Analysis of the environmental, social and governance information and performance of European airlines (from 2018 to 2020)

With special consideration for the use of European bailout and stimulus funds during the COVID-19 crisis

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Glossary

A4E: Airlines For Europe
A4D: Airlines For Dialogue
ACP: Airline Coordination Platform
CCFF: COVID Corporate Financing Facility
CEO: Chief Executive Officer
CFO: Chief Financial Officer
CSR: Corporate Social Responsibility
DJSI: Dow Jones Sustainability Indices
EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization
EC: European Commission
ETF: European Transport Workers' Federation
ETS (EU ETS): European Union Emissions Trading System
EU: European Union
ESG: Environmental, Social and Governance
IAG: International Airlines Group
IATA: International Air Transport Association
ICAO: International Civil Aviation Organization
ILO: International Labour Organization
KLM: Koninklijke Luchtvaartmaatschappij (Royal Dutch Airlines)
NGEU: Next Generation European Union
NGO: Non-Governmental Organization
OECD: Organisation for Economic Co-operation and Development
OHSAS: Occupational Health and Safety Assessment Series
SAF: Sustainable aviation Fuel
SAS: Scandinavian Airlines System
SURE: Support to mitigate Unemployment Risks in an Emergency
UK: United Kingdom
TAP: Transportes Aéreos Portugueses (Portuguese Air Transport)

EXECUTIVE SUMMARY

Abstract

Since its emergence, the COVID-19 pandemic has had an immense impact on the air transport sector. The almost complete interruption of air transport at the beginning of the pandemic and the subsequent social and economic restrictions had a devastating effect on the sector's financial situation.

National and EU institutions approved a number of public measures throughout 2020 and 2021 to mitigate the negative effects of the pandemic in the corporate sector, in particular the air transport sector. This support has been provided mainly through recapitalisations, loans and an increase of public ownership.

Although the EU Temporary Framework foresaw that resources should be allocated in line with the social and environmental EU agenda, various social-related agents have questioned the low levels of conditionality with regards to the environment, labour rights and good governance surrounding the bailouts.

In this report, the main public support policies relevant to the airline sector are described, and the commitments and performance of seven airlines on environmental, social and good governance criteria are analysed, according to corporate documentation and information from external and public sources, covering the years 2018 to 2020.

1. Methodology

This report aims to analyse the performance of seven European airline groups with regards to their commitment to environmental, social and good governance (ESG) areas such as climate, labour, dividends and incentives, and lobbying, both before the COVID-19 pandemic and after governmental rescue funds were provided. This research focuses on Lufthansa, Air France-KLM, IAG, SAS, TAP, EasyJet and Ryanair.

The information analysed is published by these airlines in their annual reports, sustainability reports, annual accounts, policies and internal regulations. Secondary sources have also been used to determine whether the information provided by the companies themselves is sufficient or not. The information collected for this research covers the time period from 2018 to 2020, supplemented by information from other years as required[1]. The report is separated into four research areas: *Environment and Climate Change*; *Labour*; *Dividends and Incentives*; and *Lobbying*. Each of these areas contains a set of categories which include indicators to enable the analysis. Each indicator has a series of conditions regarding transparency, commitments, performance or progress on performance, and is assessed as follows:

- No: if an indicator's conditions are not fulfilled it is valued with a total of zero points.
- Yes: if the company meets all the conditions stated in the indicator, 1 point will be assigned according to the weighting scheme of each category.
- Not applicable: if the indicator is not applicable, no points are assigned and it is not included in the calculation.

Once each area is fully analysed a total score ranging from 0 to 100 is given to each of the companies for each category and year. An overall score is given to each of the airlines as a final score, taking into consideration the weighting scheme.

Table 1: Weighting scheme

AREA	WEIGHTING PERCENTAGE	CATEGORIES
Climate Change	50%	Policy and Commitment Management system GHG Emissions
Employment	20%	Workforce structure Labour rights Equality and non-discrimination
Dividends and incentives	15%	Dividends Incentives
Lobbying	15%	Lobby transparency Lobby ethics

2. Global results

The airlines score an average of 39.2 out of 100 points. These results clearly show an opportunity for improvement in the areas studied.

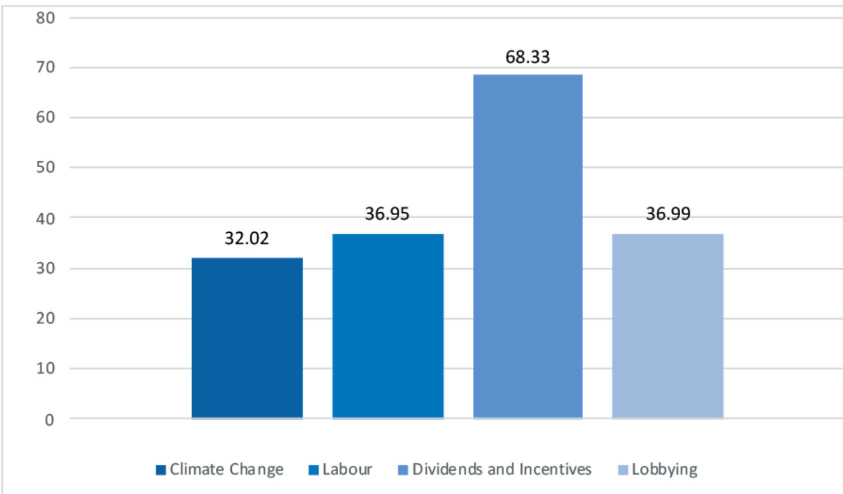
Table 2: Global results

TOTAL	Average 2018-2020	2018	2019	2020
TAP	15.88	13.74	15.58	18.31
Ryanair	33.15	30.81	29.03	39.61
easyJet	36.58	30.95	33.36	45.42
Lufthansa	42.71	32.64	34.95	60.55
Air France-KLM	46.34	39.84	44.07	55.10
SAS	49.44	42.43	45.89	59.98
IAG	50.29	38.7	44.85	67.33
All companies	39.2	32.73	35.39	49.47

The increased scores for the year 2020 is largely due to the **non-applicability** of indicators such as greenhouse gas (GHG) emissions or workforce reductions, given the interruption in activity as a result of the COVID-19 pandemic. This has resulted in higher scores for all companies in 2020, however this does not necessarily reflect an improvement in corporate performance.

The airlines with the highest and lowest overall scores were IAG and TAP Air Portugal, respectively. Amongst all the areas, the lowest scores were obtained in the Climate Change with an average of 32.02 out of 100 points. The area of analysis with the highest scores was Dividends and Incentives with an average score of 68.33 points. In the case of the climate change area, the low score is the result of the lack of implementation of commitments and, in most companies, the increase in direct emissions of GHGs (pre-pandemic scenario) and the average life of the aircraft fleet. In the case of Dividends and Incentives, the high score is mainly a result of the economic situation experienced by the sector in 2020 that has caused large losses and consequently the non-distribution of dividends, and in many cases the freezing of incentives to managers.

Figure 1: Average score per area



3. Bailouts

EU policy responses to the COVID crisis
Due to the COVID-19 pandemic, EU national governments were forced to implement a series of support measures for companies whose economic activities were heavily affected by the pandemic.[2] Among these measures, wages were subsidised, and social contribution payments and corporate taxes were suspended, for every economic sector. The initial measures following the COVID-19 outbreak were financed by instruments such as SURE, a new fund of up to 100 EUR billion launched in April 2020 in order to support Member States implementing short-time working schemes to safeguard jobs.[3]

The EU has a crucial role as a competition regulator in the internal market. For this reason, a set of guidelines, the State aid Temporary Framework, was adopted by the European Commission in March 2020 in order to enable Member States "to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak".[4] In a later revision, the Commission decided to extend the scope of the Temporary Framework until 31 December 2021.[5]

Both the European support programmes in response to the emergency and the subsequent recovery strategy have been the justification used for the bailouts of large European companies considered strategic, such as airlines. In the same vein as the EU support initiatives, the UK government launched the Covid Corporate Financing Facility (CCFF).[6]

Bailouts for European airlines included in the analysis
The bailouts provided by the EU governments have provided unprecedented support for the air transport industry, an industry whose practises with regards to social and environmental harms has been questionable. Between March 2020 and November 2021, the total amount given through the 20 bailout measures included in this report was up to 31.18 EUR billion, with a total of 13 countries financing these bailouts. The economic support provided through the bailout schemes was essential for the survival of these companies, however, the low level of conditionality suggests that the transition to a more sustainable business model continues to be largely linked to voluntary initiatives with uncertain results.

Table 3: General data on bailouts

TOTAL AMOUNT	31,18 EUR billion
Number of bailout measures	20
Number of countries granting bailouts	13
% total amount with corporate governance specific conditions	62.76%
% total amount with governance and climate change related specific conditions	23.89%

(Based on public resources)

The inclusion of conditionalities is a move in the right direction, however, 11 of the 20 bailout measures were approved without any environmental, social or governance conditionalities, equivalent to 11.61 EUR billion or 37.24% of the total value of these measures.

Table 4: Bailouts amount distribution

Air France-KLM	12.77
easyJet	2.24
IAG	3.64
Lufthansa	9
Ryanair	0.67
SAS	1.14
TAP	1.72

(Based on public resources)

Three of the seven companies account for 81.49% of the total bailouts received: 40.96% for Air France-KLM, 28.86% for Lufthansa, and 11.7% for IAG. They are also the largest airlines from an operational and financial point of view. Consequently, the host countries of these airline groups accounted for a high percentage of the total amount: France (8 EUR billion, 25.66%), Germany (6.84 EUR billion, 21.94%) and the UK (5.46 EUR billion, 17.51%)

4. Climate Change

4.1 Company results

The scores for the Climate Change area are the lowest of all the categories analysed, for each of the companies. All of the companies obtained a score below 50 points, and only SAS and IAG scored above 40 points out of 100.

Table 5: Climate change area scores

Total Climate Change				
Company	Policy and Commitment	Management System	GHG missions	Total
TAP	5	12	10.5	**8.99**
Ryanair	35.33	24	8.5	**21.33**
EasyJet	37.67	53.33	11	**31.37**
Air France-KLM	32	60	17	**33.34**
Lufthansa	38.33	76	10.5	**39.41**
IAG	53.33	65.33	13.83	**41.12**
SAS	49	60	34	**48.57**
Average	**35.81**	**50.09**	**15.05**	**32.02**

Companies obtained the highest scores for the Management System category, with an average of 50.0 points, followed by Policy and Commitment with 35.81 points. The lowest scores were for the Emissions Performance category with an average of 15.05 points.

4.2 Companies' Greenhouse Emissions

In 2019, all companies apart from SAS increased their emissions. In 2020, all companies decreased their emissions as a result of the travel restrictions. The airlines considered to be the most polluting are Lufthansa, IAG and AF-KLM, all with reported emissions of above 30 million tonnes of CO_2 equivalent each in the years before the pandemic. On the other hand, emissions from SAS were below 5 millions of tonnes.

Table 6: Companies total CO_{2eq} emissions

CO_{2eq} total emissions (millions of tonnes)[7]	2018	2019	2020
Air France – KLM	33.37	34.20	17.09
easyJet	9.58	10.44	5.39
IAG	38.89	39.91	14.32
Lufthansa	44.0	44.1	15.1
Ryanair	11.84	12.54	4.96
SAS	4.31	4.21	1.80
TAP	N.I.	N.I.	N.I.

(Based on public companies annual reports/sustainability reports, 2018-2020)

Although there are some differences in calculation methods, the total CO_2 emissions per passenger-km were between 66 and 95 grams in 2019. Emissions per passenger-km increased in 2020 because of the lower aircraft occupancy rate. However, this indicator does not measure the real impact on climate change because it does not consider non-CO_2 greenhouse gas (GHG) emissions and where these are emitted.

4.3 Companies' GHG reduction commitments

Many of the companies have established environmental goals and targets in the past decade, however, they have not reported in detail on their compliance (e.g. AF-KLM). In some cases, the commitments and targets set have not been met and no information is provided to justify this shortfall. The companies' plans to reduce emissions typically include the following measures:

- Fleet modernization
- Contribution to aeronautical research
- Sustainable Aviation Fuels
- Operational measures
- Supporting the implementation of the global climate agreement (CORSIA)
- Regulatory and proactive offsetting.

The use of Sustainable Aviation Fuels (SAF) is gradually increasing, however it is still insignificant. All companies apart from EasyJet and Ryanair claim to support the SAF programme, but do not provide any information about their investment in these fuels. Only SAS and Air France-KLM report the percentage of SAF used since 2019, and the reported use is very low. For example, AF-KLM reported SAF consumption of 6.9 k tonnes in 2019 and 0.2 k tonnes in 2018, amounting to a total of 0.08% and 0.005% of conventional aviation fuel used in those years, respectively.

All of the airlines analysed plan to renew their fleet to make it more efficient and less polluting. In 2020, the companies phased-out their most-polluting aircraft, but only IAG and SAS reduced the average age of their fleet between 2018 and 2020. In the context of the economic crisis and aircraft surpluses, it will be difficult for airlines to prioritise the renewal of their fleet.

4.4 Companies' Management System

All airlines except TAP have an environmental management system, including a climate change variable, and most have implemented the ISO 14001 certification.

All the airlines identify the main climate risks within their business. In 2020, all companies apart from TAP reported their climate information to the Carbon Disclosure Project (CDP) framework where scores are given to the airlines. IAG has a score of A- as a company "Implementing Current Best Practices", with AF's and Ryanair scoring B- as airlines "Taking Coordinated Action on Climate Issues".

5. Labour

Although working conditions in the airline industry have traditionally been of a high standard, more recently incorporated personnel have been often subjected to precarious working conditions, with the emergence of various forms of outsourcing and atypical employment modalities. The rising precariousness in the years prior to the crisis, in addition to the devastating effects of the COVID-19 crisis itself, create an environment of uncertainty about hiring and working conditions in the sector.

5.1 Company results

Table 7: Labour area scores

Total Labour				
Company	Workforce Structure	Labour rights	Equality & Non-discrimination	Total
TAP	18.61	23.61	12.5	**18.06**
Lufthansa	31.67	22.22	11.67	**19.21**
Ryanair	26.46	22.22	26.67	**26.4**
EasyJet	13.23	19.84	46.67	**31.16**
SAS	19.44	72.22	41.67	**42.06**
Air France – KLM	56.55	45.83	70	**60.79**
IAG	49.4	47.62	70	**60.97**
Average	**30.77**	**36.22**	**39.88**	**36.95**

The average score achieved by the 7 companies analysed in the labour area was 36.95 out of 100. The companies with the highest scores were IAG with 60.97 and Air France-KLM with 60.79, while TAP and Lufthansa scored the lowest, with scores of 18.06 and 19.21 respectively. Equality and Non-Discrimination is the category with the highest score (39.88), followed by Labour Rights (36.22) and Workforce Structure (30.77).

5.2 Workforce structure

Only 2 airlines report on temporary work and 3 on part-time workers in their workforce. The variations reported by the companies for both types of contracts do not allow the inference of a clear trend regarding the impact of the crisis on them. Air France-KLM and IAG report on the percentage of workers with a temporary contract, in both cases at around 5% of the workforce in the period analysed. Workers with part-time contracts represent around 30% of Air France's workforce and 25% of IAG's in the period analysed. In the case of Lufthansa, this percentage goes from 29% in 2018 and 2019 to 34% in 2020, a circumstance that the company justifies as part of its restructuring programme; Lufthansa is the only company that provides a justification for the increase in part-time workers.

The COVID-19 crisis had an unprecedented impact on the number of employees: on average the airlines' workforce decreased by 14% between 2019 and 2020.

Table 8: Percentage increase or decrease in the workforce

	2017-2019	**2019-2020**
Air France-KLM	+3.1%	-8.71%
EasyJet	+21%	-1.25%
IAG	+4.12%	-8.21%
Lufthansa	+6.93%	-9.13%
Ryanair	+18.41%	-13.04%
SAS	+11.09%	-34.01%
TAP	-17.86%	-24.77%

(Based on companies annual reports 2017-2020)

In addition to workforce reduction, the airlines adopted other voluntary measures related to the reduction of labour costs, and took part in various government job support schemes. In the context of exceptionality and immediacy, under the threat of bankruptcy, the possibilities for workers to influence the strategic decisions of companies and governments were largely limited.

5.3 Labour rights

Only two companies report on coverage of collective labour agreements: IAG and SAS. In the case of IAG, this coverage decreased slightly between 2018 (89%) and 2020 (86%). Regarding SAS, the collective agreement coverage is practically total, according to SAS's Sustainability Report 2018, (p.18), which states that "99.9% of all SAS employees are covered by collective bargaining agreements, with the main exception of senior management at Group level".

Limited information on conflicts and strikes is given in the airlines' annual reports. In total, the seven airlines analysed registered at least 18 significant strikes between January 2018 and December 2020. After years of intense labour conflicts, the response to the pandemic seems to have put on hold some of the union demands regarding the growing precariousness of working conditions in the airlines. The causes of the 2018 and 2019 conflicts remain largely unresolved, and the "cost reduction" measures in the wake of the COVID-19 crisis may lead to a more precarious workforce that reignites these disputes or generates new ones.

5.4 Equality and diversity

All of the analysed airlines have a general commitment to promoting equal opportunities in their workforce and management, particularly on gender issues. However, in general these commitments are not quantifiable and do not have interim deadlines.

Women have progressively been appointed to positions on the management boards of the companies analysed: while in 2018 only two companies had at least 40% women on their board of directors, by 2020 there were already four companies that reached this percentage, and two of the remaining three companies had female managerial representation at around 35%. EasyJet and IAG are the companies with the most gender-equal composition of their board of directors in 2020 with 45% women. Furthermore, in 2018 the Scandinavian airline reached full parity of 50%.

However, the presence of women in other areas of management remains at a low level or is not reported. None of the seven airlines had a female CEO between 2018 and 2020, and women in executive positions continued to be a minority.

6. Dividends and incentives

In 2018 and 2019 all of the airlines analysed, with the exception of TAP, registered positive net results. In 2020, the decline in airline activity as a result of the pandemic had devastating effects on their financial results, and all the companies analysed recorded losses. As will be analysed below, these negative results had an influence on dividend distribution and managers' remuneration (particularly variable components such as short or long term incentives).

6.1 Company results

Table 9: Dividends and Incentives area scores

Total Dividends and Incentives			
Company	Dividends	Incentives	**Total**
TAP	50	30	**40**
EasyJet	50	46.67	**48.33**
Air France - KLM	66.67	50	**58.33**
IAG	66.67	80	**73.33**
Ryanair	100	70	**85**
SAS	100	70	**85**
Lufthansa	83.33	93.33	**88.33**
Average	**73.81**	**62.86**	**68.33**

Lufthansa (88.3 points), Ryanair (85) and SAS (85) achieve the highest scores, while TAP (40) and easyJet (48.3) obtain the lowest scores. The Dividends category score (73.81 points) is higher than the Incentives one (62.86).

6.2 Dividends

The distribution of dividends is usually linked to the results and prospects of the company, two aspects seriously threatened by the COVID crisis in the case of airlines. **Beyond the dividend ban conditions established by some of the government bailouts, the 2020-early 2021 context was not suitable for dividend distribution; in addition, it was not a common practice between 2018 and 2019**. Only easyJet paid dividends in 2018, 2019 and 2020, with a total amount of 635.48 million euros. These dividends represent a high proportion of profit after taxes in 2018 (45.25%) and 2019 (66.76). Despite losses, in 2020 easyJet paid 190.7 EUR million in dividends. IAG records the highest amounts distributed in 2018 (577 EUR million) and 2019 (1,308 EUR million), while Lufthansa only distributed dividends in 2018 (380 EUR million).

6.3 Incentives

Senior management compensation decreased notably between 2018 and 2019, and suffered an even steeper decrease between 2019 and 2020 as a result of three factors: (i) the deterioration of the financial figures usually used in the calculation of variable remuneration, (ii) the conditions of certain bailout agreements, and (iii) voluntary initiatives to reduce or defer payments by senior management. The comparability of the data, taking into account the different composition of the corporate governance structures and the diversity in the scope of the information reported, should be taken into account. The information reported by companies may differ, depending on their governance structures, levels of transparency and legislative frameworks of reference.

IAG was the airline with the highest remuneration for senior managers in 2018 and 2019, ranking third in the year 2020. On the other hand, TAP and Air France-KLM[8] reported the lowest remunerations, even though the French Group is the only one that increased senior management remuneration in 2020. Overall, the remuneration paid to senior managers decreased by 41.1% between 2019 and 2020, after having decreased by 8% between 2018 and 2019. The remuneration of the management bodies shows that the amounts paid are concentrated on the executive directors, and in particular, the figure of the CEO.

The payment of variable remunerations has increased slightly between the years 2018 and 2019, with a drastic reduction of 77.08% between 2019 and 2020. This reduction is, as in the dividend case, due to the impact of the COVID-19 crisis on the economy and future projections of the airlines analysed, which make up most of the criteria used to determine variable remuneration. Bailouts agreed by Lufthansa, Air France and SAS in 2020 include conditions related to the limitation of the remuneration of managers. However, these bailouts were agreed after the general shareholders' meetings in which these remunerations were approved. Therefore, the dividend ban will take effect from fiscal year 2021, and is not applicable to the amounts distributed in 2020 with respect to 2019.

Regarding the consideration of ESG targets in the variable remuneration schemes of senior executives, the analysis shows a progressive inclusion that can be considered positive: while in 2018 only two out of the seven companies claimed to include this type of criteria in their remuneration policies, in 2020 this was the case for all companies with the exception of TAP. While this inclusion can be considered a step in the right direction, airlines should provide clearer information on the specific indicators that are considered when establishing or verifying achievement of the goal.

7. Lobbying

In recent years, airlines have mobilised large amounts of resources to further their interests, either directly or through entities such as the IATA or A4E. The six companies with a profile in the EU Register (all except TAP), report an annual investment in activities covered by the Register of about 2.25 EUR million and 22 registered lobbyists. Industry coalitions such as IATA, A4E, A4D and ACP also report annual costs around 2 million euros and 16 registered lobbyists.

In the midst of the emergence of the COVID-19 crisis, the climate lobbying activities of the airline sector intensified, and were oriented to request tax breaks and public support.[9] According to Corporate Europe Observatory "Corona Lobby Watch", in May 2020 the airline industry lobby groups such as IATA and A4E were pushing for a moratorium on new taxation, as well as other tax measures discussed within the European Green Deal, which include a review of tax exemptions on aviation fuels.[10]

7.1 Company results

Table 10: Lobbying area results

Total Lobbying			
Company	**Lobbying Activity**	**Lobbying Ethics**	**Total**
TAP	12.12	11.11	**11.82**
SAS	27.27	25	**26.59**
Ryanair	42.42	14.81	**29.7**
Lufthansa	51.52	11.11	**39.39**
IAG	51.52	25	**43.56**
EasyJet	54.55	37.5	**49.43**
Air France - KLM	72.73	25	**58.41**
Average	**44.59**	**21.36**	**36.99**

Air France-KLM has the highest score (58.41), for its part, while TAP only scores 11.82 points, as it fails to provide any data on this issue in its Annual Reports.

By category, the average score for lobbying activity is 44.59, however, the information provided is usually a general description of the company's public positions in relation to regulatory issues or its membership of sectoral associations. Little information is provided on the resources assigned to the lobbying function, beyond that reported in the EU Transparency Register, or the specific activities in which it is carried out. For its part, the average score for lobbying ethics is only 21.36 out of 100, mainly as a result of the low level of information on the internal regulation of lobbying and the lack of training of senior managers on social and environmental issues.

