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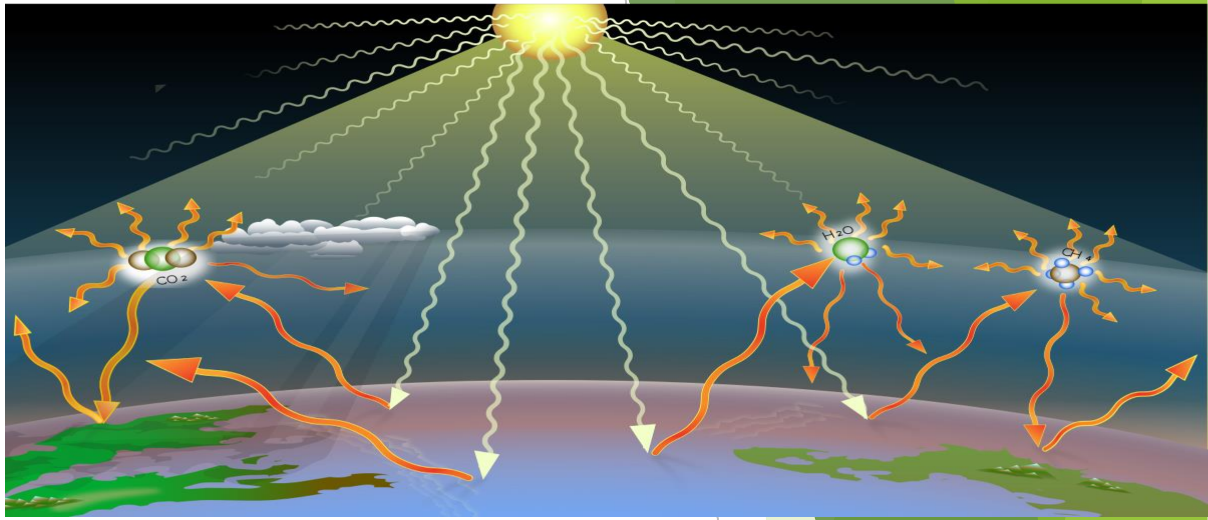

SUSTAINABILITY IN SPANISH AVIATION COMPANIES FROM THE OPTICS OF FINANCIAL STATES AND OTHER REPORTS: IAG GROUP, S.A. AND GLOBLALIA

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1. STUDY OBJECTIVE

We analyse the accounting policy of the problem of emission allowances of green house gases and the extent to which the accounting information presented in the Annual Accounts meets the objectives of relevance and transparency in terms of sustainability, which is intended in the presentation of information or the need for additional non-financial information to link the accounting and sustainable development goals of the United Nations 2030 Agenda for air companies.

Empirical analysis of both the Annual Accounts and other reports (Consolidated and individual) of the most relevant groups of airlines in Spain, IAG, S.A and Globalia has been carried out, as they control the most important airlines in Spain, such as Iberia, Iberia Express, Vueling, Air Europa

2. RESEARCH QUESTIONS

RQ 1: Is the accounting information submitted by airlines sufficient and reasonably to analyse greenhouse gas emission allowance policy and analyse its contribution to environmental protection?

SUB-QUESTIONS:

RQ 1.1: Would a new accounting regulation of greenhouse gas emission allowances be necessary in order to afford them greater prominence in the Annual Accounts for transport-associated companies?

RQ1.2: Does the information currently provided in the Annual Accounts on Greenhouse Gas Emission Allowances meet the information requirements and traditions of Accounting, such as Science?

RQ1.3: Make the Sustainability, Corporate Governance, Integrated Reports and Non-financial Reporting Reports serve the objective of reporting on the true greenhouse gas rights policy, as a sustainable development objective of the aviation companies?

