	3.1	YES
(*)		Simulator hours	Climate change	289	26,173	24,986	23,771	-4.9	NO
EN17	Additional	Measures applied to improve energy yield	Fleet renewal	265			Qualitative		NO
EN16	Core	Incidents of and fines for non-compliance with applicable declarations, conventions, treaties and regulations associated with environmental issues	Noise control	289	0	0	0	0,0	NO

### Ground operations

#### Cargo

GRI Code	Type of indicator	Name of indicator	Location in report				Variation 2003/2004		Indic. cont. in DJSI
			Section	Page	2003	2004	2005	(%)	
(*)		Classification ground equipment							
		Diesel vehicles	Resources cons.	289	66	62	44	-29.0	NO
		Petrol vehicles	Resources cons.	289	1	0	0	0.0	NO
		Electric vehicles	Resources cons.	289	190	194	159	-18.0	NO
EN3	Core	Water, electricity & paper consumption							
		Diesel consumption (litres)	Resources cons.	289	116,374	126,425	102,135	-19.2	YES
		Electricity consumption (J*10 <sup>9</sup> )	Resources cons.	289	29,792	26,983	23,671	-12.3	YES
EN5	Core	Water consumption (m <sup>3</sup> )	Resources cons.	289	23,221	21,005	8,647	-58.8	YES
EN1	Core	Paper consumption (tonnes)	Environ. manag.	289	73.96	73.46	66	-9.6	NO
EN3	Core	Boiler consumption							YES
		Gasoil C consumption (litres)	Resources cons.	289	601,223	589,641	626,133	6.2	YES
EN11	Core	Hazardous waste management							YES
		Generation (tonnes)	Waste manag.	289	2.63	2.93	2.15	-26.6	YES
		Urban waste management							YES
		Generation (tonnes)	Waste manag.	289	198	245	270	10.3	YES

### Ramp and passenger handling

GRI Code	Type of indicator	Name of indicator	Location in report				Variation 2003/2004		Indic. cont. in DJSI
			Section	Page	2003	2004	2005	(%)	
(*)		Classification ground equipment							
		Diesel vehicles	Resources cons.	289	2,796	2,839	3,325	17.1	NO
		Petrol vehicles	Resources cons.	289	128	97	88	-9.3	NO
		Electric vehicles	Resources cons.	289	517	486	495		NO
		Water, electricity & paper consumption							
EN3	Core	Diesel consumption (litres)	Resources cons.	289	7,797,140	8,507,585	8,551,947	0.5	YES
		Electricity consumption (J*10 <sup>9</sup> )	Resources cons.	289	40,978	42,322	41,811	-1.2	YES
EN5	Core	Water consumption (m <sup>3</sup> )	Resources cons.	289	90,277	88,038	100,796	14.5	YES
EN1	Core	Paper consumption (tonnes)	Resources cons.	289	116	125	123	-1.8	NO
EN11	Core	Hazardous waste management							
		Generation (tonnes)	Waste manag.	289	205	280	264	-5.5	YES
		Urban waste management							
		Generation (tonnes)	Waste manag.	289	529	573	892	55.6	NO

## Environmental aspects

### Industrial areas (Madrid)

GRI Code	Type of indicator	Name of indicator	Location in report				Variation 2003/2004		Indic. cont. in DJSI
			Section	Page	2003	2004	2005	(%)	
EN3	Core	Fuel consumption in boilers							
		Natural gas consumption (kWh)	Resources cons.	275	179,120,239	187,580,680	181,808,413	-3.1	YES
		Gasoil C consumption (litres)	Resources cons.	275	252,322	259,397	257,632	-0.7	YES
EN3	Core	Electricity generation in cogeneration plant							
		Net total (J*10 <sup>9</sup> )	Resources cons.	290	125,755	140,150,21	142,035	-4.3	YES
		% consumed in IBERIA	Resources cons.	290	54%	34%	33%	-3.3	YES
		% sold to grid	Resources cons.	290	46%	66%	67%	1.7	YES
EN3	Core	Total electricity consumption (J*10 <sup>9</sup> )	Resources cons.	275	194,000	228,127	217,993	-4.4	YES
EN5	Core	Total water consumption (m <sup>3</sup> )	Resources cons.	290	622,057	562,695	557,003	-1.0	YES
EN8	Core	Emissions industrial areas							
		CO <sub>2</sub> (tonnes)	Resources cons.	290	34,149	35,749	33,967	-5.0	YES
EN10	Core	SO <sub>2</sub> (tonnes)	Resources cons.	290	0.99	1.02	1.01	-0.7	YES
		NO <sub>x</sub> (tonnes)	Resources cons.	290	32.0	33.5	32.47	-3.0	YES
EN9	Core	Critical use of halon							
		kg installed in equipment	Resources cons.	290	7,450	7,620	7,645	0.3	NO
		kg used	Resources cons.	290	80	150	120	-20.0	NO
		kg stored for this use	Resources cons.	290	0.00	0.00	0.00	0.0	NO
EN10	Core	Use of products with VOCs in industrial areas (litres)	Resources cons.	275	242,907	298,719	122,729	-58.9	NO
EN11	Core	Urban waste generation (tonnes) (paper & cardboard, timber, not separated)	Waste manag.	290	1,595	1,181	1,250	5.8	YES
EN11	Core	Urban waste management (%)							
		Re-use	Waste manag.	290	0	0	0	0.0	YES
		Recycling	Waste manag.	290	43	43	29	-32.6	YES
		Recovery	Waste manag.	290	0	0	0	0.0	YES
		Elimination	Waste manag.	290	57	57	71	24.6	YES
EN11	Core	Hazardous waste generation (tonnes)**)	Waste manag.	290	16,184	18,672	17,496	-6.3	YES
EN11	Core	Hazardous waste management (%)							
		Re-use	Waste manag.	277	9	9	9	0.0	YES
		Recycling	Waste manag.	277	21	21	21	0.0	YES
		Recovery for energy purposes	Waste manag.	277	24	24	24	0.0	YES
		Safe deposit	Waste manag.	277	46	46	46	0.0	YES
EN16	Core	Incidents of and fines for non-compliance with applicable declarations, conventions, treaties and regulations associated with environmental issues	General	290	0	0	0	0.0	NO