7.2 Lobbying activity

Transparency on lobbying activities and resources is considered good practice, however, the information provided by the companies is usually far from specific.

With the exception of TAP in 2018, all the companies analysed mention the main associations for their sector between 2018 and 2020, either in their annual reports or in their profile in the EU Transparency Register. A4E is the organisation with the most members, with membership of all the airlines analysed except SAS, followed by IATA with five members, A4D and ACP with three members and European Regions Airlines Association (ERA) with 2 members. However, no company provides individual data on its contributions to these organisations.

Environmental regulation has been the airlines' main lobbying target to influence policy-making. The airlines and the organisations that represent them try to present themselves publicly as committed actors in the fight against climate change, using as their main argument voluntary initiatives on offsetting, biofuels, new aircrafts or reducing waste on board. However, in line with IATA or A4E, they oppose aviation taxes at the national level, and promote the industry's own voluntary measure CORSIA as the preferable standard. In the case of EasyJet and Lufthansa, these are committed to a harmonisation of both systems, with intra-European flights remaining within EU ETS.

Lobbying ethics

Information on the regulation of the lobbying function is practically non-existent. None of the seven airlines analysed mention having a specific policy in this regard, and only Ryanair, includes a specific mention on lobbying regulation in its Anti-Corruption Policy (2020).[11] Four companies (Air France, easyJet, IAG) ban direct contributions to political parties and their candidates, but none of them ban contributions to foundations or other organisations linked to political parties.

The diversity of professional and academic backgrounds in the management profiles of a company, beyond the usual technical, legal and financial profiles, is a fundamental aspect for the incorporation of new points of view in the debate on corporate management, and enables greater openness towards ESG issues. However, none of the seven companies has senior executives with relevant training and experience in the environmental field, and only one company has a senior executive with experience in social matters. This ESG background deficit should be addressed through top management training, but no company refers specifically to any training on these issues provided to the board of directors.

8. Greenwashing

In recent decades, there has been a global cultural change that has increased the demand for environmental commitments from large corporations. Companies fear being associated with negative information about their environmental impact; and they actively try to position the positive aspects of their environmental management in advertising, corporate reports or even in public events (such as climate talks). Companies try to present themselves as "green brands", despite having, in many cases, a questionable environmental performance.

The simplest way to identify greenwashing techniques in the air transport sector is through questioning the lack of objectivity of information on the environmental impact of the activity itself. Furthermore, there is an attempt to shift attention onto voluntary measures such as offsetting programmes or proposed alternative technological solutions to fossil fuels. **As analysed throughout this report, the companies that are analysed embrace the decarbonisation discourse, but under their own rules, according to their own deadlines and only to the extent that they can make this process functional to their interests**.

In general, the impact on CO_2 levels of emissions offsetting programs is probably exaggerated by companies, which provide limited information on the calculation methods used to determine the offset. Furthermore, in some cases it appears that companies have little effective control over these projects at source, which could risk certain questionable practices from a social and environmental point of view.

With regards to Sustainable Aviation Fuels (SAF´s), these are indeed seen as an effective measure to reduce the environmental impact of aviation, although they are not considered a viable large-scale alternative in the short term. However, this does not prevent airlines from taking advantage of their trials of alternative fuels in their marketing campaigns, even when these trials are insignificant in scale.[12] This allows them to associate their image with the prestige of developing new "green technologies".

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1 For example: In cases where workforce reduction in 2018 can only be measured using data from 2017.

2 **Covid-19 EU Policy Watch: Database of national-level responses**. European Foundation for the Improvement of Living and Working Conditions. https://static.eurofound.europa.eu/covid19db/index.html

3 European Commission. SURE. https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_es

4 European Commission. **The State Aid Temporary Framework.** https://ec.europa.eu/competition-policy/state-aid/coronavirus/temporary-framework_en

5 European Union. **COMMUNICATION FROM THE COMMISSION TEMPORARY FRAMEWORK FOR STATE AID MEASURES TO SUPPORT THE ECONOMY IN THE CURRENT COVID-19 OUTBREAK. 2021**. https://ec.europa.eu/competition-policy/system/files/202103/TF_informal_consolidated_version_as_amended_28_january_2021_en.pdf

6 Bank of England. **Covid Corporate Financing Facility (CCFF).** https://www.bankofengland.co.uk/markets/covid-corporate-financing-facility

7 Some of the companies did not report the methodology used to assess their total emissions, whether they include scope 3 or offsets, so the data provided in the next table may not be calculated with a common criteria, and it affects the comparability of the company's information.

8 The French Group reports only on BOD remunerations, while the other 6 companies reports also on other governance bodies remuneration (as advisory or executive boards)

9 Frost, L. & Abnett, K. **Coronavirus redraws battle lines on airline emissions**. Reuters. 24 March 2020. https://www.reuters.com/article/us-health-coronavirus-%20airlines-climatech%20/%20coronavirus-redraws-battle-lines-on-airline-emissions-idUSKBN21B1RQ

10 Corporate Europe Observatory. **Opportunistic lobbyists abuse the EU's unprecedented health crisis**. 1 May 2020. https://corporateeurope.org/en/2020/05/corona-lobby-watch

11 Ryanair, **Antibribery & Anticorruption Policy**. February 2020. https://investor.ryanair.com/wp-content/uploads/2020/02/Ryanair-Holdings-plc-ABAC-Policy.pdf

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Analysis of the environmental, social and governance information and performance of European airlines (from 2018 to 2020)

Under special consideration of the use of European bailout and stimulus funds during the COVID-19 crisis

1. INTRODUCTION

Globally, aviation is a major contributor to rising greenhouse gas emissions. Emissions from aviation have been increasing by around 4-5 % annually over the previous years. Without political action to counter its growth prospects, the aviation industry will have consumed 27% of the global carbon budget for staying within the target of 1.5°C warming by 2050.

The aviation sector has been the fastest growing source of transport related greenhouse gas emissions (GHG) in the European Union[1] over the past decades. As such, aviation has been a significant contributor to the trend of rising transport emissions in Europe, while greenhouse gas emissions in the majority of other sectors have decreased since 1990. In 2017 aviation accounted for 13.9% of the EU's total transport emissions, second only to road transport. Carbon pollution from flying in Europe has risen a staggering 26% in the last five years and airlines rank among the biggest carbon emitters in Europe in 2018.[2]

Under the EU Emission Trading Scheme (ETS), all airlines operating in Europe, European and non-European alike, are required to monitor, report and verify their emissions, and to surrender allowances against those emissions. A global market based measure, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA),[3] has been launched by the International Civil Aviation Organization (ICAO), which is designed to offset international aviation CO_2 emissions in order to stabilize the levels of such emissions from 2020 onwards. However, according to the Transport and Environment NGO, implementing ICAO's CORSIA would be the most damaging option for the environment as it leads to the biggest global increase in aviation CO_2 emissions due to the questionable quality of offsets, and their price and oversupply.[4]

As of 2018, the global air transport sector generated over 65.5 million jobs and over 2.7 USD trillion in global economic activity, a figure that amounts to around 3.6% of the global economy.[5] In 2019, the number of passengers carried increased to 4.5 billion, a 3.6 percent increase from 2018.[6] There was a total increase in passenger traffic of 4.9% which totals 8.686 billion revenue passenger kilometers (RPKs). Low cost carriers carried around 31 percent of total global passengers, a 5.3 percent increase on the number of passengers carried by low-cost carriers in 2018.

In 2020, the global aviation sector was one of the industries hit hardest by the COVID-19 pandemic, leading to a 60.2 percent decrease in passengers carried, going from 4.5 billion in 2019 to 1.8 billion in 2020.[7] Within Europe alone passenger demand dropped by 70.7% compared to the previous year.[8]

As will be analyzed throughout this report, the airline sector is characterized by its high environmental impact, especially with regard to greenhouse gas emissions. The almost total interruption of activities during the first months of the pandemic led to a decrease of this impact: according to Eurocontrol data[9], European aviation emissions would have decreased by 57% between January and November 2020 (compared to the same period in 2019) but unless effective countermeasures are adopted, GHG emissions will soon rise again to the same level, or even exceed pre-COVID crisis levels.

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https://www.transportenvironment.org/news/airlines-are-biggest-carbon-emitters-four-european-countries

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https://www.transportenvironment.org/wp-content/uploads/2021/07/2021_03_Briefing_Corsia_EU_assessement_2021.pdf

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9 EUROCONTROL **Data Snapshot #2 on CO_2 emissions from flights in 2020**. 26 January 2021
https://www.eurocontrol.int/publication/eurocontrol-data-snapshot-co2-emissions-flights-2020

Air Transport Sector in the EU

With regards to the air transport sector in the European Union, the number of total passengers carried in 2019 was 1.14 billion. As a result of the pandemic, the European Union saw a 76% decrease in total passengers carried which amounted to only 277 million passengers,[10] with reported losses to airlines totalling almost 27 USD billion in net profit loss.[11]

The air transport sector holds an important role in the EU's economy. The overall sector "supports close to 5 million jobs and contributes EUR 300 billion, or 2.1% to European GDP" according to the European Commission.[12]

Air transport is also key for tourism, a strategic axis of the European economy. For example, in Spain, which is the primary destination in the world for holiday tourism, second for tourist expenditure and also second for the number of tourists, more than 80% of tourists arrive in the country by air.

As the demand for air transport rises, the negative impact on climate change increases. The aviation sector is highly relevant to climate change because of its high emissions of greenhouse gases and their growth over the last 20 years. According to a report by the European Environment Agency (EEA), the European Aviation Safety Agency (EASA) and Eurocontrol, the aviation sector was responsible for 3.6% of the EU's greenhouse gas emissions in 2016 and accounted for 13.4% of all emissions in the European transport sector in the same year. In 2017 direct CO_2 emissions from aviation reached 3.8% of total EU emissions, with aviation accounting for 13.9% of EU transport emissions[13] , second only to road transport. These data show the lack of success of European policies to reduce the climate impact of the aviation sector. One might ask what influence the industry has had on EU policies and whether they meet economic or climate objectives.

As a result of the pandemic, the European Commission passed a series of legislative tools to help the air transport industry, as one of the hardest hit industries in 2020. Among the measures adopted, the most relevant allows for State aid from EU Member States to provide financial assistance to airlines.[14] As will be explained, it is estimated that the 7 airline groups analysed in this report have received) public support amounting to 31.18 billion euros between March 2020 and November 2021, either in the form of direct transfers, recapitalization or loans.

However, even before the pandemic, this sector benefited from numerous support measures from European institutions, for example exemption from fuel taxation and VAT on international flights in Europe.[15] These measures were not conditional on better performance on social and environmental issues, which has allowed airlines to benefit from state support without a corresponding improvement in their Environmental, Social and Governance (ESG) standards.

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11 Mazareanu, E. **Net profit per departing passenger of commercial airlines in Europe from 2015 to 2020**. Statista. 4 June 2021.
https://www.statista.com/statistics/1118125/net-profit-per-passenger-of-commercial-airlines-europe/#statisticContainer

12 European Commission. **Mobility and Transport.**
https://transport.ec.europa.eu/index_en

13 European Commission: "Reducing emissions from aviation"
https://ec.europa.eu/clima/eu-action/transport-emissions/reducing-emissions-aviation_en

14 Debyser, A. & Pernice, D. **Air transport: market rules**. European Parliament Fact Sheets. June 2021.
https://www.europarl.europa.eu/factsheets/en/sheet/131/luftverkehr-marktregelungen

15 Transport & Environment: "EU sat on data showing benefits of ending airlines' tax break – leak". 13 May, 2019
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2. RESEARCH OBJECTIVES:

The objective of this research is to analyse the performance of 7 big European airline groups in terms of:

- Their commitments and actions to address climate change,
- Their commitment to employment in a pre-pandemic context and following the receipt of the rescue funds resulting from COVID-19,
- Their policy of dividends and incentives to managers,
- Their actions and lobbying strategy.

Specifically, the following objectives are pursued:

- Contextualise the public aid received by the airlines in the first wave of bailouts: the amounts, conditionalities, characteristics.
- Describe the commitments and performance of the main European airlines in relation to impacts on society (employment, lobbying, dividends and incentives) and the environment (climate change)
- Evaluate the evolution of the commitments and performance of the airlines before and after the crisis resulting from the COVID-19 pandemic.

3. METHODOLOGY

3.1 Research scope

The analysis refers to the main business groups in the European airlines sector: Lufthansa Group, Air France-KLM, IAG, SAS, TAP, easyJet and Ryanair. The information that has been analysed is published by these companies in their annual reports, sustainability reports, annual accounts, policies and internal regulations, corresponding to the different consolidated airline groups,[16] published prior to November 30, 2021

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Secondary sources have also been consulted to check if the information presented by the company is sufficient or not and to contrast possible inconsistencies between the commitments assumed by the company, the information presented and the information obtained through third party sources. Among the documents analysed are those from supervisory bodies, Courts of Justice, multilateral organisations, reports from non-governmental organisations, news from qualified sources, etc.

This research covers the period between 2018 and 2020, although for certain indicators that require it, a longer timescale is considered.[17]

Four thematic areas covering various topics related to ESG issues have been analysed: environment/climate change, labour, dividends and incentives, and lobbying. Each of these areas has been divided into categories, which in turn are made up of a set of indicators. These four areas are considered critical issues in the management of corporate social responsibility in companies, particularly in the context of a crisis such as the one experienced since March 2020.

In the first place, in relation to environmental issues, aspects related to climate change have been considered a priority, from a formal point of view (policies and commitments), but also in reference to performance in relation to GHG emissions.

The aspects related to employees are analysed according to the composition of the workforce, labour rights and equality and diversity. In this way, information is collected on the number of employees and their employment modalities, the framework of labour rights and collective bargaining, and the implementation of equality and diversity policies.

Dividends and remuneration of senior management are fundamental aspects of corporate governance. Dividends distribution, although useful to attract investments, can in certain situations pose a risk of decapitalization of the company. In this context, information will be collected on companies' dividend policies and how they have been affected by the COVID crisis. Regarding the remuneration of managers, its quantitative evolution will be analysed, as well as the composition and the incorporation of ESG targets in the variable remuneration schemes. In this way, the impacts of the crisis on the volume and structure of remuneration are analysed, as well as the way in which it has been used to promote governance which is more oriented (at least formally) to sustainability criteria.

Lobbying, for its part, is often presented under euphemisms such as "institutional relations." Through different strategies (intervention in public consultations, participation in sectoral initiatives, etc.), companies try to influence, directly or through various industry associations that group them, on the areas of political decision. Although it is legitimate for companies to try to position their interests in the public sphere, the power of influence of corporate actors is usually much greater than that of other social agents with fewer resources, especially civil society organisations. We consider two types of indicators to describe lobbying management in airlines: on the one hand, transparency regarding the activities carried out and the resources allocated; on the other, the internal regulation of activities in the public sphere.

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16 List of main corporate sources available in Annex 2.

17 For example: to check variations in workforce composition or GHG emissions between 2017 and 2018.

Additionally, a qualitative analysis of various examples of possible greenwashing practices will be carried out in a specific chapter. Despite the difficulty in delimiting this phenomenon, it is considered interesting for the purposes of this research, since it connects environmental management, corporate communication and lobbying strategies.

3.2 Analysis procedure:

In order to facilitate the work and the numerical treatment of the results, the analysis model is an Excel template built in spreadsheets.[18] Thus, for each company in the sample a separate 'book' is used which has individual sheets for each area that has been analysed (climate change, labour, etc), and a sheet for profile/non evaluative indicators.

This 'sheet' collects the following information by indicator, as applicable: description of documented evidence, pages of the company document in which said information is found, assessment of the indicator, weight in dimension score. In total, 339 qualitative indicators distributed across 4 areas and 10 categories have been evaluated. Fifty-seven non-evaluative indicators have been used to build the company profile.
Information for each evaluative indicator is collected for one year (2018, 2019, 2020) and a series of conditions is assessed. Where a condition is not fulfilled, or where data is not publicly available, "no" is entered and zero points are awarded. If the condition is not applicable, "not applicable" is entered and the indicator is not included in the calculation. If the company meets all the conditions of the indicator, "yes" is entered and a score is assigned based on the weighting scheme within the category. When a category is fully analysed, a final score of between 0 to 100 is allocated.

Once the score for all the categories has been obtained, the proposed weighting scheme is applied to obtain a score from 0 to 100 for each area. Each area has a specific weighting on the score obtained by the company for each of the years analysed. The final grade for each company is the result of applying the arithmetic average of the scores obtained in each of the three years analysed.

Table 1: Weighting on the areas analysed for obtaining the final grade

Area	**Weight percentaje**
Climate Change	50%
Employment	20%
Dividends and incentives	15%
Lobbying	15%

In order to offer a numerical assessment that includes the various topics analysed in a balanced way, it was considered appropriate to grant 50% of the rating to aspects related to the management of climate impacts, while the remaining 50% is divided between the social aspects (workforce, lobbying) and corporate governance (dividends and incentives), assigning a slightly higher weight to labour aspects due to the presence of a greater number of indicators and the fact that poor working conditions are a strong concern for large parts of civil society including unions.

18 The full list of indicators is available in Annex 1.

3.3 Indicators

Data is collected from 3 types of indicators, concerning:
1. Bailouts: company, amount, characteristics, conditionality (Bailout Tracker[19]), context and additional data.
2. Company profiles: non-evaluative indicators that have interest for the characterization of the companies in the different categories addressed.
3. Company behaviour: evaluative indicators that justify the final score for each area.

a) Climate change: 132 indicators (44 per year)

Category	Indicators related to	Weight percentage
GHG Emissions	Total emissions, passenger-km emissions, biofuel and synthetic hydrocarbons fuels use.	60%
Policy and Commitment	Environmental and climate change policies, GHG emissions targets, new commitments with bailouts.	23%
Management system	Certified systems, report of scope 1, 2 and 3, climate risks, remuneration linked to climate change targets.	17%

The GHG Emissions category is valued at 60% because this is the best measure of the company's climate performance. The Policy and Commitment dimension shows the intentions of the company in the future, it is important but as they may not be fulfilled, it has been weighted at 23%. The existence of a Management System is essential for developing and measuring climate behaviour, and therefore it is a classic indicator of business performance, but it does not provide relevant information on the level of commitment or performance, so it is weighted only at 17%

b) Labour: 117 indicators (39 per year)

Category	Indicators related to	Weight
Workforce structure	Layoffs, temporary staff, part-time jobs, outsourcing.	40%
Labour rights	Health and safety in the workplace, collective bargaining, salaries and working conditions	30%
Equality and non-discrimination	Commitments and policies, pay gaps (gender, age, professional status, mean and highest salary), equal access to managerial positions (gender).	30%

Labour is considered the most important social/governance area to be considered a critical aspect of corporate management in the context of a crisis. The complexity of labour relations makes it necessary to record the evaluation of up to 137 indicators; that have been grouped into three categories:

-Workforce structure: indicators about the number of employees, their distribution and their contract modalities. Crisis tends to lead companies to "structural adjustment" processes focused largely on reducing labour costs, either through a reduction in the workforce, precarious employment conditions, or the use of outsourcing. The weighting for this category is slightly higher (40%), since it greatly influences labour rights and equality and diversity (both represent 30% of the score in the labour area).

19 Transport & Environment Bailout Tracker
https://www.transportenvironment.org/challenges/planes/subsidies-in-aviation/bailout-tracker/

-Labour rights: indicators on collective bargaining, labour disputes and working conditions. As mentioned above, crisis situations imply a risk of layoffs and precariousness. This worsening of hiring conditions is also manifested in labour rights, in particular collective bargaining, and may even have an impact on other aspects related to workplace safety and security or the reconciliation of personal and family life. In such a context, strikes and labour disputes can compromise the reputation and financial results of airlines.

-Equality and non-discrimination: indicators on diversity in the composition of the workforce and senior management, with special emphasis on gender equality with respect to remuneration and access to managerial positions. In recent years, these topics have increased their presence in the internal regulations of companies, in coherence with the evolution of the legal framework and public opinion. However, as can be seen, in many cases the general commitments regarding issues such as gender equality are not accompanied by adequate information on their fulfillment or scope.

c) Dividends and incentives: 36 indicators (12 per year)

Category	**Indicators related to**	Weight percentage
Dividends	Dividends policy, dividends distributed	50%
Incentives	Top management remuneration, structure and components of bonus as variable remuneration	50%

The scores for both categories in this area have been distributed equally. However, in relative terms, the weight of "dividends" is greater, as it is made up of a smaller number of indicators. This is due to the fact that the remuneration of senior management, despite being in many cases the subject of public controversy, represents a relatively low percentage of the company's financial results, in contrast to the dividends that are normally distributed.

Dividend distribution is a fundamental aspect of companies management, especially those listed on stock markets. Being a remuneration to shareholders, dividends distribution could be considered attractive for investors. However, it also implies an opportunity cost, since it limits investments in other areas and can even affect the financial capacity of the company to respond to crises or market fluctuations (such as those experienced as a result of the pandemic). In this sense, companies must be transparent about the policies established to distribute dividends and define their amount without compromising the viability and ESG performance of the company in the medium and long term.

The remuneration of senior management is another corporate governance aspect that can be affected in crisis situations, either at the initiative of the management itself or due to pressure from its stakeholders (shareholders, institutions, etc.). As part of senior managers remunerations, bonuses or incentives are established based on the performance of the executive manager (usually CEO and CFO), according to different financial and non-financial parameters. Short term or long term incentives can help guide senior management decisions towards greater social and environmental sustainability.

d) Lobbying: 60 indicators (20 per year)

Category	**Indicators related to**	Weight percentage
Lobbying transparency	Presence in transparency registers, membership in sectoral organisations, information on topics and activities in which the lobbying function is exercised.	70%
Lobbying ethics	Regulation of the lobbying function, political contributions, social and environmental knowledge of top management	30%

In relation to the lobbying area, the transparency category has been considered a priority, assigning it 70% of the weight. This is because transparency provides oversight of lobbying resources and activities, particularly those aimed at influencing climate regulations. The remaining 30% corresponds to the lobbying ethics category, made up of indicators related to the formal regulation of such activities and the training and experience in ESG issues of the members of the top management.

Regarding the category of lobbying transparency, indicators are related to information on organisations that indirectly represent their interests (in this case, associations such as IATA), registration in transparency registers or the formats and topics which are the focus of the lobbying activity.

3.4 Evaluation criteria:

The evaluative/company behaviour indicators take into consideration different types of conditions whose fulfillment is considered a good practice and/or their non-fulfillment a bad practice. These conditions are related to:

- **Transparency**: quality, reliability and comparability of the information provided by the company.
- **Commitments**: existence of commitments with specific objectives and deadlines.
- **Performance**: published management results that are in accordance with corporate social responsibility standards.
- **Performance evolution**: improvement in indicators compared to previous years.

4. GENERAL PUBLIC SUPPORT SCHEMES FOR LARGE COMPANIES IN EU AND UK

4.1 European Union

The crisis derived from the COVID-19 pandemic had a high impact on European economies, with passenger transport being one of the most affected sectors since its inception. Facing this situation, the national governments of the European Union implemented a series of support measures for companies that saw their activity interrupted or impaired.[20] Among these measures, it is worth highlighting the wage subsidies and suspension of social contribution payments or corporate taxes, applicable to all economic sectors. Beyond these measures, the situation of many large companies continued to require broader support, leading to a series of state aid programs at the national level that will require notification to the European Commission.