3. METHODOLOGY

Empirical analysis:

ENTERPRISES:
- INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A
- GLOBALIA CORPORACION EMPRESARIAL, S.A. AND SUBSIDIARIES

FINANCIAL STATEMENTS:
- CONSOLIDATED BALANCED SHEETS (2017,2018,2019 YEARS)
- CONSOLIDATED INCOME STATMENT (2017,2018,2019 YEARS)
- CONSOIDATED STATEMENTS OF CHANGES IN EQUITY (2017,2018,2019 YEARS)
- STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED (2017,2018,2019 YEARS)
- NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (2017,2018,2019 YEARS)
- CORPORATE GOVERNANCE REPORT (2017,2018)
- NON-FINANCIA INFORMATION REPORT (2018)

4.- THEORICAL BACKGROUND

Under Directive 2003/87/EC and subsequent amendments to the Directive of the European Parliament and of the Council, which established a trading scheme for greenhouse gas emission allowances in the European Community, measures aimed at reducing the impact of aviation on climate change came into effect in 2012, requiring airlines to assume certain costs for CO2 emissions from flights from or to any country in the European Union.

On 17 November 2014, the Companies received a notification from the Spanish Ministry for Agriculture, Food and the Environment, stating that Regulation (EU) No 421/2014 introduced a number of amendments: the European emission allowances trading scheme for 2013 to 2016 is only applicable to emissions in the European Economic Area. It is not applicable to emissions from flights operated 44 from 2013 to 2016 between airports in the outermost regions, as defined in article 349 of the Treaty on the Functioning of the European Union (TFEU), and airports located in another region in the European Economic Area. From 1 January 2013 until 31 December 2020, the emission allowances trading scheme will exclude flights undertaken by operators of non-commercial aircraft with emissions of less than 1000 tonnes per year.

4.- THEORICAL BACKGROUND

In accordance with the mandate established in Regulation (EU) No 421/2014, through the agreement dated 7 November 2014, the Council of Ministers amended the free allocation of allowances for 2013 to 2016 for aircraft operators, which had been approved by agreement of the Council of Ministers on 16 December 2011 and subsequently corrected on 13 July 2012. The definitive allocation of allowances exclusively for 2013 to 2016 totalled 252,224, with no amendment, as a result of this agreement, of the amounts foreseen for the trading period, i.e. 2017 to 2020.

The Companies recognize these allowances as inventories under *"Greenhouse gas emission allowances"* at their fair market value. At the same time the Company recognizes a *non-repayable capital grant* for the same amount. After initial recognition, emission allowances are carried at the value attributed to them upon their receipt or acquisition and are not amortized. (Royal Decree 1514/2007 of 16th November 2007) (International Standards of Financial Information IFRS)

4.- THEORICAL BACKGROUND

The *non-current provisions recognized* with a balancing entry under other operating expenses reflect the expenses associated with the greenhouse gas emissions for the year. Where allowances for such emissions are available these provisions are measured at the amount at which the allowances were granted or acquired. Where these allowances are not available the Company recognizes the best possible estimate of the cost to be incurred to cover the shortfall.

Firstly, through allocated emission allowances, which are then used to cancel actual emissions in proportion to total forecast emissions for the entire period to which they have been allocated. The expense corresponding to this part of the obligation is determined based on the carrying amount of the transferred emission allowances;

Secondly, through the remaining emission allowances recorded. Expenditure on this part of the obligation is measured as the weighted average cost of the emission allowances.

4.- THEORICAL BACKGROUND

Emission allowances acquired for the purpose of being sold are classified and measured based on the standards applicable to inventories. The non-repayable grants associated with emission allowances received free of charge are taken to profit and loss in line with the recognition of the expenses derived from the gas emissions related to the subsidized allowances.

When the cost of inventories exceeds net realizable value, materials are written down to net realizable value.