### General environmental aspects

GRI Code	Type of indicator	Name of indicator	Location in report				Variation 2003/2004		Indic. cont. in DJSI
			Section	Page	2003	2004	2005	(%)	
(*)		Environmental Behaviour Index (EBI)	Environ. manag.	265	6.61	6.77	7.12	5.2	NO
EN14	Core	Environmental impacts of major products & services	Environ. manag.	264-290			Cualitativo		NO
EN33	Core	Suppliers' actions regarding environmental aspects	Interest groups	224			Cualitativo		NO
EN35	Additional	Total expenses in environmental aspects (thous euro)	Environ. manag.	267	2,311	2,771	3,139	13.3	YES

(\*) IBERIA Indicator

(\*\*) Includes industrial waters as hazardous waste

IBERIA provides information on all its social actions through different channels: Corporate Responsibility Report, published annually; the magazines *Ronda Iberia*, *Iberaviación* and *Iberia Plus* and in-flight videos; on Internet through the company's web site <http://grupo.iberia.es/>; and on Intranet, which is at the disposal of all employees.



## Further IBERIA social and environmental information

IBERIA supplies its social and environmental information through different channels, each with a different focus, to offer a choice of the type of information best suited to the interests of the person requesting it.

- **Social and environmental information:** in the Corporate Responsibility Report, intended mainly for those who might be interested in social development and preservation of the environment promoted from within the company, such as corporate customers, persons responsible for adopting policy decisions with responsibilities in the field of transport and the environment, environmental journalists and others whose work is related to the air industry, such as IBERIA employees.
- **Financial information:** in the Economic and Financial Report, environmental information is significant, since IBERIA has, since 2002, included new environmental accounts, such as royalties for effluent, transport deriving from waste management, publications, certifications and environmental audits, membership fees of environmental institutions, organisations and forums, costs of environmental permissions and licences, and others. This information is focused on shareholders, financial analysts and potential investors.
- **Magazines *Ronda Iberia*, *Iberaviación* and *Iberia Plus*:** The Iberia Group reports to its customers on its social and environmental actions in the magazine *Ronda Iberia*, offered on its flights, and in the *Iberia Plus* magazine, sent to customers belonging to the *Iberia Plus* frequent flyer programme. For employees, IBERIA publishes *Iberia Aviación* every two months, including a fixed section on the company's social action initiatives.
- **In-flight video:** videos are shown on some IBERIA flights describing the company's social actions.
- **Internet:** The environmental section of IBERIA's web site ([www.iberia.com](http://www.iberia.com)) offers full information on the environmental commitment acquired by the company, previous environmental reports, the Eco-efficiency initiative adopted by IBERIA and experiences of the Iberia Group regarding environmental conservation and protection; available for anyone particularly interested in the environment.
- **Intranet:** Finally, Intranet, available for all IBERIA employees, includes a chapter called *Iberia Solidaria*, in which it describes its social action, within the general information on company facts and figures. In the environmental area, Intranet adds to the information offered on the web site the possibility of receiving on-line training courses in environmental matters, outlines of the Environmental Unit organisation within the Iberia Group and a suggestion box for issues concerning the environment.

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

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## SUSTAINABLE REPORT VALIDATION



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 RESPONSIBILITY REPORT 2005**

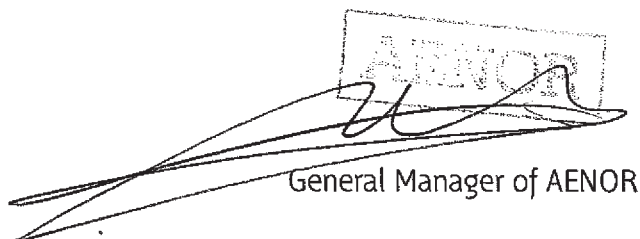
Legal deposit number: B-19452-2006

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 4<sup>th</sup> April, 2006 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 n° GRI – 007/2006 of 1<sup>st</sup> March 2006 and to the General Regulation of January 2003, 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](http://www.globalreporting.org/guidelines/reporters_IA.asp).

Issued on: 4<sup>th</sup> April 2006

  
General Manager of AENOR



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To submit your opinion on this Report or any aspect contemplated herein, fill in the form available on the following web page or send us an e-mail at the following address:  
<http://www.iberia.com/grupoiberia/compromisosocial>

This change in respect of the 2004 Report, which included a form, guarantees greater operativity, better handling of the information to facilitate interaction with our major interest groups and even a smaller environmental impact, reducing the use of paper.



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