The initial measures following the COVID-19 outbreak were covered by instruments such as SURE (European instrument for temporary support to mitigate unemployment risks in an emergency), a new fund of up to 100 EUR billion launched in April 2020 in order to support Member States implementing short-time work schemes to safeguard jobs.[21]

These state aid programs depend above all on the specific context in which they arise, however, the EU has an undeniable role as a regulator of competition in the internal market. For this reason, a set of guidelines, the State aid Temporary Framework was adopted by the European Commission in March 2020 in order to enable Member States "to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak".[22] In this last revision, the Commission has decided to prolong and extend the scope of the Temporary Framework until 31 December 2021.[23] A large number of state aid programs have been approved under this framework between March 2020 and September 2021, constituting the Temporary Framework as a key tool in the fight against the economic crisis.[24]

According to the European Commission communication about this issue, "targeted and proportionate application of EU State aid control serves to make sure that national support measures are effective in helping the affected undertakings during the COVID-19 outbreak but also that they allow them to bounce back from the current situation, keeping in mind the importance of meeting the green and digital twin transitions in accordance with EU objectives.[25] Likewise, EU State aid control ensures that the EU Internal Market is not fragmented and that the level playing field stays intact. The integrity of the Internal Market will also lead to a faster recovery. It also avoids harmful subsidy races, where Member States with deeper pockets can outspend neighbours to the detriment of cohesion within the Union".

The aforementioned communication (last amended in January 2021) establishes that state aid must be communicated and authorised by the European Commission in cases as follows: "aid in the form of direct grants, repayable advances or tax advantages", "aid in the form of guarantees on loans", "aid in the form

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20 **COVID-19 EU Policy Watch: Database of national-level responses**. European Foundation for the Improvement of Living and Working Conditions. https://static.eurofound.europa.eu/covid19db/index.html

21 European Commission. **SURE.** https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_es

22 European Commission. **The State Aid Temporary Framework**. https://ec.europa.eu/competition-policy/state-aid/coronavirus/temporary-framework_en

23 European Union. **COMMUNICATION FROM THE COMMISSION TEMPORARY FRAMEWORK FOR STATE AID MEASURES TO SUPPORT THE ECONOMY IN THE CURRENT COVID-19 OUTBREAK**. 2021. https://ec.europa.eu/competition-policy/system/files/2021-03/TF_informal_consolidated_version_as_amended_28_january_2021_en.pdf

24 European Commission. **Coronavirus Outbreak - List of Member State Measures approved under Articles 107(2)b, 107(3)b and 107(3)c TFEU and under the State Aid Temporary Framework**. 18 October 2021. https://ec.europa.eu/competition-policy/system/files/2021-10/State_aid_decisions_TF_and_107_2b_107_3b_107_3c_1.pdf

25 Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak. 2021. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020XC0320(03)&from=EN

of subsidised interest rates for loans", "aid in the form of guarantees and loans channelled through credit institutions or other financial institutions" or "recapitalisation measures". Each of these forms of state aid has specific conditions regarding its applicability, amounts and other elements. Aid to large companies that exceed 100,000 EUR must be publicly reported by them, and both national institutions and the Commission must ensure that the conditions under which the aid was granted are maintained during its validity.

In May 2020, the communication from the European Commission to the European Parliament "Europe's moment: Repair and Prepare for the Next Generation" proposed the recovery instrument NextGenerationEU as part of the next EU budget.[26] According to the European Commission, "The EU long-term budget 2021-2027 together with NextGenerationEU (NGEU), the recovery instrument, form the largest stimulus package ever financed through the EU budget, of over 2.0 EUR trillion". The 2021-2027 budget was approved in December 2020 by the Council of the European Union, including 806.9 EUR billion for NGEU. Most of this amount (723.8 EUR billion) is assigned to the Recovery and Resilience Facility, defined by the Commission as "the centrepiece of NextGenerationEU within loans and grants available to support reforms and investments undertaken by EU countries. The aim is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions".[27] The Recovery and Resilience Facility includes 385.8 EUR billion in loans and €338.0 billion in grants.

Both the European support programmes in response to the emergency and the subsequent recovery strategy have been the justification for the bailouts of large European companies considered strategic, such as airlines. The Commission working document "Overview of the State aid rules and public service obligations rules applicable to the air transport sector during the COVID-19 outbreak", updated on March, 2021, mentions as the main purpose of the state measures that "all undertakings, including transport operators, related service providers and infrastructure managers, should have access to the necessary support to protect and restore connectivity for European citizens and businesses.[28] In the interest of the EU economy and consumers, Member States should design their measures to the greatest extent possible on a non-discriminatory basis and in a manner which preserves the pre-crisis market structures and paves the way for economic recovery".

As shown in Table 3, 11 of the 20 bailout measures were approved without ESG conditionalities, which is equivalent to 11.61 EUR billion, 37.24% of the total amount of these measures.

26 European Commission. **Communication from the Commission to the European Parliament.**, 27 June 2020.
https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590732521013&uri=COM:2020:456:FIN

27 European Commision. **Recovery plan for Europe**.
https://ec.europa.eu/info/strategy/recovery-plan-europe_en#financing-the-eu-long-term-budget-and-nextgenerationeu

28 European Commission. Overview of the State aid rules and public service obligations rules applicable to the air transport sector during the COVID-19 outbreak. March 2021.
https://ec.europa.eu/competition-policy/system/files/2021-05/air_transport_update_March_2021.pdf

Table 3: bailout measures for European Airlines

Company	Country, year	Amount (EUR billion)	Conditions	Type
Air France-KLM	France, 2020	7	No dividends Climate conditions	Recapitalisation, hybrid instrument and loan guarantee
Air France-KLM	Netherlands, 2020	3.4	No conditions	Loan and loan guarantee
Air France-KLM	France, 2021	1	No dividends. Limits to manager remuneration.	Recapitalisation, share acquisition, hybrid instrument
Air France-KLM	Netherlands, 2021	1.37	No conditions	Deferred tax payment
easyJet	UK, 2020	0.67	No conditions	Loan
easyJet	UK, 2021	1.57	Dividends restrictions (not specified)	Loan
IAG	UK, 2020	2.55	No conditions	Loan
IAG	Spain, 2020	0.26	No conditions	Loan
IAG	Spain, 2020	0.75	No conditions	Loan
IAG	Ireland, 2020	0.75	No conditions	Loan
Lufthansa	Germany, 2020	6.84	No dividens. Limits to manager remuneration Environmental conditions (not specified)	Loan, recapitalisation, share acquisition
Lufthansa	Switzerland, 2020	1.42	No dividends	Loan
Lufthansa	Austria, 2020	0.45	No dividends Limits to managers remuneration Climate conditions	State aid and loan
Lufthansa	Belgium, 2020	0.29	No dividends Limits to managers remuneration	Loan
Ryanair	UK, 2020	0.67	No conditions	Loan
SAS	Denmark & Sweden, 2020	1	Dividend ban, limits to managers remuneration, environmental conditions	Recapitalisation, loan guarantee, share acquisition
SAS	Norway, 2020	0.14	No conditions	Loan
TAP	Portugal, 2020	1.2	No conditions	Loan and loan guarantee
TAP	Portugal, 2020	0.06	No conditions	Share acquisition
TAP	Portugal, 2021	0.46	No conditions	Recapitalisation, share acquisition

4.2 United Kingdom

The UK government launched in March 2020 a joint HM Treasury and Bank of England lending facility, named the COVID Corporate Financing Facility (CCFF).[29] The facility was designed "to support liquidity among larger firms, helping them to bridge coronavirus disruption to their cash flows through the purchase of short-term debt in the form of commercial paper". The CCFF lent over about 40 EUR billion to 107 different companies and approved over 94 EUR billion of borrowing limits to over 230 companies between March 2020 and March 2021[30]. The airlines Ryanair and easyJet both received 600 GBP million, while British Airways and Wizz Air got 300 GBP million under this scheme.[31]

Bailouts for European airlines included in the analysis

The 7 airlines included in the analysis (Air France-KLM, easyJet, Lufthansa, IAG, Ryanair, SAS and TAP) were beneficiaries of 20 bailout measures between March 2020 and November 2021, as set out in the following summary table:

Table 2: General data on european airlines bailouts

Total amount	31.18 EUR billion
Number of bailout measures	209
Number of countries granting bailouts	13
% total amount with corporate governance specific conditions	62.76%
% total amount with governance and climate change related specific conditions	23.89%

(Based on public sources)

29 Bank of England. **COVID Corporate Financing Facility (CCFF).**
https://www.bankofengland.co.uk/markets/COVID-corporate-financing-facility
30 Exchange rates as of December 31, 2020.
31 Kelso, **P. Coronavirus: Airlines among businesses given Bank of England bailouts. SkyNews**. 4 June 2020.
https://news.sky.com/story/coronavirus-airlines-among-businesses-given-bank-of-england-bailouts-12000568

4.3 Climate change related conditions

Only 2 of the 20 bailout measures have specific environmental and/or climate change conditions (7.45 EUR billion, 23.89% of the total amount). In two other cases (bailout to SAS by Norway and Sweden, bailout to Lufthansa by Germany), environmental conditions are supposed to be part of the agreements, but there is no data on specific targets (beyond general commitments).

Those conditions are specified only in the cases of Austrian Airlines (Lufthansa) and Air France, but these are very weak or it is not clear that they are binding. According to a Transport & Environment brief report on this bailout,[32] Austrian Airlines "will have to reduce their domestic emissions by 50% by 2030;[33] however, domestic aviation emissions in Austria equal only 1.7% of total aviation emissions, so this is of little importance.[34] More importantly, Austrian Airlines will have to reduce its total emissions by 30% by 2030 compared to 2005 levels. Further clarity is required on how the target will be achieved, and the target itself should be boosted to ensure that the airline reaches net zero emissions by 2050". In respect to Air France, according to its Universal Registration Document 2020, p.23: "As a condition of the loan package, the French government has required Air France to commit to ambitious environmental objectives: discontinuing the sale of routes with a train journey alternative in under 2.5 hours, except for the flights serving Roissy-CDG; reducing CO2 consumption per ASK by 50% in 2030 relative to the 2005 baseline; and increasing the share of Sustainable Aviation Fuel used for the flights". However, according to T&E, the French state's 7 billion EUR bailout conditions are not legally binding,[35] "leaving it to the good will of Air France. Each condition should be made mandatory, with clear financial penalties for failure to comply".

4.4 Corporate governance conditions

Only 8 of the 20 bailout measures include corporate governance conditionalities (22.57 billion, 62.76% of the total amount) while temporary support measures for companies last. In particular:

- 7 measures include the prohibition or "restriction" of dividends
- 5 measures include the prohibition of bonuses or impose limits to the remuneration for managers or governing bodies.
- Ryanair, TAP and IAG do not have any governance or environmental conditions in their bailouts.

The ban on dividends is usually expressed in a similar way in all the cases analysed. For example, the Lufthansa framework agreement document,[36] p.17, states that: "The payment of dividends, the buy-back of shares or other capital instruments and the performance of coupon payments or other profit distributions to recipients other than the ESF, to which the Company is not obliged, are excluded until the stabilization measure has been fully terminated".

The limitations on the remuneration of the executives include in any case the prohibition of bonuses or equivalent variable remunerations, while for Lufthansa it is also established that the basic remuneration of the senior executives will not be increased compared to 2019 until 75% of the stabilisation measures have been completed.

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32 Transport and Environment. **Austrian Bailout: Climate Conditions Explained**. 2020.
https://www.transportenvironment.org/wp-content/uploads/2021/07/2020_06_austrian-airlines-rescue_final.pdf

33 Also stated on Austrian Airlines press release about bailouts:
Austrian Airlines Coronavirus Update: **Austrian Airlines Receives Financial Aid from the Federal Government and Lufthansa**
https://www.austrianairlines.ag/Press/PressReleases/Press/2020/06/038.aspx?sc_lang=en&mode=%7B30999B4B-42D0-45A6-B671-FE5E3CB68ED8%7D

34 1,9% according to Umweltbundesamt (Austrian Environmental Protection Agency): **Climate Protection Report 2020** (p.109):
https://www.umweltbundesamt.at/fileadmin/site/publikationen/rep0738.pdf

35 Transport and Environment. **AirFrance Bailout: Climate Conditions Explained**. 2020.
https://www.transportenvironment.org/wp-content/uploads/2021/07/2020_06_air-france-rescue_final_1.pdf

36 Framework Agreement between the Federal Republic of Germany the Economic Stabilisation Fund and Deutsche Lufthansa Aktiengesellschaft concerning a Stabilisation measure of the Economic Stabilisation Fund.
https://investor-relations.lufthansagroup.com/fileadmin/downloads/en/annual-meeting/2020/eagm/WSF_DLF_Framework_Agreement_ENG.pdf

Table 4: Bailouts amount distribution
(EUR Billion)

Air France/ KLM	12.77
easyJet	2.24
IAG	3.64
Lufthansa	9
Ryanair	0.67
SAS	1.14
TAP	1.72

(Based on public sources)

Three of the seven companies account for 81.49% of the total bailouts received: 40.96% Air France-KLM, 28.86% Lufthansa, 11.7% IAG. They are also the largest airlines from the operational and financial point of view. Consequently, the host countries of these airline groups accounted for a high percentage of the total amount: France (8 EUR billion, 25.66%), Germany (6.84 EUR billion, 21.94%) and the UK (5.46 EUR billion, 17.51%). The UK provided loans through the CCFF to IAG, Ryanair and easyJet.

The most widely used modality is the loan, which 6 of the 7 companies analysed use. Loan guarantees are used by three of the 7 companies, while Air France and Lufthansa bailouts include hybrid financial instruments.

In the case of Air France-KLM, Lufthansa, TAP and SAS, the presence of national governments as shareholders increased notably after the crisis, although these are all companies with historical ties to the public sector. The importance of public participation in the shareholding structure places these companies, at least in theory, in a favourable position for negotiating government financial support.

Referring to Lufthansa, in June 2020, the German government approved a stabilization package for Deutsche Lufthansa AG of up to EUR 9 billion. The public fund gained a total of 5.7 EUR billion in assets as silent partners and subscribed to 20% of the shares by way of capital increase[37].

Regarding Air France-KLM, as of December 2020, the majority of the Group shares were owned by the French government with 14.3% of the share capital and 22.3% of exercisable voting rights, followed by the Dutch government which owned 14.0% of the share capital and 10.9% of exercisable voting rights. The French government's share grew to 30% following the latest announced bailout. [38]

In the case of SAS, due to the COVID-19 pandemic and the State sponsored rescue packages, state ownership of SAS increased by 15.2%, with 45.5% of the shares owned by the Swedish and Danish governments. As part of the recapitalisation plan to lessen the economic effects of the pandemic, SEK 2 billion (about 0.2 EUR billion) worth of common shares was directly issued to the governments of Sweden and Denmark [39] .

37 Lufthansa. **Framework Agreement between the Federal Republic of Germany the Economic Stabilisation Fund and Deutsche Lufthansa Aktiengesellschaft concerning a Stabilisation measure of the Economic Stabilisation Fund**. June 2020
https://investor-relations.lufthansagroup.com/fileadmin/downloads/en/annualmeeting/2020/eagm/WSF_DLF_Framework_Agreement_ENG.pdf

38 France 24, **Francia pasa a controlar el 30 % de Air France tras rescate económico**. France 24. 7 April 2021.
https://www.france24.com/es/europa/20210407-air-france-rescate-economico-francia

39 European Commission press release: **State aid: Commission approves €1 billion Danish and Swedish measure to recapitalise SAS**. 17 August 2020
https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1488

Finally, regarding TAP, in July 2020, according to Euractiv,[40] the Portuguese government paid 55 EUR million to TAP's private shareholders "in return for which it will hold 72.5% of the company's capital compared to the current 50%". In April 2021, the European Commission approved a new 462 EUR million loan to TAP.[41] This loan, in the form of a capital shares increase by the Direção-Geral do Tesouro e Finanças (General Directorate of the Treasury and Finance), increased the Portuguese State's stake in the airline to 92%.

The four recapitalisations and increases in shareholder stakes mentioned above are the bailout measures with the most media and social impact, due to their economic volume and their configuration as an element of political dispute regarding the role of the State in economic recovery.

Type of aid received:

Table 5: Type of aid received

	Loan	**Loan guarantee**	**Recapitalisation, share acquisition**
Air France-KLM	X	X	X
easyJet	X		
IAG	X		
Lufthansa	X		X
Ryanair	X		
SAS		X	X
TAP	X	X	X

(Based on public sources)

Certain loans or purchases of shares of large companies by the states are presented as ordinary investments, as in the case of the EUR 75 million loan from the Ireland Strategic Investment Fund (ISIF) to Aer Lingus (IAG)[42]. However, seen in the context of mobilisation of state resources towards the airlines, it does not seem inappropriate to consider that this type of operation also has a financial bailout component.

40 Euractiv: **Portuguese government takes bigger stake in national airline**. 3 July 2020
https://www.euractiv.com/section/aviation/short_news/lisbon-state-takes-72-5-of-tap-airline/

41 European Commission press release: **State aid: Commission approves €462 million Portuguese support to compensate TAP for damage suffered due to coronavirus outbreak**. 23 April 2021
https://ec.europa.eu/commission/presscorner/detail/en/ip_21_1928

42 Reuters. **Aer Lingus among Irish sovereign wealth fund's COVID-19 investments**. 8 February 2021.
https://www.reuters.com/article/health-coronavirus-ireland-economy-idUSL1N2KE12I

4.5 Airline bailouts controversies.

Do airlines deserve to be bailed out by states?

As will be analysed in depth throughout this report, various actors have questioned the effectiveness and scope of these commitments in the fight against climate change. Beyond declarations of good intentions, airlines are by definition a highly polluting sector, and progress towards a more sustainable business model is still insufficient. Apart from the voluntary commitments assumed by companies before the COVID crisis, in recent years, European airlines have deployed intense lobbying activity aimed at making regulations and tax systems more flexible regarding CO_2 emissions. Other questionable corporate behaviours are related to labour disputes, layoffs, unequal workforce, aggressive dividend distribution policies or millionaire salaries for senior managers.

Taking these factors into account, public bailouts for European airlines have been questioned not only because of the virtual absence of ESG conditionalities. Despite the undeniable and unprecedented impact of the pandemic on the sector, it is possible that the predominant management models in the sector were far from optimal from the point of view of social, economic and financial sustainability.

According to a Carbon Market Watch release on the Bailout Tracker initiative, the aviation sector "has depended extensively on public support for decades — from tax exemptions from VAT and kerosene tax, to state aid for airports, low-cost airlines and infrastructure linking airports with nearby cities.[43] Airlines also get 85% of their allocated pollution permits for free under the EU's carbon market. The kerosene tax exemption in Europe alone is valued at 27 EUR billion a year. Other more sustainable transportation methods — such as rail — have not benefited from such generous tax treatment". Despite this dependence on the public budget, "the 20 largest airlines (based in the European Economic Area and the UK) have earned a combined total of at least 33 EUR billion in net profits over the past five years".[44]

The increased control of some airlines by the public sector also raises certain questions regarding the possibility of a trend towards the re-nationalization of airlines. The OECD position on the increasing presence of states in the shareholder structures of airlines (expressed on its report, "State Support to the Air Transport Sector: Monitoring developments related to the COVID-19 crisis"), is as follows: "Assuming that the outlook is indeed a degree of increasing state ownership, governments may want to ask themselves how to address a situation where they might find themselves as "unintended" owners (or minority investors) of air transport companies.[45] The policy priority in many countries would no doubt be to re-privatise as soon as possible, but as OECD experience shows this may in practice take significantly longer than first envisaged."

Social demands: greater ESG conditionality

As mentioned above, the questionable behavior of the airline sector in relation to ESG aspects led to the emergence of the first wave of bailouts in 2020, and many social and environmental organisations adopt a critical position. A fundamental demand was that the emerging public bailouts for airlines should be linked to strict conditions in the fight against climate change, as well as effective social and governance commitments. According to a SDG Watch release in April 2020,[46] all company bailouts "must be linked to clear conditionalities and comply with strict conditions: no money for polluting industries without binding commitments".

In this sense, an open letter addressed by Stay Grounded Network to the EU transport ministers in March 2020[47] demanded "to not unconditionally bailout airlines now, but take time for smart planning of a just and ecological transition". Likewise, it stated that "the current situation requires collaborative planning for a just transition: employees in the aviation sector should receive training for climate friendly jobs, privatisations have to be reconsidered, and a shift towards climate-safe forms of travel has to be undertaken. It is no option to go back to business as usual after the COVID-19 crisis, as this would lead to an even bigger crisis".

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43 Carbon Market Watch. **Polluting European Airlines seen 12.8bn and counting in bailouts.**
https://carbonmarketwatch.org/2020/04/22/polluting-european-airlines-seek-e12-8-bn-and-counting-in-bailouts/

44 In respect to April 2020

45 OECD. **State Support to the Air Transport Sector: Monitoring developments related to the COVID-19 crisis**. 22 April 2021.
https://www.oecd.org/corporate/State-Support-to-the-Air-Transport-Sector-Monitoring-Developments-Related-to-the-COVID-19-Crisis.pdf

46 Izquierdo, **E. SDG Watch Europe steering group statement on COVID. SDG Watch Europe**. 16 April 2020.
https://www.sdgwatcheurope.org/sdg-watch-europe-steering-group-statement-on-COVID/

47 **Open Letter: Network to counter aviation – for a just transport system**. Stay Grounded Network.
https://stay-grounded.org/wp-content/uploads/2020/03/Open_Letter_EU_Transport_Ministers.pdf

In relation to the bailouts of British airlines through the CCFF, a Positive Money report published in July 2020[48] considered that the programme, aimed at large companies, had privileged conditions in comparison to the median support schemes for small and medium sized enterprises approved by UK financial institutions. In addition, the CCFF was rated as "inconsistent with the government's pledge to 'build back better' towards a fairer, greener, and more resilient economy". The conditions related to corporate governance are considered "insufficient and poorly designed", as a result, "many companies are benefiting from public money while simultaneously paying out dividends to shareholders, laying off workers, and harming the environment". The Positive Money report concludes that the Bank of England should strengthen the conditions of the scheme, introduce new conditions that protect both workers and environment and implement mechanisms to ensure compliance and transparency.

Ryanair's position: "State aid that distorts competition"
Bailouts are considered by Ryanair as "illegal state aid", as shown in Ryanair Annual Report 2020, p.5: "The COVID-19 crisis (…) sparked a wave of illegal State Aid being gifted by some EU Governments to their former flag carrier airlines including Air France/KLM, Alitalia, Lufthansa, SAS and TAP. This unlawful State Aid will distort competition and allow these failed flag carriers to engage in below cost selling for many years."

Ryanair has carried out intense judicial activity in the years 2020 and 2021 against the bailouts of rival companies in the European space. As will be explained below, the company was involved in lawsuits against SAS, Air France-KLM, TAP and other airlines such as the Spanish Air Europa[49] or the Finnish Finnair[50]. However, perhaps the most prominent in the media are the various accusations against Lufthansa, considered by Ryanair CEO Michael O'Leary as a company "addicted to public subsidies". Despite the aggressive positioning of the company, the success of these lawsuits has been limited, as of the publication of this research.

For example, regarding KLM, in May 2021 the General Court of the European Union suspended the bailout by the Dutch government, a decision that was positively welcomed by Ryanair as a complainant.[51&52] However, in July 2021 the European Commission ratified that state aid was legal, concluding that the measure "is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the conditions set out in the Temporary Framework".[53] The Irish company announced that it would appeal this decision.[54]

According to an interview with Michael O'Leary in Politico.eu, the UK Government loan received by Ryanair was legitimate, unlike aid to other airlines: "Where [the loans] are available to everybody, it's not state aid.[55] It's where they're made exclusively available only to licensed carriers in that country then it becomes illegal state aid and it's clearly anti-competitive and distorting the market".