To analyze the company's share of the GHG market, we need to analyze the following accounting information:

- In the event that the company considers consuming them within a year, item 2." Raw materials and other supplies", under heading B.II of the balance sheet asset, shall be broken down to separately collect those deemed to be consumed before and after this period.
- "Purchases of greenhouse gas emission allowances" (60X, accounting number)
- "Official capital subsidies“; “*non-repayable capital grant*” (940 accounting number)
- "Greenhouse gas emission expenses"(65X accounting number)
- "Short-term provision for greenhouse gas emission allowances" (529X accounting number)

5. CLARITY AND COMMUNICATION OF ARGUMENTS PRESENTED

Reports	IAG; S.A y Sociedades Dependientes (NIIF)
Balance Shett	Row material and other suplies (milions of euros) 509 (2018) 432 (2017) 458 (2016) Unspecified stock classification
Income Statement	Fuel and emission allowance expenses (millions of euros) 5.283 (2018) 4.610 (2017) 4. 831 (2016) Unspecified stock classification
Statement of Charges in Equity	No information
Statement of Cash Flows	No information
Notes to annual accounts	Note 2. Significant Accounting Policies. Intangible immobilized. Entitled purchases recognize them at cost. They are not revalued, amortized, and subject to impairment tests where there is evidence that the book value has not been recovered. No information is specified on the quantity purchased or the unit cost of the duty. (2017) There are no rights posted to stocks. (2018) Notae24. *"Other provisions"* includes a provision under the Emissions Trading System, which represents excess CO2 emissions on flights within the EU above the emission allowances granted. The amount is not specified.

5. CLARITY AND COMMUNICATION OF ARGUMENTS PRESENTED

Management Reports	No information appears and no valuation aspects are particularly indicated, nor is it a policy of acquisition and use of allowances. (2017)
Corporate Gorvernace Report	No information appears and no valuation aspects are particularly indicated or policies for the acquisition and use of allowances (2017)

5. CLARITY AND COMMUNICATION OF ARGUMENTS PRESENTED

Reports	Globalia Corporación Empresarial, S.A and Subsidiaries (NIIF)
Balance Shett	Row material and other suplies (Thousands of euros) 24.054(2018) 21.241 (2017) Unspecified stock classification Provisione for greenhouese gas emission (thousand of euros) 11.104 (2018) 3.233 (2017)
Income Statement	Unspecified stock classification
Statement of Charges in Equity	No information
Statement of Cash Flows	No information
Notes to annual accounts	Note 17. The còmpany especifieds the accounting policy in greenhouse gases allownces correctly, using the accounting normative. There are no rights posted to stocks. (2018) Notae24. *"Other provisions"* includes a provision under the Emissions Trading System, which represents excess CO2 emissions on flights within the EU above the emission allowances granted. The amount is not specified.

5. CLARITY AND COMMUNICATION OF ARGUMENTS PRESENTED

Management Reports	No information appears and no valuation aspects are particularly indicated, nor is it a policy of acquisition and use of allowances. (2017)
Corporate Gorvernace Report	No information appears and no valuation aspects are particularly indicated or policies for the acquisition and use of allowances (2017)
Non- Financial Information Report	This report, drafted since 2018, and unable to access information for the year 2019, complies with the requirements set out in Directive No Law 11/2018 of 28 December 2018, amending the Commercial Code, the Revised Spanish Companies Act by approved Royal Legislative Decree 1/2010 of 2 July 2010 and Audit Law 22/2015 of 20 July 2015, on non-financial-financial and diversity information. In the environmental information section, it analyses the company's policy, but does not refer to the greenhouse gas procurement policy or its amount during the financial year.

6. CONCLUSIONS

The conclusions obtained from our research are as follows (in response to the research questions raised):

1. - The current accounting problem of greenhouse gases does not allow external users to analyze their participation in the European Union's emissions market.

2. - The information presented in the Financial Statements and the other Reports does not specifically develop the acquisition of companies in emissions allowances and prevents the knowledge, in detail, of the costs incurred by companies in this field, as well as their participation in the European Union's greenhouse gas market or revenue from those acquired rights for sale.

3. - New accounting regulation is needed in the accounting of greenhouse gas duties, in order to be able to analyze UN Sustainable Development Objective 13 of the UN 2030 Agenda.

4. - Companies must submit more information, both in the traditional Financial Statements and in the Management Report and with the Nonfinancial Report, of their policy for the acquisition of greenhouse gas alloweds, in order to be able to establish a pollution share, rate and the costs involved, based on the ratio of expenditure, consumption and sales, arising from the issuance policy.

THANK YOU FOR YOUR ATTENTION