Despite criticism of Ryanair's CEO about public aid to other airlines, Ryanair has been also involved in numerous legal proceedings related to this issue in recent years, as mentioned in its Annual Report 2021 (p.152):

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48 Positive Money **The COVID Corporate Financing Facility (CCFF)Where are the Conditions for the Billion £ Bailouts?** July 2021
http://positivemoney.org/wp-content/uploads/2020/07/CCFF-Final-version.pdf

49 El Pais. **El Tribunal General de la UE avala el rescate de la SEPI a Air Europa, pero no las ayudas a TAP y KLM.**
https://cincodias.elpais.com/cincodias/2021/05/19/companias/1621418080_665772.html

50 **Finland's guarantee in favour of the airline Finnair to help it obtain a loan of €600 million from a pension fund to cover its working capital requirements following the COVID-19 pandemic is compatible with EU law.** Press Release: General Court of European Union. 14 April 2021.
https://curia.europa.eu/jcms/upload/docs/application/pdf/2021-04/cp210053en.pdf

51 **Judgment of the General Court of 19 May 2021** — Ryanair v Commission (KLM; COVID-19) (Case T-643/20).
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A62020TA0643

52 Ryanair. Ryanair Welcomes EU Court Rulings On Air France-KLM And TAP State Aid. 19 May 2021.
https://corporate.ryanair.com/news/ryanair-welcomes-eu-court-rulings-on-air-france-klm-and-tap-state-aid-2/

53 European Commission. **NextGenerationEU: la Commission approuve le plan pour la reprise et la résilience de la Tchéquie**. 19 July 2021.
https://ec.europa.eu/commission/presscorner/detail/nl/mex_21_3785

54 Ryanair gaat in beroep tegen staatssteun voor KLM. NU.nl. 25 October 2021.
https://www.nu.nl/economie/6146561/ryanair-gaat-in-beroep-tegen-staatssteun-voor-klm.html

55 Saeed, **S. Ryanair goes to war against coronavirus bailouts**. Politico. 12 May 2020.
https://www.politico.eu/article/ryanair-goes-to-war-against-coronavirus-bailouts/

"The European Commission has examined the agreements between Ryanair and various airports to establish whether they constituted illegal state aid. In many cases, the European Commission has concluded that the agreements did not constitute state aid. In other cases, Ryanair has successfully challenged the European Commission finding that there was state aid".

Other subsidies of questionable social utility have benefited Ryanair's short-haul flight policy. For example, according to El Economista, in Spain Ryanair received "more than 236 million EUR of public subsidies between 2002 and 2019 to operate routes that have been closed without problem when the money ran out".[56] The Spanish media questions that the influx of state aid leads to the dependence of many Spanish airports on Ryanair, as is the case of Vitoria (where 86% of passengers took flights operated by the Irish airline in 2019), Gerona (74%) or Santander (56%). Infosubvenciones, the database on public aid and subsidies in Spain, has a total of 165 records corresponding to Ryanair between 2017 and 2020, amounting to almost 135 EUR million.[57] Most of the aid included in Infosubvenciones is recorded as "Subsidies for air transport for residents of the Canary Islands, Balearic Islands, Ceuta and Melilla".

Unprecedented support that should contribute to structural changes

Public bailouts for European airlines stand out for the large amount of resources allocated, but with uncertain results in terms of economic profitability (complexity of the socio-economic context) and especially in terms of social and environmental impact (few and unclear conditions).

The low inclusion of conditions related to climate change or job protection is bad practice by national institutions, and reveals insufficient oversight by EU institutions. The greater inclusion of conditions related to governance (bans on dividends and bonuses) should be noted as a step forward, but it is necessary that their compliance is verified and that they are integrated with measures such as a broader proposal on responsible governance. Similarly, there should also be a trend towards greater standardization of these conditions at the European level and greater transparency about them, including monitoring their compliance in the short, medium and long term.

Increased public support, and even state control over certain airlines, should be a stimulus for their transition to a more sustainable business model, integrated into a change in public policies and regulations aimed at socially and environmentally responsible mobility.

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56 Semprun, A. & Lopez, **E. Ryanair vuela en España con más de 236 millones de dinero público**. El Economista. 11 September 2019. https://www.eleconomista.es/empresas-finanzas/noticias/10077557/09/19/Ryanair-vuela-en-Espana-con-mas-de-236-millones-de-dinero-publico.html

57 Sistema Nacional de Publicidad de Subvenciones y Ayudas Públicas. Base de datos. https://www.infosubvenciones.es/bdnstrans/GE/es/concesiones

5. OVERALL RANKING RESULTS

The analysis shows that the average score of the set of companies analysed is 39.2 points out of a possible 100 points. This indicates the high potential for companies to make improvements in the areas under analysis. The companies are ranked from the worst performer to the least bad, according to the score they achieved.

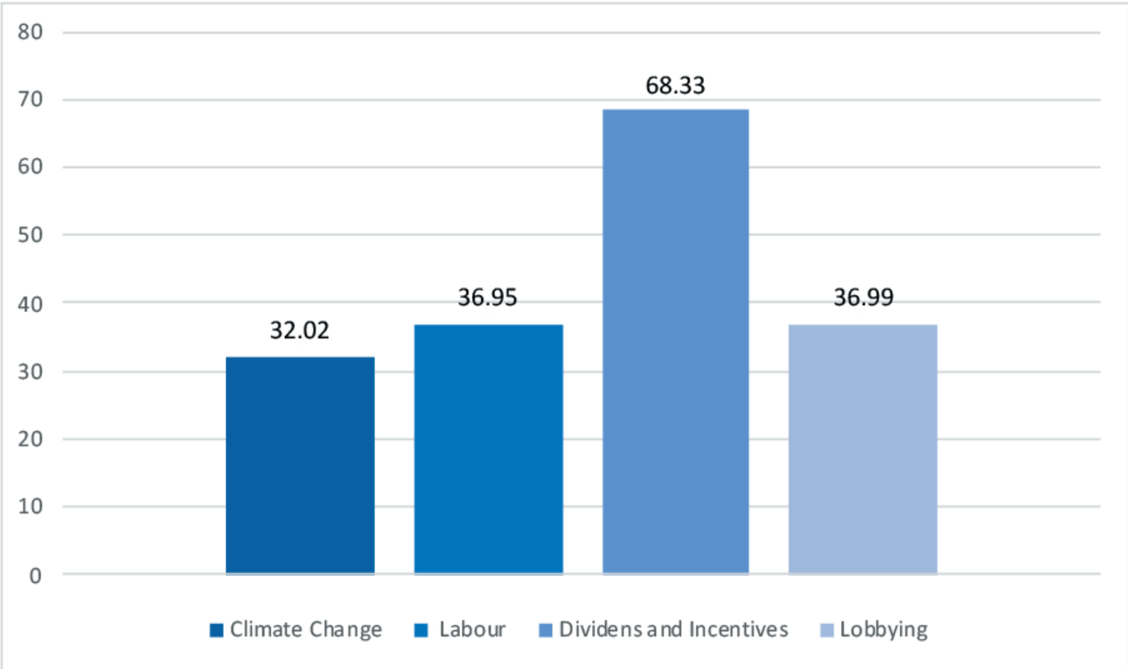
Table 6: Companies ranking according to the score achieved

Total	Average 2018-2020	2018	2019	2020
TAP	**15.88**	13.74	15.58	18..1
Ryanair	**33.15**	3081	29.03	39.61
easyJet	**36.58**	30.95	33.36	45.42
Lufthansa	**42.71**	32.64	34.95	60.55
Air France-KLM	**46.34**	39.84	44.07	55.10
SAS	**49.44**	42.43	45.89	59.98
IAG	**50.29**	38.7	44.85	67.33
All companies	**39.2**	**32.73**	**35.39**	**49.47**

The scores for all the companies in 2020 are much higher than for 2018 and 2019, as it was an atypical year in the activity of the sector, where the indicators for the GHG Emissions category did not apply. This leads to an increase in the final score for all the companies.

The company with the lowest score is TAP, while IAG received the highest score with only around half of the maximum score. Among the different areas analysed (climate change, labour, dividends and incentives, and lobbying), companies obtain the lowest score for climate change. with an average of 32.02 points out of 100. The area where the companies score the highest is dividends and incentives, with an average of 68.33. In the case of the climate change area, the low score is the result of the lack of implementation of commitments and, in most companies, the increase in direct emissions of GHGs (pre-pandemic scenario) and the average life of the aircraft fleet. In the case of dividends and incentives, the high score is mainly as a result of the economic situation experienced by the sector in 2020 that has caused large losses and consequently the non-distribution of dividends, and in many cases the freezing of incentives to managers.

Figure 2: Results per area



RESULTS BY AREA

Climate change

6. RESULTS BY AREA

6.1. Climate Change

6.1.1 Climate Change: conceptual framework

Paris agreement commitments
Article 2 of the Paris Agreement sets out the main objectives for a global response to the threat of climate change:[58]

(a) Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
(b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
(c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development.

According to the IPCC's Special Report on Global Warming of 1.5 oC, in order not to exceed 1.5 oC compared to pre-industrial levels, global emissions must be reduced by 45% by 2030, from the 2010 level, and be carbon neutral by 2050.

To meet the goals of the Paris Agreement, it has been established that each country or region that signs up to the agreement must prepare, communicate and maintain the successive Nationally Determined Contributions (NDCs) it intends to make, which must be updated every five years.

In the first NDC round, emission pledges for 2030 are in the range of 52-58 Gt CO2e per year, when to stay within 1.5 oC they should be in the range of 25-30 Gt CO_{2e}, roughly half.

The European Union has established plans to cut Greenhouse Gas (GHG) emissions that are continuously updated. In 2021, the last agreement between member states and the EU Parliament has increased the carbon emissions reduction target from the previous one of least 40% to **at least 55% by 2030, compared with 1990 levels**.[59] The EU Parliament had proposed a higher target of a 60% reduction, and the Climate Action Network – Europe has stated that even this target is insufficient, as it would be at least 65% to be aligned with the Paris Agreement.[60] The EU has also committed to becoming climate neutral by 2050.

To meet these targets the EU has developed several climate policies, laws and plans.[61] Some of the most important tools are the **emissions cap and allowances**: "The overall volume of greenhouse gases that can be emitted by power plants, industry factories and the aviation sector covered by the EU Emissions Trading System (EU ETS) is limited by a 'cap' on the number of emission allowances".[62] Within the cap, companies receive or buy emission allowances, which they can trade as needed. The cap decreases every year, ensuring that total emissions fall.

Under the EU ETS, all airlines operating in Europe, European and non-European alike, are required to monitor, report and verify their emissions, and to surrender allowances against those emissions. They receive tradable allowances covering a certain level of emissions from their flights per year.[63]

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58 United Nations. **Paris Agreement** 2015.
https://unfccc.int/sites/default/files/english_paris_agreement.pdf
59 **2030 Climate Change Plan**. European Commission.
https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan_en
60 **Climate Action: Bolstering EU climate ambition to reach the 1.5°C goal of the Paris Agreement**. Climate Action Network.
https://caneurope.org/work-areas/climate-action/
61 **European Green Deal.** European Commission.
https://ec.europa.eu/clima/eu-action/european-green-deal_en
62 **Emissions Cap and Allowances**. European Commission.
https://ec.europa.eu/clima/eu-action/eu-emissions-trading-system-eu-ets/emissions-cap-and-allowances_en
63 **Reduce Emission from Aviation**. European Commission.
https://ec.europa.eu/clima/eu-action/transport-emissions/reducing-emissions-aviation_en

GHG emissions from domestic aviation are calculated as part of the UNFCCC national GHG inventories and are included in national totals (part of the Nationally Determined Contributions (NDCs) of the Paris Agreement), while GHG emissions from international aviation are reported separately and are not included in NDCs.

In 2015, **approximately 65 percent of global aviation fuel consumption was from international aviation.**[64] **The contribution of global aviation in 2011 to GHG emissions was calculated to be 3.5 (4.0, 3.4) % of the net anthropogenic effective radiative forcing (ERF)**.[65] Applying this share to CO2 emissions, international aviation is responsible for approximately 1.3 percent of global CO_2 emissions. However, these estimates have been calculated only considering CO_2 emissions, but not emissions of non-CO_2 greenhouse gases and where they are emitted, and the total effective radiative forcing of all pollutants from aviation is between 1.6 and 3 times higher than that of CO_2 emissions, depending on whether flights are short- or long-haul.

After 15 years of negotiations, a global agreement aimed at reducing the environmental impact of air transport was signed on 6 October 2016, with the support of the International Civil Aviation Organisation (ICAO), a UN agency. It is based on the **Carbon Offsetting and Reduction Scheme for International Aviation** (CORSIA).[67]

CORSIA is a global market based measure designed to offset international aviation CO_2 emissions in order to stabilize the levels of such emissions from 2020 onwards. Offsetting of CO_2 emissions will be achieved through the acquisition and cancelation of emissions units from the global carbon market by aeroplane operators.

The CORSIA has three phases: a pilot phase (2021 – 2023); a first phase (2024 – 2026); and a second phase (2027 – 2035). The participation of States in the pilot and first phase is voluntary. For the second phase, all States with an individual share or international aviation activity in the year 2018 above 0.5% of total activity, or whose cumulative share reaches 90% of total activity, are included (Least Developed Countries, Small Island Developing Countries and Landlocked Developing Countries are exempt unless they volunteer to participate).

The CORSIA scheme has fundamental limitations. According to the Transport and Environment NGO, **implementing ICAO's CORSIA would be the most damaging option for the environment as would lead to the biggest global increase in aviation CO_2 emissions because of its questionable quality of offsets, and the price and oversupply of offsetts**[68]: *"None of the offsetting programmes approved under Corsia meet all of the required criteria, and all having (sic) issues with double counting. A large share of existing projects are delivering emission reductions in sectors that are already covered by their respective country's current climate targets and double counted. Corsia will have an oversupply of cheap, less than 1€, carbon offset credits, worsened by ICAO's decision to change its baseline due to COVID19, which implies the price signal faced by airlines under the scheme will never provide any financial incentives for them to reduce emissions".*

The EU has confirmed its participation in the CORSIA voluntary phase from 2021.[69] However, Transport and Environment warns that "due to the weakness of the CORSIA target, issues inherent to offsetting, and concerns with how ICAO operates, implementing CORSIA in Europe represents a direct threat to Europe's

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64 Fleming, G. & Lépinay, I. Environmental Trends in Aviation to 2050. Chapter 1: Aviation and Environmental Outlook. https://www.icao.int/environmental-protection/Documents/EnvironmentalReports/2019/ENVReport2019_pg17-23.pdf

65 https://www.sciencedirect.com/science/article/pii/S1352231020305689?via%3Dihub

66 ICAO. Frequently Asked Questions. https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-FAQs.aspx

67 ICAO. Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). June 2021. https://www.icao.int/environmental-protection/CORSIA/Pages/default.aspx

68 Transport & Environment: Briefing: Corsia: worst option for the climate. March 2021- https://www.transportenvironment.org/wp-content/uploads/2021/07/2021_03_Briefing_Corsia_EU_assessement_2021.pdf

69 Council of the EU. **Aviation emissions: EU confirms its participation in the CORSIA voluntary phase from 2021 and chooses a more ambitious option to calculate its offsetting requirements**. European Council & Council of the EU. 25 June 2020. https://www.consilium.europa.eu/en/press/press-releases/2020/06/25/aviation-emissions-eu-confirms-its-participation-in-the-corsia-voluntary-phase-from-2021-and-chooses-more-ambitious-option-to-calculate-its-offsetting-requirements/#

existing climate commitments under the Paris Agreement. Over the period 2021-2030, such a move would increase Europe's aviation emissions by 683.8 million tonnes CO_2".[70]

Characteristics of the aviation sector
The aviation sector is highly relevant to climate change because of its high emissions and their growth over the last 20 years. According to a report by the European Environment Agency (EEA), the European Aviation Safety Agency (EASA) and Eurocontrol, the aviation sector was responsible for 3.6% of the EU's greenhouse gas emissions in 2016 and accounted for 13.4% of all emissions in the European transport sector in the same year. In 2017 direct CO_2 emissions reached 3.8% of the total and aviation accounts for 13.9% of transport emissions, second only to road transport.

By far, the main cause of GHG emissions in the sector is aircraft fuel, 3.15 kg of CO_2 per kg of kerosene, so the main measures to reduce emissions are reducing flights and/or decreasing carbon intensity per passenger-kilometer transported and using e-fuels. Improvements in fuel efficiency are gradually being developed, however, any environmental benefits have been outweighed by a sustained growth in air traffic. In 2017, the number of passengers increased on average by 60% compared to 2005.

Forecasts are that the CO_2 emissions of all flights departing from EU28 and EFTA will grow by 21% by 2040[71],with the International Civil Aviation Organisation (ICAO) being more pessimistic, predicting before the pandemic that by 2050 emissions from international aviation could triple compared to 2015.

The aviation sector faces major challenges to reduce emissions in the coming years:

- **Offsetting emissions** is the main strategy used by companies to reduce net emissions, but this does not mean an absolute reduction of emissions and it will become more difficult as sources of compensation run out and the costs increase.
- **Fleet modernisation** helps in reducing emissions per trip, however in a context of financial constraints most companies will find it difficult to replace aircraft, and if old aircraft are used or sold to other companies they will continue to pollute.
- **Sustainable Aviation Fuels (SAF)** are produced on a very small scale, they are much more expensive than paraffin, and their environmental impact depends on the raw materials used and the way they are produced, and it is not always small.
- **Low-emission electric or hydrogen aircraft** are still in the research and development phase, and they will not be commercially viable until at least the 2030s.
- **Operational measures**, such as increasing flight occupancy, using more direct routes, or flying more efficiently, are useful, but have limited impact.

To reduce the number of flights, new carbon emission targets, taxes and limits on short-haul travel are being promoted, which some aviation companies oppose.

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70 Murphy, A. **Why ICAO and Corsia cannot deliver on climate**. Transport and Environment. 22 September 2019.
https://www.transportenvironment.org/discover/why-icao-and-corsia-cannot-deliver-climate/

71 EASA, **Emissions Data**
https://www.easa.europa.eu/eaer/topics/overview-aviation-sector/emissions

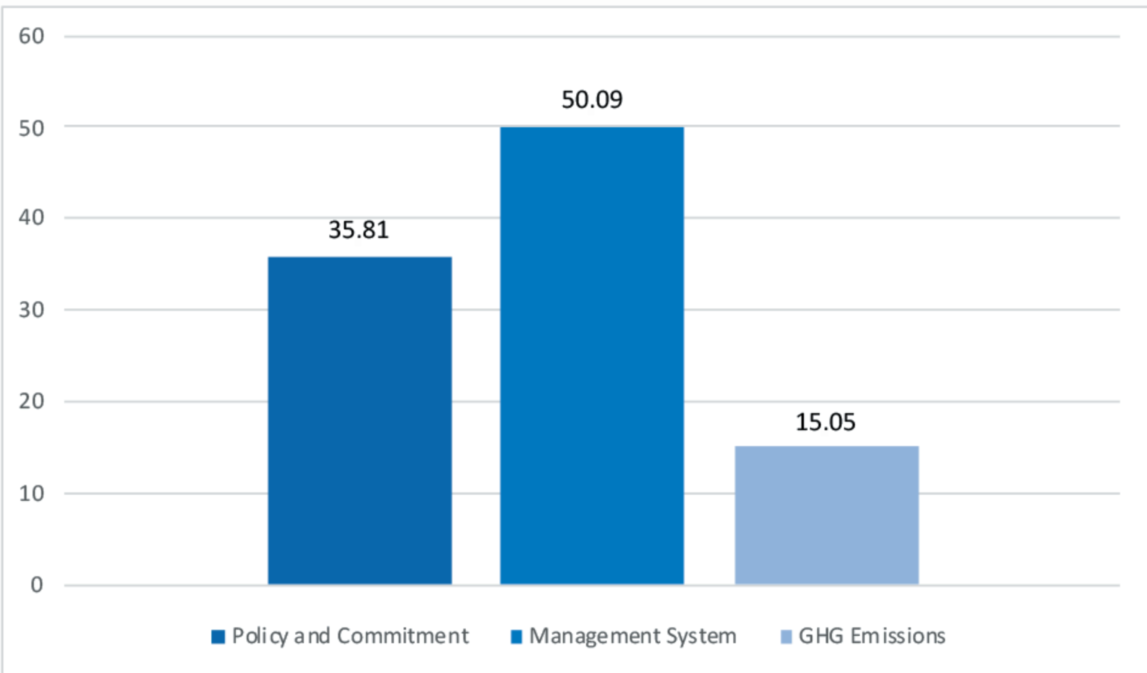
6.1.2 Company results

The score obtained in the climate change analysis is the lowest out of all the four areas analysed. All of the companies obtained a score below 50 points, with only SAS and IAG scoring more than 40 points out of 100.

Table 7: Climate change area results

Total scores: Climate Change				
Company	**Policy and Commitment**	**Management System**	**GHG Emissions**	**Total**
TAP	5	12	10.5	**8.99**
Ryanair	35.33	24	8.5	**21.33**
EasyJet	37.67	53.33	11	**31.37**
Air France-KLM	32	60	17	**33.34**
Lufthansa	38.33	76	10.5	**39.41**
IAG	53.33	65.33	13.83	**41.12**
SAS	49	60	34	**48.57**
Average	**35.81**	**50.09**	**15.05**	**32.02**

Figure 3: Average in each dimension, climate change area



Within the three categories analysed in the climate change area, the companies obtained the highest scores for Management System with an average of 50.09 points, followed by Policy and Commitment with 35.81 points. The category with the lowest scores was GHG Emissions, with an average of only 15.05 points.

Table 8: Evolution of CO_{2e} total GHG emissions (millions of tones)

CO_{2e} total GHG emissions (Millions of tonnes)	2018	2019	2020
Air France – KLM	33.37	34.20	17.09
easyJet	9.58	10.44	539
IAG	38.89	39.91	14.32
Lufthansa	44	44.1	15.1
Ryanair	11.84	12.54	4.96
SAS	4.31	4.21	1.80
TAP	N.I.	N.I.	N.I.

N.I.: No information.
(Based on companies annual report/sustainability reports, 2018-2020)

In 2019, the year before the COVID-19 crisis, all companies apart from SAS increased their emissions. In 2020, all companies decreased their total GHG emissions because of the travel restrictions.

Some of the companies did not report the methodology used to assess their total emissions, whether they include scope 3 or offsets, so the data provided in the table may not be calculated with common criteria, which affects the comparability of the companies' information.

Lufthansa, IAG and AF-KLM are the most polluting companies in terms of total GHG emissions, with reported emissions of more than 30 million tonnes CO_2 equivalent each in the years before the pandemic. At the lower end of the scale is SAS with emissions below 5 million tonnes.

Practice to improve: Information on GHG emissions by TAP is not public. This data is neither in its Management Report, nor in its Sustainability Report, nor on its website, which represents a significant lack of accountability.

Table 9: Evolution of emissions) (G.CO_{2e}/passenger-km)

g CO_2/passenger-km	2018	2019	2020
Air France – KLM	80	79	102
easyJet	71.56	70.41	70.77
IAG	91.5	89.8	106.2
Lufthansa	92	92.2	105.2
Ryanair	66	66	98
SAS	95	95	111
TAP	100	93	112.1

(Based on companies annual report/sustainability reports, 2018-2020)

In 2019, the CO_2 emissions per passenger-km are **between 66 and 95 g** (although there could be some differences in the calculation method used). The emissions per passenger-km rocketed in 2020 because of the lower aircraft occupancy rate. However, this indicator does not measure the real impact on climate change because it does not consider the non-CO2 emissions and where they are emitted.

Ryanair is proud to have one of the lowest CO_2 emissions per passenger-km in the sector (66 grams[72]). However, it does not provide information on how these are calculated, whether they are "absolute" or "net" emissions, and whether they include "scope 3" emissions or not.

Analysing the evolution of this indicator over a longer period of time, it can be seen that the **reductions are slowing down, because it depends on variables with a limited margin of improvement in the medium-term** (if one company has aircraft occupancy of 90% it only has a 10% margin of improvement before reaching the maximum). For the future, Ryanair has committed to reduce its CO_2 emissions per passenger-km to below 60 grams, which is 10% lower than the current rate of 66, meaning its average reduction will be **0.6 g/pkm per year, far less than the average reduction of 2.0 g/pkm per year in the last two decades.**

In any case, emissions per passenger-km is not a good indicator for total emissions, because companies can reduce this indicator but still increase their total emissions.

In addition, the emissions per passenger-km is dependent on the share between short and long haul flights, with ultra-short haul flights having the highest emissions per pkm.

72 Ryanair press release: **Ryanair Continues To Promote Sustainability Voluntary Carbon Offset To Increase From €1 To €2 From April** . 10 February 2020. https://corporate.ryanair.com/news/ryanair-continues-to-promote-sustainability-voluntary-carbon-offset-to-increase-from-e1-to-e2-from-april/

Good practice	SAS has a commitment to reduce its total emissions and its data shows that it is implementing it, reducing its emissions in 2018 and 2019 compared to 2017.
Good practice	In 2020, easyJet hardly increased its emissions per passenger at all. The reduction of the occupancy rate was mitigated by operational efficiency measures.
Practice to improve	All the companies analysed except SAS increased their absolute carbon emissions in 2018 and 2019, which is counter to their supposed commitment to the fight against climate change.
Practice to improve	Ryanair claims to be “Europe’s cleanest, greenest airline” because its CO_2 emissions per passenger-km are lower than its competitors. However, its total emissions increased by 7.56% in 2018 and by 5.89% in 2019, so it is not making a real effort to limit its emissions. It also advertises that “Aviation is the most efficient form of mass point-to-point transport”, which is not true, and minimises the importance of emissions from the aviation sector, saying that they only account for 2% of EU man-made CO_2 emissions.

6.1.2.1 Policy and commitment

INDICATOR		Number of companies		
		2018	2019	2020
Does the company have an absolute (not net) emission reduction target in the short- medium-term?	C	1	1	1
	N.R	0	0	0
	N.C	6	6	6
	N.A	0	0	0
Does the company aim to be carbon neutral by 2050 or before?	C	0	1	2
	N.R	0	0	0
	N.C	7	6	5
	N.A	0	0	0
Does the company have targets by 2030?	C	3	4	5
	N.R	4	3	2
	N.C	0	0	0
	N.A	0	0	0
Does the company have short-term targets (less than 5 years)?	C	2	2	2
	N.R	5	5	5
	N.C	0	0	0
	N.A	0	0	0
Does the company have annual targets?	C	0	0	0
	N.R	7	7	7
	N.C	0	0	0
	N.A	0	0	0
Has the company increased its climate commitment in the bailout year?	C	0	0	2
	N.R	0	0	0
	N.C	0	0	5
	N.A	7	7	0

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company’s score.

No company, except SAS, has absolute emissions reduction targets. In the case of SAS, there is no clear information on how it will achieve its target, and whether this is related to the use of biofuels, or if palm oil biofuels will be excluded.

In 2018, no airline had committed to be carbon neutral by 2050, and most were adhering to IATA's commitment to halve their emissions by 2050. However, in 2019, IAG made the commitment to be carbon neutral by 2050, and Lufthansa followed in 2020. In 2021, IATA approved a resolution for the global air transport industry to achieve net-zero carbon emissions by 2050, and **more companies are expected to take up this new goal in the coming years.**

The companies do not provide precise information on how they are going to achieve this new commitment, which undermines their credibility, also taking into account the non-compliance with previous commitments and the trend of the last few years in which they have gradually increased emissions. For example, IAG plans reductions by 2050 from new aircraft and operations, the use of Sustainable Aviation Fuels and market-based measures and offset, but the reductions allocated to each strategy have changed from 2019 to 2020.

The number of companies that have set reduction targets by 2030 is gradually increasing (3 in 2018, 4 in 2019 and 5 in 2020). EasyJet and TAP have not yet set these reduction targets for 2030. Only easyJet and IAG have concrete short-term (less than 5 years) commitments, and no company has annual commitments.

Only two companies, IAG and SAS, increased their climate commitment in the bailout year.

Good practice	In 2018 SAS set a target to reduce its total carbon emissions by 25% by 2030 compared with 2005. During 2020, SAS decided to accelerate its efforts to reduce 25% of total CO2 emissions (compared to 2005 levels) by 2025 instead by 2030. The company has identified the possibility of achieving a potential reduction of up to 50% in total CO2 emissions by 2030 (compared to 2005), if the prerequisites are right and a supportive regulatory framework is put in place.
Practice to improve	TAP does not have an environmental policy that seriously addresses the reduction of greenhouse gas emissions, nor does it have clear reduction targets. On the other hand, a large part of the environmental measures it is implementing, such as eliminating single-use plastics, promoting the acquisition of sustainable materials and products, or reducing the production of solid urban waste, have a very low impact on the company's total carbon emissions.

6.1.2.2 Management system

INDICATOR		Number of companies		
		2018	2019	2020
Does the company have an environmental management system, including a climate change variable?	C	6	6	6
	N.R	1	1	1
	N.C	0	0	0
	N.A	0	0	0
Is the climate change policy supervised by a responsible person in senior management?	C	6	6	6
	N.R	1	1	1
	N.C	0	0	0
	N.A	0	0	0
Does the company's remuneration for senior executives explicitly incorporate climate change performance?	C	1	1	3
	N.R	6	6	4
	N.C	0	0	0
	N.A	0	0	0
Does the company identify the main climate risks within its business?	C	7	7	7
	N.R	0	0	0
	N.C	0	0	0
	N.A	0	0	0

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

All airlines except TAP have an environmental management system, including a climate change variable, and most have implemented the ISO 14001 certification.

Climate change policy is usually supervised by a responsible person in senior management, but only Lufthansa, since 2018, and easyJet and IAG, since 2020, have linked the remuneration for senior executives explicitly to carbon emissions. However, these companies have not committed to annual targets for absolute reductions in carbon emissions.

All companies identify the main climate risks within their business. In 2020, all companies except TAP reported their climate information with the Carbon Disclosure Project (CDP) framework, with scores between IAG's A- (Implementing Current Best Practices) and AF's or Ryanair B- (Taking Coordinated Action on Climate Issues).

Good practice	In 2020, IAG implemented new management incentives explicitly linked to climate targets. These incentives were agreed by IAG's Management Committee, Remuneration Committee and Board in 2019, resulting in 60 of the most senior executives across the Group, including the IAG Chief Executive Officer, having a proportion of their annual incentives linked to the achievement of annual carbon intensity targets. Although the inclusion of these criteria can be seen as a positive element, companies should consider metrics related specifically to GHG emissions, and not just carbon intensity.
Practice to improve	Although Directive 2014/95/EU on the disclosure of non-financial and diversity information requires large companies to report all risks of their activities, the companies analysed only identify the main climate risks within their business, but not outside their business, as if greenhouse gas emissions do not generate risks for the environment and people.
Practice to improve	Despite IAG declaring an ambitious commitment on climate change, it has many areas for improvement. From 2014 to 2019 it increased its emissions by 30.7%, (from 30.52 to 39.91 million tonnes of CO_2e).

6.1.2.2 GHG emissions

Companies' plans to reduce emissions typically include the following measures:

- Fleet modernization
- Contribution to aeronautical research
- Sustainable aviation fuel
- Operational measures
- Supporting the implementation of the CORSIA scheme
- Regulatory and proactive offsetting
- Carbon offsetting programs for customers

However, these measures are failing to reduce total emissions.

Many companies established environmental plans more than ten years ago, but did not report in detail on their compliance when the deadline was reached (e.g. AF-KLM). In some cases, commitments and targets were not met and no information is provided to explain the reasons for this.

Table 10: Evolution of total emissions (CO_{2e}), 2018-2020

How has the company changed the total emissions (CO_2e) in the last year?	2018	2019	2020
Air France – KLM	+1.47%	+2.51%	N.A
easyJet	+704%	+9%	N.A
IAG	+5.70%	+2.62%	N.A
Lufthansa	+7.24%	+1.53%	N.A
Ryanair	+7.56%	+5.89%	N.A
SAS	-1.44%	-2.39%	N.A
TAP	N.R	N.R	N.A

(Based on companies annual/sustainability reports, 2017-2020)

Note: N.R: Not Reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator; N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

According to the annual reports of the companies, all companies except SAS increased their total emissions in the two years before the bailout year. The annual variations ranged from a 9% increase for easyJet in 2018 to a 2.39% decrease for SAS in 2019, showing significant differences between companies. The variations in emissions are mainly related to the variations in the number of passenger-km transported, as can be seen by comparing these two variables. **The two airlines with the highest growth in emissions during 2018-2019 are easyJet and Ryanair,** the two companies specialised in short haul, low-cost and vacation travels.

Ryanair does not report on its Scope 1, 2 and 3 emissions, and TAP does not provide any information about its total emissions.

Table 11: Evolution of gCO_2/PKM emissions, 2018-2020

How has the company changed the gCO_2/pkm in the last year?	2018	2019	2020
Air France – KLM	0%	-1.25%	N.A
easyJet	-1.24%	-1.61%	N.A
IAG	-0.87%	-1.86%	N.A
Lufthansa	-4.5%	+0.22%	N.A
Ryanair	-1.47%	0%	N.A
SAS	-1.04%	0%	N.A
TAP	-0.1%	-7.0%	N.A

(Based on companies annual/sustainability reports, 2017-2020)

Note: N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

All companies except Lufthansa decreased or maintained their records compared to 2018. As the two tables above show, easyJet reduced its emissions per pkm by 1.61% in the same year that it increased its total emissions by 9% (2019), and SAS did not reduce its emissions per pkm when it reduced its total emissions by 2.39% (2019), which shows that there is no correlation between these two indicators. **Advertising emissions per passenger-kilometer (pkm) as an indicator of good climate performance is misleading**.

INDICATOR		Number of companies		
		2018	2019	2020
Has the company used Sustainable Aviation Fuels (SAF)?	C	2	3	4
	N.R	5	4	3
	N.C	0	0	0
	N.A	0	0	0
Does the company provide information on the % of SAF used?	C	1	2	2
	N.R	5	5	5
	N.C	0	0	0
	N.A	0	0	0
Has the company supported any SAF programme?	C	5	5	5
	N.R	2	2	2
	N.C	0	0	0
	N.A	0	0	0
Is the company offsetting part of its flights?	C	7	7	7
	N.R	0	0	0
	N.C	0	0	0
	N.A	0	0	0
Is the company offsetting 100% flights?	C	0	0	1
	N.R	0	0	0
	N.C	7	7	6
	N.A	0	0	0
Is the company offering to offset flights?	C	7	7	7
	N.R	0	0	0
	N.C	0	0	0
	N.A	0	0	0

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

The use of Sustainable Aviation Fuels (SAF) is gradually increasing, but it is still negligible. In 2018, SAFs were used by IAG and SAS, joined by AF-KLM in 2019, and Lufthansa in 2020. EasyJet, Ryanair and TAP do not report the use of SAFs.

Only SAS and AF-KLM provide information on the percentage of SAF used since 2019, and the reported use is very low. For example, AF-KLM reported SAF consumption of 6.9 ktons in 2019 (0.08% of the conventional aviation fuel used that year) and 0.2 ktons in 2018 (0.005% of conventional aviation fuel used that year).

IAG boasts a strong commitment to SAF, and is investing 400 USD million in SAF production over the next two decades (since 2017). However, 400 USD million over 20 years is only 20 USD million per year, a small proportion of the total fuel budget. **In 2018 and 2019 IAG did not provide information about investments, and in 2020 declared that 0.5 GBP million was invested in the Altalto waste-to-jet fuel plant**. Currently in 2021, IAG has committed to power 10% of their flights with SAF by 2030 but the company has not indicated the amounts it will use each year, or whether it will report this data.

All companies except easyJet and Ryanair claim to support the SAF programme, but do not provide information about their investment. Lufthansa supports the development of synthetic kerosene based on waste materials, ligneous biomass and renewable electrical energy (power-to-liquid – PtL).

Most companies are members of associations such as the Roundtable on Sustainable Biomaterials (RSB), the Sustainable Aviation Fuel Users Group (SAFUG), the ART Fuels Forum, or the European Advanced Biofuels Flightpath. Some of these associations lobby on the regulation of SAF.

Some companies, for example IAG, are against SAF regulations arguing that “the EU proposal to impose a sustainable fuel quota for the aviation sector would boost production but would force airlines to buy sustainable aviation fuels at a higher price compared to conventional fuels, creating a competitive distortion”.

Companies have environmental criteria for SAF, for example SAS’ **sustainability criteria** for biofuels are that the production is sustainable in the long-term, does not compete with food production or access to potable water, does not harm biodiversity and uses as little land area as possible. However, there is not a clear analysis of the environmental impact of the SAS’ production on a huge scale.

Regarding the development of aircraft based on other technologies, easyJet has been supporting **Wright Electric** over the last three years in its aim to produce an all-electric 186 seat commercial aircraft, the Wright 1, which could be used for short-haul flights. Wright intends to conduct ground tests of its motor in 2021 and flight tests in 2023. The company announced a formal partnership with Airbus to discuss hydrogen and electric aircraft concepts. SAS participates in The Nordic Network for Electric Aviation, managed by RISE.

However, Airbus plans to develop a zero-emission commercial aircraft for entry into service by 2035, and SAS does not expect to have 10-15 seats with a one- to two-hour flight range before 2030, and 100-150 seat aircraft with a typical short-haul range before 2040. Therefore, the new aircrafts will not produce emission reductions in the short-term.

All airlines plan to renew their fleet to make it more efficient and less polluting, and in 2020 the companies have phased-out the most-polluting aircraft, but only IAG and SAS have reduced the average age of their aircraft between 2018 and 2020. In a period of financial difficulties and aircraft surpluses it will be difficult for companies to prioritise the purchase of new aircraft.

Table 12: Average age of the fleet (years), 2018-2020

Average age of the fleet (Years)	2018	2019	2020
Air France – KLM	11.3	11.6	12.1
easyJet	7	7.4	8
IAG	11.3	11.4	10.6
Lufthansa	11.9	12.1	12.5
Ryanair	6.7	7	8
SAS	9.9	10.2	8.6
TAP	N.R	N.R	N.R

(Based on companies annual/sustainability reports, 2018-2020)

Note: N.R: Not Reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator

The average age of the fleet ranged between 8 years for easyJet and Ryanair, and 12.5 years for Lufthansa. Fleet renewal reduces airlines' emissions, but if old aircraft are sold or leased to other airlines, the sector's global emissions are not reduced.

All companies are subject to the EU ETS regulation and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) instrument that has been explained above in the section on the conceptual framework of climate change

All companies offer to offset flights to their clients. The percentage of emissions offset is low, and information on all of the projects supported is not always available. Some companies report the standard of the projects supported, for example, Lufthansa projects with CDM Gold Standard and Plan Vivo, and TAP projects certified by the United Nations.

Only easyJet has committed to offset its organisation's direct carbon emissions (scope 1 and 2), since 2020.

Practice to improve	Air France has planned a reorganization of the short-haul operation, and the Group has not bought new planes for short-haul flights in the last three years, but these actions are more oriented to promote its low-cost subsidiary company than to improve sustainability, as the company is declaring.
Practice to improve	Companies claiming to support the development of Sustainable Aviation Fuels (SAFs) and new technologies for aircraft do not report on the financial resources they are devoting to these activities, so it is not possible to measure their real commitment.
Practice to improve	The four companies using SAF (AF-KLM, IAG, Lufthansa and SAS) do not provide detailed information on the origin of the SAF used, e.g., whether they come from agriculture/forest products, waste, synthetic or if all of them are produced with renewable energy. Thus, it is not possible to know the environmental and social impacts of their use of SAF.
Practice to improve	Ryanair takes a clear stance against environmental taxes and communicates publicly on this issue, even though green taxes are an efficient way of applying the "polluter pays" principle.
Practice to improve	Ryanair claims to be investing heavily in renewing its fleet, yet from 2018 to 2020 the average age of its fleet has risen from 6.7 years to 8 years.

In conclusion, although all companies have commitments and policies related to climate change, their performance is not in line with the Paris agreement commitments to keep the average global temperature increase below 1.5 °C compared to the pre-industrial era. Only SAS has been reducing its absolute carbon emissions during the last three years.

Most companies use the carbon emissions per passenger-km as a key climate indicator, but this indicator does not allow tracking of total emission reduction, which is the key indicator in tackling climate change.

The companies' plans to reduce emissions are usually through fleet modernisation, even though five out of the 7 companies analysed have increased the average age of their fleet since 2018. Also they have contributed to aeronautical research, although the amount of resources they allocated to this type of research is not clearly stated. Furthermore, these companies are using Sustainable Aviation Fuels (SAF), however no airline except easyJet has committed to offsetting 100% of their emissions. These facts cast doubt on the real commitment of companies in the fight against climate change.

Finally, only two companies, IAG and SAS, increased their climate commitment in the bailout year, despite the money and public support they have received.

In general terms, accountability in relation to climate change on the part of the companies analysed could be improved. There is a lack of transparency on emission measurement methodologies, in some companies it is not known whether the data presented in relation to emissions includes Scope 1, 2 and 3 as a whole, or only some of them. These aspects mean that the information provided is sometimes not comparable between companies. On the other hand, there is a lack of accountability in terms of the objectives set out in strategies or plans from previous years, without a reasoned explanation of the deviation in terms of some of the objectives (emissions) or the means to achieve them (eg. reduction of the average life of the fleet when the objectives in previous years were to reduce them, or the use of a percentage of Sustainable Aviation Fuels by a certain date).

There are also contradictions between the commitments to fight climate change and the economic and political advocacy strategy. Examples include the expansion of short-haul flights by some airlines such as IAG, and the opposition to environmental taxes or the establishment of sustainable fuel consumption quotas through regulation.

RESULTS BY AREA
Labour

6.2. Labour

6.2.1 Labour conditions in the airline sector

Working conditions in the airline industry have been the subject of intense debate in recent years. According to a European Parliament briefing, aviation directly employs between 1.4 and 1.9 million people in the European Union, and supports 9 million indirect jobs.[73] Working conditions in aviation have traditionally been better than in other transport sectors, especially in terms of wages. However, according to the European Parliament briefing, the working conditions of the recently incorporated personnel (especially in the low-cost airlines, such as Ryanair or easyJet) are becoming more precarious with the emergence of various forms of 'atypical' employment: "agency work, self- employment, zero-hour contracts and pay-to-fly schemes are increasingly being used, especially for younger staff and for those entering the workforce for the first time. However, the majority of air transport workers still have a direct contract with the employer".

These contracting modalities, which stem from corporate objectives of "flexibilisation" of the airline workforce, have impacts for employees, such as lower or irregular remuneration, lower social security coverage and greater difficulties in access to schemes derived from collective bargaining, in many cases. A study from the University of Ghent, funded by the European Commission, states that.

"Whilst from a legal perspective, atypical forms of employment may not necessarily be problematic, there is rising concern that the application and usage thereof may be subject to potential abuse, to the detriment of the pilots and cabin crew members concerned. Indeed, cost-efficient techniques such as the use of atypical employment are a result of heightened competition and the prevalence of new business models that emerged in the liberalised competitive aviation market. Unfortunately some of these techniques have proven detrimental to both fair competition and workers' rights".[74]

The Ghent University study mentions that the regulatory frameworks of European Union countries are generally not adapted to the new labour reality of the sector, and in particular, to these new forms of labour relations. The legislation is characterised by "leaving room for elaborate subcontracting chains and elaborate social as well as fiscal engineering. As a result, the competition nowadays is a true race to the bottom, which affects fair competition and workers' rights as well as raises important issues in the field of safety and liability".

In view of the above, it is possible to affirm that atypical forms of employment are part of "efficiency" programmes that prioritise the reduction of labour costs, in many cases without sufficiently addressing other aspects related to operations, such as the renewal of the fleet or financial efficiency through aggressive dividend policies and having managers with millionaire salaries. According to a report published by the European Transport Working Federation (ETF) in 2019:

"Continuous pressure to reduce costs that started within the low fares sector and spilled over to the network or full-service carriers has intensified competition. As a result, airlines are increasingly focusing on wages and working conditions and exerting an enormous pressure to cut prices of all their service providers. This creates a never-ending downward spiral for aviation workers. The ETF insists that the European aviation industry including all of its sub-sectors (airlines, ground handling, security, air navigation services, etc.) must offer fair opportunities for all stakeholders and rogue competition under the pretext of "getting cheaper airfares" should not be allowed".[75]

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73 Juul, M. Employment and working conditions in EU civil aviation. European Parliament. April 2016.
https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/580915/EPRS_BRI(2016)580915_EN.pdf

74 Jorens, Y, Gillis, D., Valcke, L. & De Coninck, J. Atypical Forms of Employment in the Aviation Sector. European Social Dialogue, European Commission and Ghent University.
2015. https://www.eurocockpit.be/sites/default/files/report_atypical_employment_in_aviation_15_0212_f.pdf

75 Jorens, Y. **Fair Aviation for All**. European Transport Workers' Federation. January 2019.
https://www.etf-europe.org/wp-content/uploads/2019/02/Fair-Aviation_ETF-Brochure.pdf

The ETF report mentions that this dynamic of downward competition in terms of labour rights does not only affect the companies in the sector themselves. On the contrary, it is also influencing labour legislation in the EU: countries like Ireland, with tax and labour regulations that benefit airlines, manage to attract tax and social security revenues. As part of this downward competition, other countries are inclined to adopt similar policies to attract investment, harming labour standards at the national and regional level. As a result, workers are seeing their wages, working conditions and social security protection worsen, and their ability to effectively influence collective bargaining is decreasing.

In a sector characterised by its high geographical mobility, companies try to find strategies to minimise their tax and social security costs by favouring territories with more advantageous conditions, even at the expense of workers' labour rights. This reality is clearly seen in the case of Ryanair, which, as will be explained in the following pages, has received numerous complaints in recent years for its "peculiar" home-based policy, where the company registers a large portion of its employees under Irish labour law, even when they reside and carry out most of their work in other European countries.[76] According to Reuters: "Europe's largest low-cost carrier has traditionally employed a significant proportion of its staff under Irish law, which unions say inconveniences staff and impedes them from accessing local social security benefits".[77] Regarding this issue Politico.eu considered that Irish employment law is more liberal than in many other European jurisdictions, and "makes it easier to fire workers and harder to sue employers".[78]

6.2.2 Labour rights in the context of the COVID crisis

As will be analysed in the following pages, the COVID-19 crisis had an unprecedented impact on the number of employees of the 7 companies analysed, which on average reduced their workforce by 14% between 2019 and 2020. In addition to the decrease in their workforce, the airlines adopted other measures related to the reduction of labour costs. Partially, this reduction was made through voluntary agreements to interrupt or reduce working hours. However, the different government job support schemes were the key element when it came to "alleviating" the labour cost in the context of discontinuity of their activities.[79] These schemes included mechanisms such as temporary employment regulation (temporary cessation with payment of unemployment benefits), as well as reduction or postponement of social security contributions or related taxes. In the EU, most of these measures at the national level were financially supported by the Temporary Framework; its general characteristics are set out in Chapter 4 on bailouts.[80]
The measures to reduce labour costs in response to the emergency were presented by the airlines as painful decisions, but necessary to guarantee their immediate survival. In the context of exceptionality and immediacy, under the threat of bankruptcy, opportunities for workers to influence the strategic decisions of companies and governments were largely limited. Employees with precarious conditions were more exposed to the risk of losing their job without compensation, or having less access to social protection measures than employees with stable contracts and greater seniority.[81]

As will be analysed in the following pages, the uncertainty about the future of the sector means that in the short and medium term the airlines analysed in this report do not consider returning to previous levels of employment, and the need to reduce the workforce is expressly stated, beyond the large number of layoffs in 2020. It is necessary to raise a concern about the risk that some of the flexibilisation measures applied as a result of the crisis will be permanently incorporated into the labour relations between employees and companies, resulting in an economic recovery based on precarious conditions for workers and an increase in inequalities. A report from the European Trade Union Institute (ETUI) on the impact of the pandemic on

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76 **EU orders Ryanair to meet European rules on local contracts**. Reuters. 27 September 2018.
https://www.euractiv.com/section/economy-jobs/news/eu-orders-ryanair-to-meet-european-rules-on-local-contracts/

77 Psaledakis, D. & Blenkinsop, P. **EU orders Ryanair to meet European rules on local contracts**. Reuters. 26 September 2018.
https://www.reuters.com/article/us-ryanair-hldgs-unions-eu-idUSKCN1M61ZL

78 Saeed, S. **Ryanair protests put Irish labor law in the spotlight**. Politico. 6 August 2018.
https://www.politico.eu/article/ryanair-strike-august-flight-cancel-protests-put-irish-labor-law-in-the-spotlight/

79 ILO. **Country policy responses**.
https://www.ilo.org/global/topics/coronavirus/regional-country/country-responses/lang--en/index.htm

80 European Commission. *State Aid Cases*.
https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic/state-aid-cases_en

81 Berg, J. **Precarious workers pushed to the edge by COVID-19**. ILO. 20 March 2020.
https://iloblog.org/2020/03/20/precarious-workers-pushed-to-the-edge-by-COVID-19/

labour relations argues that the crisis has exacerbated the dynamics of inequality caused by decades of deregulation, especially impacting the most vulnerable groups and those with more precarious working conditions.[82] ETUI emphasises the need to reverse this situation and face emerging challenges through an economic recovery based on social and territorial solidarity.

To sum up, it should be noted that the pandemic has had an inevitable impact on employment levels in airlines, although it is still too early to offer a diagnosis about its effects on the labour rights of the workforce. The precariousness in the years prior to the crisis, added to the devastating effects of the crisis itself, creates an environment of uncertainty around the hiring and working conditions in the sector. In a context like this, it is essential that the intervention of public institutions and legislators is capable of guaranteeing effective labour protection for workers, regardless of their category or type of contract.

6.2.3 Company results

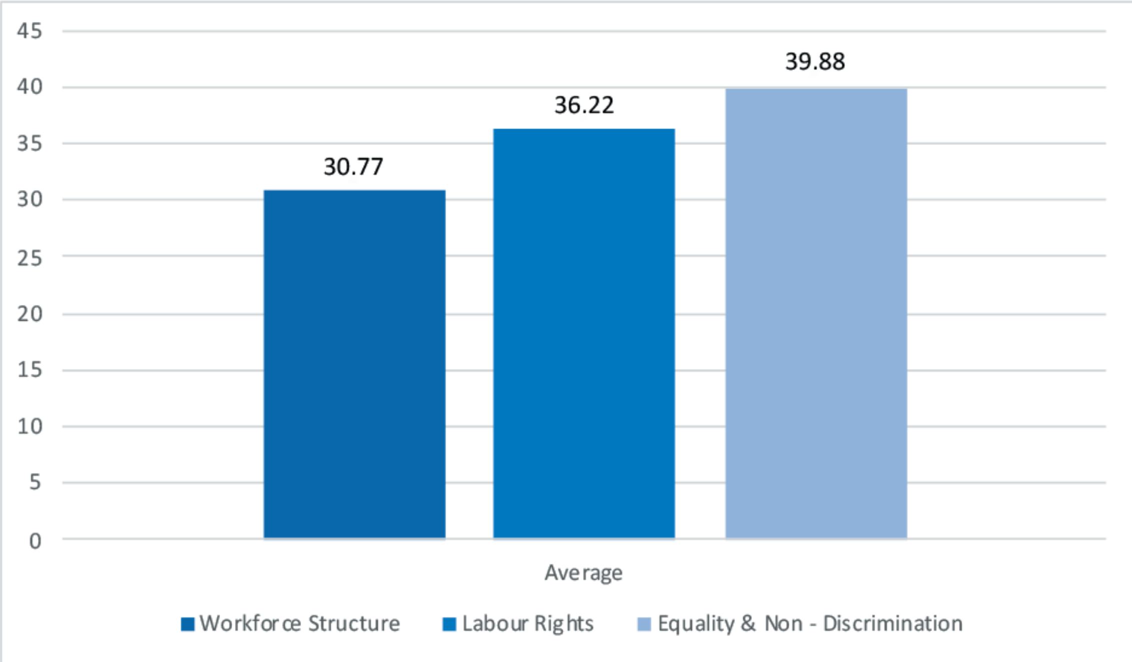
Table 13: Labour area results

Total Labour				
Company	**Workforce Structure**	**Labour Rights**	**Equality & Non Discrimination**	**Total**
TAP	18.61	23.61	12.5	**18.06**
Lufthansa	31.67	22.22	11.67	**19.21**
Ryanair	26.46	22.22	26.67	**26.4**
EasyJet	13.23	19.84	46.67	**31.16**
SAS	19.44	72.22	41.67	**42.06**
Air France-KLM	56.55	45.83	70	**60.79**
IAG	49.4	47.62	70	**60.97**
Average	**30.77**	**36.22**	**39.88**	**36.95**

The average score achieved by the 7 companies analysed in the labour area was 36.95 out of 100. The companies with the highest scores were IAG with a 60.97 and Air France-KLM with a score of 60.79, while TAP and Lufthansa scored the lowest, with scores of 18.06 and 19.21 respectively.

82 ETUI and ETUC. **Benchmarking Working Europe, Brussels,** ETUI. 2020. https://www.etui.org/sites/default/files/2020-12/09%20ETU%20BM2020%20FULL.pdf

Figure 4: Result per category, labour area



The equality and non-discrimination category has highest scores with an average of 39.88, followed by labour rights with 36.22, while workforce structure with 30.77 points scores the least. The workforce structure and labour rights scores remained relatively stable between 2018 and 2020, while equality & non-discrimination shows progressive improvements in the transparency and performance of companies, particularly in the indicators related to gender equality.

6.2.3.1 Workforce structure

In general terms, companies increased their workforce between 2017 and 2019, with a drastic decrease in 2020. Workforce reductions as a result of the COVID-19 crisis are not accompanied by explicit commitments to maintain employment in any case.

Information on the percentage of workers with temporary or part-time contracts is not reported by several companies; in those that do, there is no marked trend in the period analysed. Information on the number and conditions of outsourced workers is even scarcer, with only general reference to certain outsourced activities and commitments to labour rights in the supply chain. As seen before, an increase in these types of contracts may be, under certain conditions, an effect of the precariousness of the workforce.

Finally, information according to professional category is provided by most of the companies, although they do so under general categories (such as flight crew, cabin crew, ground staff or administrative staff) and with a low level of disaggregation in terms of gender, age or levels of remuneration (as will be seen in the next section).

INDICATOR	Results	Number of companies		
		2018	2019	2020
Did not reduce its workforce	C	6	6	0
	N.R	0	0	0
	N.C	1	1	0
	N.A	0	0	7
Provides an explanation of workforce reduction	C	0	0	7
	N.R	1	1	0
	N.C	0	0	0
	N.A	6	6	0
Provides specific data on layoffs	C	0	0	4
	N.R	1	1	3
	N.C	0	0	0
	N.A	6	6	0
Commits to maintain employment	C	0	0	0
	N.R	1	1	1
	N.C	0	0	6
	N.A	6	6	0
Temporary workers do not exceed 20% of the workforce	C	2	2	2
	N.R	5	5	5
	N.C	0	0	0
	N.A	0	0	0
Did not increase % of temporary employees	C	0	1	2
	N.R	6	5	5
	N.C	1	1	0
	N.A	0	0	0
Provides an explanation of % part-time work increase	C	0	0	1
	N.R	6	6	6
	N.C	0	0	0
	N.A	1	1	0
Reports on staff composition by professional category	C	5	5	4
	N.R	0	0	0
	N.C	2	2	3
	N.A	0	0	0
Reports on number/% of outsourced staff	C	0	0	0
	N.R	7	7	7
	N.C	0	0	0
	N.A	0	0	0
Reports on working conditions of outsourced staff	C	0	0	0
	N.R	6	6	6
	N.C	1	1	1
	N.A	0	0	0

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

Workforce reductions

Before 2020, only two airlines reduced their workforces, TAP by 15.52% between 2018 and 2019 and SAS by 1.72% between 2017 and 2018, without providing justification. As mentioned in the chapter on dividends and incentives, 2018 and 2019 were positive years for the industry, with airlines generally performing well financially.

The different ways of reporting workforce figures (eg. at the end of the fiscal year, by monthly average, head-count or full time equivalents) prevents comparability in absolute terms, so percentual increase or decrease has been chosen to present the percentage variation according to what was declared by each company, between 2017 to 2019 and 2019 to 2020.

Table 14: Percentage of increase or decrease in the workforce

Company	2017-2019	2019-2020
Air France – KLM	+3.1%	-8.71%
easyJet	+21%	-1.25%
IAG	+4.12%	-8.21%
Lufthansa	+6.93%	-9.13%
Ryanair	+18.41%	-13.04%
SAS	+11.09%	-34.01%
TAP	-17.86%	-24.77%

(Based on companies annual report/sustainability reports, 2017-2020)

As can be seen, all airlines apart from TAP (-17.86%) increased their workforce between 2017 and 2019, with increases of 21% by easyJet and 18.41% by Ryanair especially striking. The biggest cutbacks between 2019 and 2020 occurred in SAS which reduced its workforce by 34.01%, followed by TAP by 24.77% and Ryanair by 13.04%. In absolute terms, the largest reductions between 2019 and 2020 occurred in Lufthansa (12,577 fewer employees) and Air France-KLM (8,254 fewer employees), while easyJet recorded a decrease of just 185 employees, consolidating the increase in its workforce compared to 2017 despite the crisis.

These workforce reductions resulted in a reduction in salary costs, although this impact was mitigated by the various temporary support mechanisms approved by the different national governments.

Table 15: Total salaries (EUR billion)

Company	2018	2019	2020
Air France – KLM	5.33	5.59	4.66
easyJet	0.75	0.84	0.76
IAG	3.24	3.33	2.24
Lufthansa	7.29	7.45	5.09
Ryanair[1]	984	1.107	472
SAS	675	695	623
TAP[2]	703	679	478

(Based on companies annual/sustainability reports, 2017-2020)

There is not much information on the way that the airlines dealt with redundancies in the context of the COVID-19 crisis. In general, companies do not provide exact data on the number of dismissals, their distribution and their conditions. The information on the dialogue processes with the workers' representatives is reduced to general declarations of good intentions, without addressing problematic aspects.

A unanimous explanation for these workforce reductions is the crisis caused by the pandemic. All companies highlight in their reports that, despite the impact caused by said crisis on the financial statements of the company, they have had "dialogues" with workers and institutions to try "to minimise the jobs losses" through mechanisms of temporary cessation, early retirement or rescissions by mutual agreement. However, there is no explicit commitment to maintaining or recovering employment, nor to facilitate job reintegration for laid-off employees.

The workforce reductions are considered irreversible in the short term due to the uncertain climate for the sector, but there is no expectation that employment levels prior to the crisis will be recovered in the medium or long term: the reduction of the workforce seems to have come to stay, and it is proposed as part of structural adjustment processes, not as a mere temporary response.

1 Total labour costs, salaries not reported.
2 Total labour costs, salaries not reported.

Practice to improve	The workforce reduction reported by easyJet as of September 30, 2020 (185 emplo-yees in respect to 2019) is much lower than that by other airlines, but a staff reduction of around 30% is considered an essential measure to ensure the company's viability, as mentioned on its Annual Report 2020 (p.15): "The sudden and extensive reduction in demand as a result of the pandemic led to the need to right size our operations, to ensure we were able to successfully navigate the unprecedented circumstances. This led to the launch of a number of employee consultation processes on proposals to reduce staff numbers by up to 30%"
Practice to improve	When reporting on the reduction of wage costs, IAG distinguishes between short-term measures (covered by temporary government wage or job support mechanisms) and structural measures (restructuring plans in anticipation of a drop in demand that may last several years) (IAG Annual Report 2020, p.29)
Negative Practice	According to SAS's Annual Report 2020 (p.10): "The temporary layoff schemes available from the Scandinavian governments have been helpful in retaining as many of our em-ployees as possible. (…) However, we unfortunately had to carry out 5,000 redundancies during the year, which were necessary to safeguard our business for the future". According to SAS's Annual Report 2020 (p.10): "The temporary layoff schemes available from the Scandinavian governments have been helpful in retaining as many of our em-ployees as possible. (…) However, we unfortunately had to carry out 5,000 redundancies during the year, which were necessary to safeguard our business for the future". Despite the slight growth in the number of employees between 2018 and 2019, the Group had already expressed its intention to reduce its workforce, as stated in its Annual Report 2018 (p.73): "SAS has previously implemented restructuring measures, and may again need to in the future. These require the company to make key assess-ments of costs for severance pay and other measures to reduce the workforce"
Negative Practice	The reduction of Lufthansa's workforce by 12,577 employees in 2020 is presented by the company as part of a structural adjustment process that will lead to the reduction of 27,000 jobs by 2023 (Lufthansa Annual Report 2020, p.16). It should be noted that the bailouts received do not have specific conditions related to maintaining employment, although they are justified by the granting institutions as strategic investments with a positive impact in this regard.

Temporary and part-time work
As mentioned in the introduction to this chapter, the increase in temporary contract work has usually been associated by employers with positive "flexibility", while for unions it is a symptom of the decay in working conditions of the workforce. Under a tight hiring deadlines, workers may be more inhibited about expres-sing their demands for fear of their contracts not being renewed; furthermore, uncertainty negatively affects their financial, professional and personal planning ability.

A similar trend can be seen with regard to part-time work, which has sometimes been considered merely as a way of reducing costs without facing severance pay. However, recently part-time work has also been associa-ted with positive outcomes from the point of view of labour rights, especially in relation to the work-life balance. Only 2 companies report on temporary work and 3 on part-time work that they record in their templates. The variations reported by the companies for both types of contracts do not allow a clear trend to be infe-rred concerning the impact of the crisis on them.

Only Air France-KLM and IAG report on the percentage of workers with a temporary contract, in both cases at around 5% of the workforce in the period analysed. Regarding workers with part-time contracts, they represent around 30% of Air France's workforce and 25% of IAG's in the period analysed. In the case of Lufthansa, this percentage goes from 29% in 2018 and 2019 to 34% in 2020, a circumstance that the com-pany justifies as part of its restructuring program: Lufthansa is the only company that provides a justification for the increase in part-time workers.

Outsourced staff
As with part-time or temporary work, outsourcing can be seen both positively and negatively: while corpo-rations consider it a tool for operational flexibility, social organisations consider outsourcing as an excuse for large companies to dilute their social and environmental responsibilities through the supply chain, ne-glecting their due diligence duties.

According to an ETF release,[83] "so-called new business models often involve a lack of industrial relations, questionable forms of employment and outsourcing. The European Aviation Safety Agency (EASA) and the European Economic and Social Committee (EESC) admitted that precarious and atypical employment may have adverse effects on safety".

None of the 7 companies provides specific data on the number of subcontracted workers and their working conditions. This topic is barely included by airlines in their annual reports, beyond brief general references to outsourced functions for reasons of operational efficiency or commitments to respect labour rights in the supply chain.

Practice to improve	SAS mentions having subcontracted several operations, but does not report on the number of people who carry out such subcontracted activities. According to the SAS Annual Report 2018, (p.23): "We have continued to outsource some of our ground handling services to improve the efficiency and flexibility of our network. ….Heavier technical maintenance where aircraft are taken out of service for longer periods are outsourced to specialist technical subcontractors."
Practice to improve	SAS is committed to maintaining labour standards similar to those of its own staff, but does not report on which specific standards will be covered by this commitment. According to SAS's Annual Report 2018, (p.46): "SAS requires that employees at subcontractors have proper market-based employment terms and the right to organize into unions".

6.2.3.2 Labour rights

The score for labour rights, with 36.22 out of 100 points, is at an intermediate level within the three categories analysed in the labour area. Only SAS (72.22) exceeds 50 rating points, while easyJet, Lufthansa and Ryanair are at around 20 points.

The highest levels of compliance are found in the dialogue processes with the unions, although it is usually general information and with an optimistic approach, in which labour disputes are barely reflected. Likewise, the low level of reporting on other aspects such as the percentage of the workforce covered by collective agreements or the certification of occupational health and safety systems is striking, as only two companies specifically report on these issues.

83 ETF. **Aviation strategy for Europe: It is time for the Commission to deliver on social issues**. 7 December 2015. https://www.etf-europe.org/aviation-strategy-for-europe-it-is-time-for-the-commission-to-deliver-on-social-issues/

INDICATOR	Result	Number of companies		
		2018	2019	2020
Reports on the existence of a certified occupational health & safety plan	C	2	2	2
	N.R	1	1	0
	N.C	4	4	5
	N.A	0	0	0
80% of workforce covered by collective agreements	C	2	2	2
	N.R	5	5	5
	N.C	0	0	0
	N.A	0	0	0
90% of workforce covered by collective agreements	C	1	1	1
	N.R	5	5	5
	N.C	1	1	1
	N.A	0	0	0
Reports on strikes or labour conflicts	C	3	2	0
	N.R	0	1	1
	N.C	1	2	0
	N.A	3	2	6
Reports on consultation and dialogue processes with unions	C	7	6	7
	N.R	0	0	0
	N.C	0	1	0
	N.A	0	0	0
Salaries/EBITDA ratio did not decrease	C	5	4	0
	N.R	0	0	0
	N.C	2	4	0
	N.A	0	0	7
Reports on personal/familiar reconciliation measures	C	2	3	1
	N.R	4	3	3
	N.C	1	1	3
	N.A	0	0	0
Reports on number/% of workers benefiting from these measures	C	0	0	0
	N.R	7	7	7
	N.C	0	0	0
	N.A	0	0	0

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

Certified occupational health and safety plan
The certification of occupational health plans and systems is important because it allows the company to have an accurate and objective diagnosis by independent external experts. In this way, the company can verify the quality of its management model in this area, detecting possible weaknesses and identifying improvement strategies to guarantee a safe and healthy work environment. One of the most recognised certification standards in recent years has been the British Occupational Health and Safety Assessment Series (OHSAS) 18001,[84] although it has recently been superseded by the standards of the ISO 45000 family, in particular ISO 45001:2018[85] (Occupational Health and Safety Management Systems). A widely recognized standard in the airline industry is the Operational Safety Audit (IOSA), part of a program designed by IATA[86] "to assess the operational management and control systems of an airline".[87]

In general, the airlines analysed mention having health and safety systems with high quality standards and full coverage of their activities, but they do not provide evidence of their certification by external experts in independent audits. These companies report certifications in other areas that may be related (such as quality or environment), but they are not specific certifications in occupational health and safety issues. Only two companies (Air France-KLM and SAS) mention having occupational health and safety plans or systems verified under independent standards at the airline group level.

In the case of Air France, it reports having its health and safety system certified under OHSAS 18001; it also has the IOSA certification. In the case of SAS, only IOSA certification is reported.

Collective labour agreements coverage
According to the ILO, collective bargaining is "a voluntary process used to determine terms and conditions of work and regulate relations between employers, workers and their organisations, leading to the conclusion of a collective agreement. Collective bargaining has the advantage that it settles issues through dialogue and consensus rather than through conflict and confrontation."[87]

Negotiation between companies and employees (through organisations that represent their interests) is therefore a constructive and beneficial process for organisations. A well-managed collective bargaining system has a positive impact on the generation of adequate work environments, facilitating the exercise of labour rights and avoiding the escalation of conflicts with workers.

Collective bargaining must have clear procedures and appropriate mechanisms, guaranteeing that the interests of both parties are adequately considered in decision-making. In accordance with ILO's Collective Agreement Convention, "collective bargaining should not be hampered by the absence of rules governing the procedure to be used or by the inadequacy or inappropriateness of such rules".[88]

Only two companies report on the percentage of the workforce covered by collective agreements: IAG and SAS. In the case of IAG, this coverage decreased slightly between 2018 (89%) and 2020 (86%). Regarding SAS, the coverage is practically total, according to SAS's Sustainability Report 2018, (p.18): "99.9% of all SAS employees are covered by collective bargaining agreements, with the main exception of senior management at Group level".

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84 ISO. **Sistemas de Gestión de Riesgos y Seguridad**.
https://www.isotools.org/normas/riesgos-y-seguridad/ohsas-18001/
85 ISO. **Occupational health and safety management systems** — Requirements with guidance for use.
https://www.iso.org/standard/63787.html
86 IATA. IATA **Operational Safety Audit** (IOSA).
https://www.iata.org/en/programs/safety/audit/iosa/
87 ILO. **Q&As on business and collective bargaining.**
https://www.ilo.org/empent/areas/business-helpdesk/WCMS_DOC_ENT_HLP_CB_FAQ_EN/lang--en/index.htm
88 ILO. C154 - **Collective Bargaining Convention**, 1981 (No. 154).
https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C154

Malpractice	Ryanair agreed to start the transition to collective labour agreements at the end of 2017, in a process that has not been free from labour disputes. Ryanair considers this transition as a risk for the company, as mentioned in its 2019 Annual Report (p.66): "Each country within the EU has different rules and rates in relation to the calculation of employee and employer social insurance contributions and any increase in the rates of contributions will have a material adverse effect on Ryanair's cash flows, financial position and results of operations". According to a report by the European Transport Workers' Federation (ETF) issued at the end of 2019: "While the company has announced progress in its relationship with trade unions, the punitive management style and anti-union behavior has in a number of significant instances continued (…) Ryanair terminates workers who raise concerns internally, warns crew off reporting and then terminates workers who become whistleblowers publicly. They threaten to or actually close bases where crew exercise their right to strike or take legal action against the company".[89]
Practice to improve	Lufthansa reports collective agreement coverage for the first time in 2020, but does so only for its workforce in Germany (83%).

Labour conflicts and dialogue processes

Information provided by the companies analysed on dialogue processes with unions is generally limited to highlighting commitments to collective bargaining, sometimes mentioning some of the main agreements reached in recent years.

For example, in the case of easyJet, as stated in its Annual Report 2018, (p.47):

"Each of the European countries in which easyJet operates has localised employment terms and conditions. As such its pilots and crew are members of 20 trade unions across eight countries. There are also an additional 11 consultative bodies, including five works councils and a European Works Council, that operate under EU legislative guidance. easyJet seeks to maintain positive working relationships with all trade unions and other representative bodies and has a framework in place for consulting and engaging with trade unions and consultative bodies."

SAS mentions in its Annual Report 2018, (p.45):

"In 2018, SAS signed two agreements with cabin crew unions in Norway. SAS also modified its agreements with the cabin crew unions in Denmark and Sweden. The agreements will enable SAS to achieve efficiency targets, set in the cost program currently being implemented, relating to these important labour groups. During 2017, SAS agreed three-year collective agreements with the pilot unions in Denmark, Norway and Sweden"

However, information on the content of the agreements reached and the conditions under which the negotiations with the workers took place is rather scarce. The problematic aspects are not addressed by the companies, which are limited to showing the "friendly face" of their collective bargaining processes. This bias can be seen between 2018 and 2019, reaching its maximum expression in 2020 where the workforce reduction processes are presented as the result of a "damage control" strategy agreed upon through social dialogue between the different agents involved, such as the company itself, unions and public institutions. It is emphasised that the dialogue has made it possible to mitigate the loss of jobs, but no reference is made to the demands of the workers' representatives. For example, Ryanair, in its 2021 Annual Report (p.9) mentions having negotiated "modest but sensible pay cuts" with workers. Measures like this were "very difficult discussions set against an extraordinary background of cancelled flights and rosters, with most of our pilots and cabin crew put on Government payment support or furlough schemes, and we are grateful to our people and their unions for these practical and timely agreements, which were concluded to minimize job losses, and pave the way for a rapid recovery of our flights and schedules post COVID."

In particular, information on conflicts and strikes receives little attention in the airlines' annual reports. These conflicts are not reflected, or the companies limit themselves to mentioning the negative impacts of the same on the public image and economic results of the company, without providing data on the demands of the workers or the way in which disputes were resolved.

89 ETF: **A year of change? Ryanair's industrial relations a year after its big announcement**.
https://www.etf-europe.org/wp-content/uploads/2018/12/ITF-ETF-Report_Progress_at_Ryanair_131218.pdf

In total, the 7 airlines analysed registered at least 18 significant strikes between January 2018 and December 2020. While in 2018 and 2019 there were 8 and 9 strikes respectively, in 2020 there was only one event of this type (the strike that took place in the month of February by the pilots of Hop!, a subsidiary of Air France-KLM). As the following table reveals, the COVID-19 crisis interrupted the intense strike activity in the sector in the preceding years. The interruption is due to force majeure issues (the cessation of activities itself or health restrictions), but in a certain sense, workers may have seen their bargaining power impaired by not being able to make use of this resource.

In a context of exceptional circumstances such as those experienced since March 2020, the demands of the workers seem to have been in the background, which may mean a short and long-term deterioration of labour relations within these companies. The causes of the 2018 and 2019 conflicts remain largely unresolved, and the "cost reduction" measures in the wake of the 2020 crisis may lead to a precarious workforce that reignites these disputes or generates new ones.

Table 16: Main strikes per company, 2018-2020

Company	2018	2019	2020
Air France – KLM	February-May: France	September: Netherlands	February: France (Hop!)
easyJet	-	-	-
IAG	-	July/September: UK September: Spain	-
Lufthansa	April: Germany May: Belgium	October: Germany November: Germany December: Germany	-
Ryanair[1]	March-April: Portugal July: Ireland, Spain, Belgium, Portugal, Italy August: Ireland, Germany, Belgium, Netherlands, Sweden September: Spain, Portugal, Italy, Belgium, Germany, Netherlands	August: Ireland, UK September: Spain	-
SAS	-	April: Sweden, Denmark, Norway	-
TAP	April: Portugal	-	-

(Based on public sources)

Ryanair and Lufthansa stand out for the number of strikes registered, with 6 and 5 relevant strikes respectively between 2018 and 2019. Based on their impact, the case of Ryanair is worth a specific mention, given that in 2018 the low-cost airline experienced strike actions in 9 countries. The New York Times called the July 18 strike action in 5 countries "the biggest that Ryanair has had to grapple with".[90] The strikes the following month hit even harder, and lasted until the end of the summer. The striking staff demanded better pay and social security coverage in accordance with the laws of their countries. According to the BBC, "unions want staff to be given contracts in the countries where they live, rather than under Irish law. They say employing staff under Irish law inconveniences workers and affects their ability to access social security benefits". [91] It should be noted, at a meeting in Brussels on 26 September, that EU social affairs commissioner Marianne Thyssen told O'Leary that "respecting EU law is not something over which workers should have to negotiate, nor is it something which can be done differently from country to country".[92]

It should be noted that the company has a belligerent position regarding this and other conflicts, accusing other companies of participating in a conspiracy against Ryanair. For example, according to a company press release in July, 2018: "These coordinated strike threats are designed to cause unnecessary disruption to customers and damage Ryanair's low fare model, for the benefit of high fare competitor airlines in Ireland and Germany."[93]

The wave of strikes experienced by Air France between February and May 2018 also stands out, due to its scale. This conflict, according to the Group, would have had an impact on its revenues of approximately 335 EUR million. According to EFE: "Air France crew members and ground staff strikes began in February in protest over what they considered a steady loss of purchasing power since 2011 due to inflation, while shareholders continued to make gains".[94] These strike actions in 2018 had an effect also at corporate governance level, as mentioned in Air France-KLM Universal Registration Document 2020 p.9: "On May 15, 2018, following strikes at Air France and the negative result of the staff consultation on the wage agreement, Jean-Marc Janaillac steps down as Chairman and Chief Executive Officer of Air France-KLM and Chairman of the Air France Board of Directors."

EasyJet is the only company that does not report on strikes, and makes no references to it in external sources. In the case of SAS and TAP, there is only one conflict in the analysed period, briefly acknowledged by both companies in their annual documentation.

Malpractice	Ryanair has received trade union complaints in recent years for having made it difficult to exercise the right to strike. In a news story about the August 2019 strike in the company bases in Spain, El Confidencial states that Ryanair pilots "have accused the airline of violating the right to strike by imposing 100% minimum services, under threats and coercion".[95] Following these complaints, in March 2021, the Spanish National Court condemned the low-cost airline for violating the freedom of association rights of unions and workers' right to strike. According to El Periódico "the court condemns Ryanair to compensate each union with 30,000 euros and to replace the workers who participated in the September 2019 strike with the monthly productivity bonus amounting to 150 euros per month, from which only the amount 5 euros for each day of participation in said strike".[96]

90 The New York Times. 25 July 2018. **Ryanair, Long Opposed to Unions, Grapples With Strikes in Europe.**
https://www.nytimes.com/2018/07/25/business/ryanair-strike-cabin-crew.html

91 Reuters, BBC News. 28 September 2018. **Ryanair cancels 250 flights as strike action hits tens of thousands**.
https://www.bbc.com/news/business-45667370

92 European Commission press release. **Commissioner Thyssen receives Ryanair CEO Michael O'Leary**. 26 September 2018.
https://ec.europa.eu/social/main.jsp?langId=en&catId=82&newsId=9195&furtherNews=yes

93 Ryanair Group. **Irish Customer Update** – Pilot Strike Thurs 12 July. 10 July 2018.
https://corporate.ryanair.com/news/irish-customer-update-pilot-strike-thurs-12-july/

94 EFE. **Pilots refuse Air France management's offer to end strike action**. 17 April 2018.
https://www.efe.com/efe/english/business/pilots-refuse-air-france-management-s-offer-to-end-strike-action/50000265-3586787

95 EFE. **Pilotos de Ryanair denuncian amenazas y coacciones en el primer día de huelga**. Cotizalia. 19 September 2019.
https://www.elconfidencial.com/empresas/2019-09-19/pilotos-ranyanair-denuncia-amenazas-coacciones-huelga_2241683/

96 Ledo, S. **La Audiencia Nacional sentencia que Ryanair vulneró el derecho a huelga en 2019**. El Periodico. 25 March 2021.
https://www.elperiodico.com/es/economia/20210325/audiencia-nacional-sentencia-ryanair-derecho-huelga-2019-11610800

Salaries/EBITDA ratio
The ratio between salary costs and a company's EBITDA serves to determine the relative weight of salaries in a company's economic results. A decrease in this ratio is indicative of the weight loss of labour costs in relation to other budget items of a company. Therefore, it may mean that the participation of workers in the profit of a company is reduced, with an increase in profits that does not correspond to better salary levels. Given that all companies recorded negative EBITDA in 2020, this data would not be applicable in that year. As can be seen in the following table, there is a diversity of situations in this regard, and a clear trend between the years 2017 and 2019 cannot be inferred.

Table 17:Salaries/EBITDA Ratio 2018-2020

Company	2017 (%)	2018 (%)	2019 (%)
Air France – KLM	159.07	126.35	135.03
easyJet	80.95	83	76.69
IAG	75.15	72.26	61.79
Lufthansa	140.05	145.26	157.95
Ryanair[3]	34.89	53.95	59.01
SAS	109.3	160.6	244.83
TAP[4]	106.8	332.45	142.18

(Based on companies annual/sustainability reports, 2017-2020)

In 4 companies, Air France-KLM, Lufthansa, SAS and TAP, the salary cost is higher than EBITDA. On the contrary, at Ryanair, easyJet and IAG it is lower. The high percentages reached by TAP in 2018 and SAS in 2019 are related to a decrease in operating income, not to substantial changes in the salary structure of these airlines.

Work-life conciliation measures
According to a European Parliament briefing[97]:

"In Europe, more than one worker in five expresses dissatisfaction with their work-life balance. Conflicts between work and other aspects of life can be caused by long hours, difficult schedules or intense periods at work, as well as by the demands of unpaid work in the home, particularly domestic chores and the care of children and the elderly".

Since women take on a greater burden in care work, work-life conflicts will also have a negative effect on gender equality. The report identifies as preferential areas of these policies, on the part of the companies, as flexibility around the place and time of work; such actions should be accompanied by social benefits and leave regulations at the government level. These measures have a positive impact on the well-being of employees and their levels of satisfaction with the company.

3 Labour costs for Ryanair's fiscal year (April - March), salaries not reported
4 Labour costs vs EBITDA ratio, salaries and EBITDA not reported.

97 Davies, R. **Work-life balance Measures to help reconcile work, private and family life**. European Parliament. https://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130549/LDM_BRI(2013)130549_REV1_EN.pdf

Measures for reconciling personal and family life with work activity are an emerging trend in the European context,[98] and are increasingly the subject of demands from trade unions to companies and legislators.[99]

A sector such as air transport implies, especially for the flight crew and cabin crew, the need for long trips and long working hours, with a potential negative impact on work-life balance. Given this particularity of their activities, companies in the sector should provide adequate solutions and public information on their nature and scope. However, it is one of the aspects where there is less transparency in the companies analysed: none of the 7 airlines report on the percentage or number of employees who have benefited from work-life conciliation measures.

Only 3 companies (TAP, IAG and Air France-KLM) provided any of information on the existence of these measures between 2018 and 2020, limiting themselves to general mentions of mechanisms aimed at this issue, as in the case of Air France, which reports in its Universal Registration Document 2019 (p.171), that "to promote a balance between professional and private lives a number of different actions and schemes have been deployed, in particular remote working, access to special part - time arrangements and help with parenting (parenthood booklet). In addition, to support employees who may be contending with personal or professional difficulties more effectively, Air France puts a network of social assistants at their disposal".

Practice to improve	IAG is the only company that reports on work-life conciliation policies and measures in 2018, 2019 and 2020, in language which is reflected in its Non-financial information statement 2020 (p.58): "Throughout the Group, there are various policies and initiatives designed to promote work-life balance. These encompass flexible work policies, such as teleworking and flexible hours depending on the position, and are designed in their entirety to help employees organize their personal and work life. Regarding co-parenting responsibilities, there are policies on part-time work, maternity, adoption, paternity and shared parental leave". However, the company does not provide data on how many employees have participated in these initiatives.

6.2.3.4. Equality and non-discrimination

Equality and non-discrimination is the category that scores highest score in the labour area, however, the levels of transparency and performance of the 7 companies analysed are still low. All of them express, in more or less detail, a general commitment to promoting equal opportunities in their workforce and management. However, these are commitments without explicit goals (quantifiable and with temporary deadlines), and there is little information about the fundamental issue of verifying compliance with them, as in the case of salary gaps based on gender, age or professional category. Measures for the inclusion of people with disabilities in the workforce receive little attention, and the percentage of the total workforce that they represent is usually not even reported.

Women progressively gain space on the boards of directors of the companies analysed, however, their presence in other areas of management remains at a low level or is not reported. Finally, the data collected reveals that the difference between the highest remuneration of management and the average salary of employees continues to be high, despite the reduction of this ratio in 2020.

98 Eurostat. **Reconciliation of work and family life - statistics**. September 2019.
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Reconciliation_of_work_and_family_life_-_statistics&oldid=511883#Conclusions
99 Helferich, B. & Franklin, P. **Trade unions' strategies and good practices to promote work-life balance**. Syndicat European Trade Union.
https://www.etuc.org/sites/default/files/publication/file/2019-10/743-Rebalance-long-EN-web.pdf

INDICATOR	Result	Number of companies		
		2018	2019	2020
Has a specific equality and non-discrimination public policy	C	3	3	3
	N.R	0	0	0
	N.C	4	4	4
	N.A	0	0	0
Commitments to gender equality with quantifiable and time-bound goals	C	4	4	4
	N.R	0	0	0
	N.C	3	3	3
	N.A	0	0	0
Reports specifically on gender pay gap	C	1	1	1
	N.R	5	5	5
	N.C	1	1	0
	N.A	0	0	1
Reported gender pay gap is less than 30%	C	1	1	1
	N.R	5	5	5
	N.C	1	1	1
	N.A	0	0	0
30% of the workforce are women	C	4	5	4
	N.R	0	0	0
	N.C	3	2	3
	N.A	0	0	0
30% of the members of the board of directors are women	C	5	5	5
	N.R	0	0	0
	N.C	2	2	2
	N.A	0	0	0
30% of managers (apart from the board of directors) are women	C	1	3	4
	N.R	3	2	2
	N.C	3	2	1
	N.A	0	0	0
Board or board committees chaired by women	C	3	4	6
	N.R	0	0	0
	N.C	4	3	1
	N.A	0	0	0
Reports on workforce composition by age	C	3	3	3
	N.R	4	4	4
	N.C	0	0	0
	N.A	0	0	0
Reports specifically on age pay gap	C	0	1	1
	N.R	7	6	6
	N.C	0	0	0
	N.A	0	0	0
Reports specifically on professional category pay gap	C	0	1	1
	N.R	7	6	6
	N.C	0	0	0
	N.A	0	0	0

Reports measures for labour inclusion of people with disabilities	C	2	3	4
	N.R	3	2	1
	N.C	2	2	2
	N.A	0	0	0
Reports on number/% of employees with disabilities	C	2	2	2
	N.R	5	5	5
	N.C	0	0	0
	N.A	0	0	0
Reports on difference between highest and average salary	C	1	2	2
	N.R	6	5	5
	N.C	0	0	0
	N.A	0	0	0
CEO remuneration is less than 30 times the average employee salary	C	2	3	4
	N.R	0	0	0
	N.C	5	4	3
	N.A	0	0	0

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

Equality and non discrimination policy and commitments

Three companies, SAS, Air France-KLM and IAG declare that they have specific equality and non-discrimination policies. In the case of IAG, it is a policy related only to equality and diversity in senior management. The remaining four companies do not have public policies specifically dedicated to this issue, although they do include general commitments related to equality and non-discrimination in their annual reports or in codes of conduct or other internal regulations.

Regarding the establishment of quantifiable goals with specific time frames for gender equality, compliance is uneven in the 3 years considered: IAG, Ryanair and Lufthansa report on this throughout the period (2018-2020), however, the commitments are related only to the presence of women in senior management. In the case of Ryanair, this is a commitment to reach 30% female representation on the board of directors by 2020, a goal that it manages to achieve, as will be seen in the next section.

In the cases of IAG and Lufthansa, they undertake to achieve one-third female representation in senior management by the end of fiscal years 2025 and 2021 respectively, with no similar commitments adopted for the general level of the workforce.

In similar terms, Air France-KLM is committed to achieving 40% female representation in the top 10% of top management by 2030. However, the only mention of this commitment is made in 2020. For its part, easyJet committed in two years (2018 and 2019) that 20% of newly hired pilots will be women in 2020, however, in that year the company reports that the commitment was suspended, without providing a new timeline.

Practice to improve	Air France-KLM and SAS have specific public policies for the entire workforce on equality and non-discrimination. However, both companies lack measurable targets and timelines for gender equality in the workforce.

Gender equality performance:
Gender inequality in the world of work is expressed in various areas, the most notable of which are remuneration and promotion or access to managerial positions. In the airline sector, these issues contribute to the shortage of women among pilots, the highest paid sector of the workforce (with the exception of management). The establishment of policies and objectives related to gender equality is a positive element when it comes to tackling the elimination of inequalities in remuneration, access and promotion in the workforce and in managerial functions. But these commitments must be specific and be accompanied by reporting activity on the degree of compliance achieved in the following years.

In the seven companies analysed, there is generally an insufficient degree of transparency regarding their gender equality performance, as well as a degree of compliance that is progressively improving, but is still a long way from effective equality in aspects such as access to management positions.

Regarding the composition of the workforce according to gender, Air France-KLM, easyJet and IAG have more than 40% women among their employees, and SAS reports values around 35%. Lufthansa and Ryanair do not provide data, while TAP only does so in 2019 (42%). Despite this relative equality in aggregate terms, there is a notable pattern of distribution depending on the professional category: in general, the presence of women in the flight crew and management levels is low, while other positions such as cabin crew or ground staff show a predominance of women in their composition.

In relation to this type of inequality, a striking aspect that emerges from this research is the general lack of specific information on the gender pay gap. IAG reports the data for all the Group's companies in 2019 (20.2%) and 2020 (16.8%). easyJet provides this data only for its employees in the UK, reporting a gender pay gap of around 47% in 2018 and 2019.[100]

For its part, Ryanair provides the data only in 2018, reaching a gender pay gap of 64%. As stated on the British Gender Pay Gap Service company's profile: "Because the majority of our UK pilots are male, on average, the hourly pay rate for male employees is 62.2% higher than that for female employees.[101] The median hourly pay rate equivalent for male employees is 64.4% higher than that for female employees". According to a headline in The Guardian, it was "the worst gender pay gap in the airline industry".[102]

An important aspect within the corporate governance of companies is the composition of their board of directors, both in size and diversity. The director selection policies should promote diversity of knowledge, experience, age and gender in its composition. The issue of diversity within the boards of directors is a key element that affects their proper functioning since the decision-making processes improve substantially with the contribution of new points of view. That is why diversity is understood from a broad approach of diversity: gender, age, nationality, training, experience or disability, among others.

The importance of a wide diversity in the boards of directors of companies was included in Directive 2014/95/EU, which creates the obligation for big companies to report on the "policies of diversity of competences and points of view that apply to its administrative body regarding issues such as age, sex, disability, or training and professional experience".[103] Gender equality has been a priority aspect in the recent agenda of the European Union, which has promoted numerous actions aimed at various areas, including in a significant way the labour market[104]. However, according to the Woman on Board Gender Diversity Index 2020, based on an analysis of 668 big companies, women only make up 34% of members of the boards of directors, 28% in managing functions and "17% at the executive level of company decision-makers".[105] These figures are similar in the case of the seven airlines analysed.

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100 UK Government. **Easy Jet 2018/19 Gender pay gap report**.
https://gender-pay-gap.service.gov.uk/Employer/EMxvV2qy/2018
101 UK Government. **Ryanair ltd 2018/19 Gender pay gap report**. 5 April 2018.
https://gender-pay-gap.service.gov.uk/Employer/rrAcOspy/2018
102 Topham, G. **Ryanair reveals worst gender pay gap in airline industry**. The Guardian. 3 April 2018.
https://www.theguardian.com/business/2018/apr/03/ryanair-reveals-worst-gender-pay-gap-airline-industry
103 **Directive 2014/95/EU of the European Parliament and of Council.** 22 October 2014.
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095
104 European Commission. **Gender Equality.**
https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality_en
105 EWOB. **European Women on Boards Gender Diversity Index**. 2020.
https://europeanwomenonboards.eu/wp-content/uploads/2021/01/EWoB-Gender-Diversity-Index-2020.pdf

Regarding the presence of women in managerial positions in the airlines analysed, compliance is uneven, although a progressive improvement can be seen in most of the companies. While in 2018 only two companies had at least 40% women on their boards of directors, in 2020 there were already 4 companies that reported having reached this percentage, and two of the remaining 3 companies had levels of female representation of around 35%. easyJet and IAG are the companies with the most equal board of directors in 2020 (45% women), although in 2018 SAS reached full parity (50%).

Table 18: Percentage of women in the board of directors, 2018-2020

Company	2018 (%)	2019 (%)	2020 (%)
Air France – KLM	41	41	41
easyJet	33	30	45
IAG	33	33	45
Lufthansa	35	35	35
Ryanair	33	40	40
SAS	50	45	36
TAP	17	17	27
Average, all companies	35	34	38

(Based on companies annual/sustainability reports, 2018-2020)

Female representation on the boards of the 7 companies analysed remained at around 35% in 2018 and 2019, increasing to 38% in 2020. Air France and Lufthansa remained unchanged in the period analysed, while the rest of airlines, with the exception of SAS, show a positive evolution.

None of the 7 airlines had a female CEO between 2018 and 2020, and the presence of women in executive positions continued to be a minority; apart from the progressive but slight improvement in the presence of women on the boards of directors, an area where there is an increase in roles for women is their election to direct the board itself or one of its committees. Three companies reported being in this situation in 2018 (SAS, Air France-KLM and easyJet, while in 2019 there were 6 (all except Lufthansa), with a total of 12 women in this type of position.

Good practice	Air France-KLM has a woman (Anne Marie Couderc) as chair of the board of directors in the years 2018-2020, in addition 3 women chair committees of said board in 2019 and 2020 (2 in 2018), including the audit committee and the remuneration, two functions considered fundamental in corporate governance schemes.·

Regarding other management positions on boards of directors, the information reported is uneven in terms of its scope and calculation procedures, so it is not comparable. IAG, Ryanair, Lufthansa and Air France-KLM report data for "top management positions" of around 30% female presence. However, each company has its own definition of "top management", which is not always specific in terms of the number of people and the type of positions they hold.

CEO remuneration vs average employee salary

A revealing aspect in terms of wage inequality is the difference in remuneration between the various professional categories within the company, in particular between the average remuneration of employees compared to management. This area receives little attention in the annual reports of the companies analysed. Only 1 company provided data on the pay gap according to the professional category (IAG in 2018 and 2019); and only 2 airlines (IAG and Air France-KLM) provided specific data on the difference between CEO compensation and average staff compensation.

The data in the following table have been calculated based on the salary cost (average per employee) and the CEO's remuneration, with the exception of TAP, which does not provide the latter data.

Table 19: Average salaries vs CEO remuneration ratio, 2018-2020

Company	2018	2019	2020
Air France – KLM	13.03[5]	23.51	29.44
easyJet	29.38	19.97	15.94
IAG	68.52	67.92	29.41[6]
Lufthansa	66.36	72.57	94.19
Ryanair[7]	57.84	54.13	64.58
SAS	40.75	29.02	21.52

(Based on companies annual/sustainability reports, 2018-2020)

EasyJet and Air France-KLM register the smallest differences between CEO total remuneration and average salary, not reaching a ratio of 1/30 in any of the 3 years analysed. On the contrary, the biggest differences are found in the cases of Lufthansa, Ryanair and IAG, with registrations widely exceeding the 1/50 ratio.

Between 2018 and 2019 this ratio remains relatively stable in the companies analysed. In 2020, greater variations are registered, revealing the differences between the decreases experienced in their remuneration by managers and workers. In the cases where this ratio decreases (IAG, SAS and easyJet), it means that the remuneration of CEOs has decreased, proportionally, more than that of the average employee (even maintaining large differences in absolute terms). On the contrary, an increase in this ratio (Air France-KLM, Ryanair and Lufthansa) reveals that the salaries of employees have fallen, on average, more than that of the CEO remuneration.

Malpractice	Lufthansa's total remuneration for its CEO is 73 times the average salary per employee in 2019, and increasing to 94 in 2020. The remuneration of Carsten Spohr, company CEO, barely decreased by 2,4% between 2019 and 2020, while the average salary per employee decreased by 24,8%.

5 Jean-Marc Janaillac (from 1 January to 15 May); Frédéric Gagey (from 15 May to 18 September); Benjamin Smith (from 18 September). Mr Gagey received no additional compensation for his temporary role as CEO.

6 Willie Walsh (until 8 September), Luis Gallego (from 8 September)

7 Average labour cost per employee, salaries not reported.

Other equality issues: age and inclusión of people with disabilities
Finally, the information reported by companies on two other factors that generate inequality will be briefly analysed: age and disability. The airlines analysed barely provide data on these issues, although they mention, as part of their commitments to equality and non-discrimination, that these factors will not be taken into account when judging a person's access to the workforce or managerial positions.

In the case of age, Air France-KLM, IAG and SAS provide data on the composition of the workforce by age, with the most represented age range being that of 40 to 50 years. The structure of the workforce by age in these companies does not experience significant changes in 2020. Only IAG provides data on the salary difference based on age, showing, as is foreseeable, higher levels of remuneration in older employees (who tend to have longer seniority in the company)

Regarding the inclusion of people with disabilities in the workforce, this is an aspect on which Air France-KLM, easyJet, IAG generally report between 2018 and 2020. Lufthansa only reports measures for the inclusion of this group in 2020, while TAP does so in 2018 and 2019.

However, the information provided by these companies is usually limited to general mentions of company commitments or specific programs, as in the case of Air France-KLM, which in its 2018 Universal Registration Document (p.160) declares that:

"Since the inception of the Expertise Reintegration Center in 2016, KLM has been increasingly successful in finding alternative employment for people who have been unable to return to their original jobs due to disability. Not only are they found suitable positions within KLM but the company has also seen a sharp increase in the redeployment of incapacitated employees outside KLM".

easyJet states in its Annual Report 2018 (p.56) that the company "treats applicants with disabilities equally and supports current employees who become disabled. This includes offering flexibility and making reasonable adjustments to the workplace to ensure they can achieve their full potential. However, for easyJet's two largest communities, pilots and cabin crew, there are a range of regulatory requirements on health and physical ability with which all applicants and current employees must comply."

Only IAG and Air France-KLM provide data on employees with disabilities at the Group level (around 5% in the years analysed), while TAP only provides data on the number of employees with disabilities in Portugal in 2019 and 2020 (around 100 in both cases).

RESULTS BY AREA
Dividends and incentives

6.3. Dividends and incentives

6.3.1 Why do dividends and incentives matter?

Dividend distribution in the context of the COVID crisis
Paying dividends is a way of remunerating shareholders, making them part of the profits of the company. Consequently, the distribution of dividends is considered a positive characteristic by investors, and companies use it as a claim to attract such investments. It should be considered that it is a legitimate and fundamental activity in corporate development.[106] However, the payment of dividends to shareholders also involves certain risks, especially in terms of decapitalisation and opportunity cost.

An “aggressive” dividend distribution policy can be functional for attracting investments in the short term, but if these payments are made at the expense of other operating investments, they can compromise the financial sustainability of the company in the medium and long term. In addition, they can lead to a deterioration of the company’s ability to face transformations towards a more sustainable business model from a social and environmental point of view.

In 2018 and 2019 all analysed airlines, with the exception of TAP, registered profits. To a large extent, these results were due to the record figures in tourism, which according to the United Nations World Tourism Organization (UNWTO), registered its 10th consecutive year of growth in 2019.[107] The decrease in airline activity as a result of the COVID crisis had devastating effects on their financial results for 2020. All 7 airlines analysed recorded losses, as can be seen in the following table:

Table 20: Net profit/loss, EUR billion, 2018-2020

Company	2018	2019	2020
Air France-KLM	0.41	0.29	-7.1
easyJet	0.4	0.39	-0.79
IAG	2.9	1.72	-6.92
Lufthansa	2.16	1.21	-6.73
Ryanair	0.89	0.65	-1.02
SAS	0.16	0.06	-0.92
TAP	-0.12	-0.11	-1.42
Total, all companies	6.8	4.22	-24.9

(Based on companies annual/sustainability reports, 2018-2020)

106 Picker, L. **Why Do Firms Pay Dividends?**. National Bureau of Economic Research. February 2005.
https://www.nber.org/digest/feb05/why-do-firms-pay-dividends
107 UNWTO. **El turismo internacional sigue adelantando a la economía global.**
https://www.unwto.org/es/el-turismo-mundial-consolida-su-crecimiento-en-2019

Despite having profits, the profit after tax of the 7 airlines as a whole had already decreased significantly between 2018 and 2019. Only TAP, within its losses, reported a slight improvement compared to the previous year. Despite this relative decline in earnings, in 2019, IAG and easyJet respectively used 76% and 68% of their after-tax profit (1.308 and 394 EUR million) to pay dividends to shareholders. In 2018, both had distributed dividends, although their relative weight was significantly lower. Additionally, despite registering a negative result, easyJet paid 190.7 EUR million in dividends in 2020. In view of these data, it is possible to affirm that the payment of dividends may have weakened the financial positions of both companies in the years analysed, compromising their ability to respond to the subsequent crisis. In terms of opportunity cost, the amounts assigned to dividends could have undermined the investments to improve its environmental performance.

The dividend ban conditions associated with the bailouts of numerous companies (not just European airlines) in the context of COVID crisis has led to what the Financial Times called a "dividend drought for investors".[108] According to the aforementioned media, "companies have over the past three decades become increasingly shareholder friendly, returning more and more of their earnings to investors in the form of dividends and stock buybacks". This situation would have been abruptly interrupted as a result of the pandemic, which could be the beginning of a change in trend. In this regard, in December 2020 the European Central Bank recommended that credit institutions refrain from distributing cash dividends and repurchasing shares, or that they limit such distributions until 30 September 2021.[109] In July 2021 this recommendation was lifted, although the ECB asked the financial entities to be "prudent" regarding such payments.[110]

6.3.2 Managers remuneration: inequality and performance issues

In recent years, the concern of companies and governments about fair managers remuneration policies has increased. The remuneration systems should not only contemplate the improvement of the financial situation in the short term, but also act as instruments that promote financial, social and environmental sustainability in the long term. The 2008 global financial crisis revealed that the prevailing remuneration schemes are an incentive for excessive risk-taking that resulted in the financial bailouts of big corporations by states.[111] In order to prevent such situations from occurring in the future, various regulatory bodies carried out a series of reforms aimed at improving transparency and incorporating good practices around the remuneration of executives.

Directive (EU) 2017/828 of the European Parliament and of the Council, of 17 May 2017 establishes in its articles that when a company grants variable remuneration, the remuneration policy will establish clear, complete and varied criteria for this award.[112] This remuneration policy should indicate the financial and non-financial performance criteria, including, where appropriate, those related to the social responsibility of companies, explaining how they contribute to the achievement of the organisation's objectives, and the methods applied to determine and measure performance.

The remuneration of senior management generally represents, in absolute terms, a modest percentage of the economic results of large companies: for example, a report presented by Intermon-Oxfam in 2019 revealed that, on average, an IBEX 35 (the Spanish Stock Index), company CEO earns 123 times more than an average worker.[113] Nevertheless, in 2018 the total remuneration paid to senior executives reported by the 7 companies analysed in this report represented 1.2% of their combined profits after tax. However, this is an issue that tends to generate social controversy, being directly related to the debates on inequality: in absolute terms, these salaries are well above the average salaries in large companies. This can be clearly

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108 Wigglesworth, R., Martin, K. & Darbyshire, M. **How COVID sparked a dividend drought for investors**. Financial Times. 10 September 2020. https://www.ft.com/content/2719966c-b228-4300-bdc0-dcbe2f7050fd

109 **Recommendation of the European Central Bank: on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35**. ECB. https://www.bankingsupervision.europa.eu/ecb/pub/pdf/en_ecb_2020_62_f_sign~6a404d7d9c..pdf

110 **ECB decides not to extend dividend recommendation beyond September 2021**. ECB. 23 July 2021. https://www.bankingsupervision.europa.eu/press/pr/date/2021/html/ssm.pr210723~7ef2cdf6b7.en.html

111 Bebchuk, L. Executive Pay and the Financial Crisis. World Bank Blogs. 31 January 2012. https://blogs.worldbank.org/allaboutfinance/executive-pay-and-the-financial-crisis

112 **Directive (EU) 2017/828 of the European Parliament and of the Council.** 17 May 2017. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017L0828

113 Agejas, M.J. **Los altos ejecutivos del IBEX 35 cobran 123 veces el salario medio de sus plantillas**. Oxfam Intermón. 25 October 2019. https://www.oxfamintermon.org/es/nota-de-prensa/impacto-empresas-ibex35-desigualdad

seen in the compensation of airline CEOs, which, as explained in the chapter on labour rights in this report, are rewarded with remuneration multiple times higher than the average compensation of employees (by 94 times at Lufthansa in 2020 and by 69 times at IAG in 2018).

The remuneration of the top management is submitted for approval by the general shareholders meetings, however, this is an area in which there is also notable inequality: large shareholders have a greater capacity to impose their views and even to determine the composition of the governing bodies. Thus, it is difficult for minority shareholders to assert their possible objections to the remuneration policies of directors.

6.3.3 ESG criteria: a tool in development.

An incipient trend is the inclusion of ESG criteria when determining the variable remuneration of executive directors. However, as will be discussed at the end of this chapter, public information about these ESG criteria is usually not specific enough in terms of measurable and time-bound goals, or in terms of verification mechanisms. According to Global Compact:

"Companies should explain how ESG issues could affect financial performance, and how this is reflected in long-term incentive plans. Companies that choose not to incorporate ESG metrics into executive pay plans, or only link them to short-term incentive schemes, should adequately explain how ESG issues are reflected in financial performance and the delivery of long-term strategy."[114]

In July 2021, a Draft Report of the Platform on Sustainable Finance (an advisory body of the European Commission) pointed out the possibility of moving towards the obligation to include ESG metrics linked to the remuneration schemes of big companies' executive directors.[115] The report mentions the need to ensure that this obligation does not interfere with the autonomy of companies, which are able to determine the ESG components according to the criteria of materiality with respect to their specific activities.

6.3.4 Company results

Table 21: Dividends and incentives area results

Total Dividends and Incentives			
Company	**Dividends**	**Incentives**	**Total**
TAP	50	30	**40**
EasyJet	50	46.67	**48.33**
Air France-KLM	66.67	50	**58.33**
IAG	66.67	80	**73.33**
Ryanair	100	70	**85**
SAS	100	70	**85**
Lufthansa	83.33	93.33	**88.33**
Average	**73.81**	**62.86**	**68.33**

114 Karananou, A. & Mooney, O. **Integrating ESG Issues into Executive Pay**. United Nations Global Compact. 2016. https://www.unpri.org/download?ac=1798

115 **Draft Report by Subgroup 4: Social Taxonomy**. Platform on Sustainable Finance. July 2021. https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sf-draft-report-social-taxonomy-july2021_en.pdf

Within this area, dividends get a higher valuation. The distribution of dividends to shareholders involves a high outlay by companies, which may negatively affect investments aimed at mitigating their risks and social and environmental impacts. The companies analysed, in general, provide some kind of explanation about their dividend policies, while there is a diversity of situations regarding their distribution between 2018 and 2019, before the cancellation or non-distribution of dividends in 2020, due to the negative economic results and the existence of conditionalities in the bailouts received by the airlines.

The "incentives" category refers to the remuneration of senior executives, including the total amounts and their composition. The evolution of variable remuneration and its link with ESG targets are taken into account. In general, there is a tendency to increase salaries between 2017 and 2019, with a notable decrease in 2020, attributable to the poor economic results and the conditions of the bailouts. Despite this decline, the amounts paid to senior executives remain quite high in 2020. Regarding the inclusion of ESG targets in the variable remuneration schemes, the results of the analysis show that these targets are being incorporated progressively, but in many cases, clear information is not provided on the criteria used to determine and verify compliance with corporate objectives.

Based on the analysis carried out with respect to the years 2018 to 2020, Lufthansa (88.3 points), Ryanair (85) and SAS (85) achieve the highest scores, while TAP (40) and easyJet (48.3) obtain the lowest scores.

6.3.4.1 Dividends

INDICATOR	Result	Number of companies		
		2018	2019	2020
Explains the dividend policy for the reference year	C	5	5	6
	N.R	0	0	0
	N.C	2	2	1
	N.A	0	0	0
Paid no dividends	C	4	5	6
	N.R	0	0	0
	N.C	3	2	1
	N.A	0	0	0

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

Dividend policy

Airlines' information on their dividend distribution policies between 2018 and 2020 is usually limited to a general description of the financial figures used and dividend conditions as part of bailout agreements, as can be seen in the following table:

Table 22: Dividend policiesof the airlines analyzed

Air France-KLM	Air France mentions in its 2018, 2019 and 2020 Annual Reports that the company "distributed no dividends in the last financial years". For 2020, it mentions that dividend payments are restricted as part of bailout agreements. Apart from these statements, no reference to the criteria used to distribute or not distribute dividends to shareholders was found in the corporate documentation.
easyJet	easyJet has a dividend policy "of a payout ratio of 50% of headline profit after tax", not recommending dividend distribution for the fiscal year ended in September 30, 2020 (to be paid from 2021).
IAG	IAG board considers several factors in determining annual dividend, including "earnings of the Group, on-going cash requirements and prospects of the Group and its operating companies; levels of distributable reserves by operating company and efficiency of upstreaming options, dividend coverage; and its intention to distribute regular returns to its shareholders in the medium and long-term" (IAG Annual Report 2018, p.49). Dividend payments were cancelled in 2020.
Lufthansa	Lufthansa Annual Report 2020, (p.24): "Before the coronavirus pandemic, the Lufthansa Group's dividend policy was to distribute to shareholders 20% to 40% of net profit, adjusted for non-recurring gains and losses. The crisis prompted the Annual General Meeting in 2020 to suspend the dividend for 2019". Dividend payments were suspended as part of 2020 bailout agreements.
Ryanair	Ryanair Annual Report 2021, (p.104): "Since its incorporation as the holding company for Ryanair in 1996, Ryanair Holdings has only occasionally declared special dividends on both its Ordinary Shares and ADRs". Ryanair's last dividend payment was in 2015.[8]
SAS	SAS Annual Report 2020, (p.37): "The Group's financial position, earnings, expected performance, investment requirements and relevant economic conditions should also be taken into account. The dividend should take into account any restrictions applying to the Group's right to distribute dividends to shareholders. The dividend policy endeavors to achieve long-term sustainable dividends".
TAP	TAP is the only company that doesn't provide any data on its dividend policy. According to Portuguese media, TAP never paid dividends to shareholders.[9]

The distribution of dividends is usually linked to the results and prospects of the company, two aspects seriously threatened by the COVID crisis in the case of airlines. Beyond the dividend ban conditions established by government bailouts, the 2020 context is not suitable for dividend distribution. It is worth considering to what extent these bailout conditions will encourage the adoption of more "moderate" dividend policies, in the medium and long term.

8 Ryanair Group. **Shareholder Returns**.
https://investor.ryanair.com/shareholders/dividend/

9 Suspiro, A. **Pagar dividendos aos acionistas e prémios aos gestores. Um tema "controverso" na maior crise**. Observador. 17 April 2020.
https://observador.pt/especiais/pagar-dividendos-aos-acionistas-e-premios-aos-gestores-um-tema-controverso-na-maior-crise/

Table 23: Dividend distribution (EUR million)

Company	2018	2019	2020
easyJet	182	262.8	190.7
IAG	577	1.308	0
Lufthansa	380	0	0

(Based on companies annual/sustainability reports, 2018-2020)

The distribution of dividends was not a common practice in the airlines analysed between 2018 and 2020 with just three companies paying dividends in this period. Only easyJet paid dividends in 2018, 2019 and 2020, with a total amount of 635.48 EUR million. These dividends represent a high proportion of profit after taxes in 2018 (45.25%) and 2019 (66.76). Despite losses, in 2020 easyJet paid 190.7 EUR million in dividends. IAG records the highest amounts distributed in 2018 and 2019, while Lufthansa distributed dividends only in 2018.

Malpractice	The dividends paid by easyJet and IAG reveal an aggressive strategy to attract investment. The amount of these dividends represents a significant part of the annual profits of both companies: dividends paid in 2019 represented 76% of IAG's profit after taxes and 66.8% in the case of easyJet (which also distributed dividends in 2020 despite its negative net result). The distribution of dividends may have been carried out at the expense of certain important budgets in other areas, for example, in measures aimed at reducing the environmental impact (such as fleet renewal). Dividend payments may also have weakened the airline's financial positions to face unforeseen events, as in the case of the COVID crisis. IAG paid € 1.89 billion in dividends between 2018 and 2019. This is equivalent to 52.9% of the bailouts obtained by the Group in the context of the current crisis. In the case of easyJet, the € 635.5 million paid between 2018 and 2020 represent 28.4% of the bailouts received.

6.3.4.2 Incentives

INDICATOR	Result	Number of companies		
		2018	2019	2020
Provides data on the remuneration of managers (apart from the board of directors)	C	5	5	5
	N.R	1	1	1
	N.C	1	1	1
	N.A	0	0	0
Did not increase the remuneration of managers (apart from the board of directors)	C	4	2	5
	N.R	1	1	1
	N.C	2	4	1
	N.A	0	0	0
Reports on the amounts paid to each member of the board of directors	C	6	6	6
	N.R	1	1	1
	N.C	0	0	0
	N.A	0	0	0
Did not increase the total remuneration of the board of directors	C	4	5	6
	N.R	0	0	0
	N.C	3	2	1
	N.A	0	0	0
Reports on the components and structure of the variable remuneration	C	6	6	6
	N.R	1	1	1
	N.C	0	0	0
	N.A	0	0	0
Did not increase the total variable remuneration	C	3	4	4
	N.R	1	1	1
	N.C	3	2	2
	N.A	0	0	0
Did not pay compensations/severances exceeding two years' salary to senior executives	C	6	6	7
	N.R	1	1	0
	N.C	0	0	0
	N.A	0	0	0
There are senior executives with a % of variable remuneration depending on ESG objectives	C	2	5	5
	N.R	4	1	1
	N.C	1	1	0
	N.A	0	0	1
There are directors with a % variable remuneration depending on targets specifically related to climate change	C	1	5	5
	N.R	4	1	1
	N.C	2	1	0
	N.A	0	0	1
Specifies conditions and levels of compliance with climate change-specific targets	C	0	1	1
	N.R	7	6	4
	N.C	0	0	1
	N.A	0	0	1

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

Total remuneration of senior managers

All the airlines analysed, with the exception of TAP, report the amounts paid to each member of the board of directors, with varying degrees of breakdown about remuneration components.

There is notable diversity in the definition of corporate governance bodies: some companies have boards of directors that include executive directors (such as Air France); while in others (such as SAS), members of the board are not considered executives, with this designation reserved for members of the management committee (or equivalent body). In the airlines that offer information on remuneration of senior managers (all except TAP), the executive managers are the only ones who are assigned variable performance-based remuneration concepts, beyond those related to benefits (such as use of company vehicles), attendance at meetings or membership of committees. In general, executive managers (including CEOs), whether or not they form part of the board of directors, account for the majority of the remuneration, while non-executive directors or managers with advisory functions account for a small part of the remuneration.

With the exception of Air France-KLM and easyJet, all the airlines analyzed report the remuneration of governing bodies other than the board of directors (reported by all). In order to standardize the data based on the aforementioned heterogeneity of corporate governance structures, the data on remuneration includes executive and non-executive managers, regardless of the name of the governing body in which they perform their duties.

The comparability of the data, taking into account the different composition of the corporate governance structures and the diversity in the scope of the information reported, should be treated with caution. The total remuneration reflected in the following table includes only the information reported by the 7 companies at the group level, however, it should be considered that said information does not include the total remuneration paid to the executives of the different airlines that are part of these groups. In this sense, KLM reports remuneration to its own management for amounts similar to those of the Group as a whole, information that is not included in the annual Air France-KLM Universal Registration Documents.[116] In the case of IAG, the report at the group level reflects the remuneration of the CEOs of the different airlines (as part of their Management Committee), but does not provide specific information on the amounts charged by the rest of the executives of these airlines. In summary, the information reported by companies may have a different nature depending on their governance structures, levels of transparency and legislative frameworks of reference.

116 KLM Dutch Airlines. Annual Report 2019.
https://www.klm.com/travel/nl_nl/images/KLM-Jaarverslag-2019_tcm541-1063986.pdf

Table 24: Total remuneration paid to senior managers (EUR)

Company	2018	2019	2020
Air France-KLM[10]	2,343,000	2,622,000	2,705,000
easyJet[11]	14,425,000	10,631,000	6,724,000
IAG[12]	22,000,000	21,000,000	8,000,000
Lufthansa[13]	18,310,000	16,970,000	11,590,000
Ryanair[14]	16,800,000	15,500,000	9,300,000
SAS[15]	5,413,000	6,015,000	3,809,000
TAP[16]	2,467,000	2,490,000	2,187,000
Total, all companies	81,758,000	75,228,000	44,315,000

(Based on companies annual/sustainability reports, 2018-2020)

IAG was the airline with the highest remuneration for senior managers in 2018 and 2019, and ranked third in 2020. At the opposite extreme, TAP and Air France-KLM[117] reported the lowest remuneration, although the French Group is the only one that increased the remuneration of its senior managers in 2020. Overall, the remuneration paid to senior managers decreased by 41.1% between 2019 and 2020, after having decreased by 8% between 2018 and 2019.

The remuneration of the management bodies shows a concentration of the amounts paid to executive directors, and in particular, the figure of the CEO. For example, the total paid to Willie Walsh in 2019 by IAG (about 3.5 EUR million) represents 16.33% of the total remuneration paid to the Group's senior executives, while Benjamin Smith's remunerations (Air France-KLM CEO - 1.8 EUR million) were 66.84% of the amounts paid in 2020 to the Group senior management. Severance agreements with senior managers reported by the analysed airlines do not include compensation of more than two years' salary. Air France-KLM and Lufthansa set the limit at two annuities of fixed and variable remuneration (average). For SAS, easyJet or IAG, this amount is limited to one annuity. The only information provided by TAP regarding this issue is that it did not make severance payments in 2020.

Variable remuneration paid to executive managers

This section includes bonus payments to executive managers made in the reference years, including those corresponding to the short or long term, regardless of whether they are paid in cash or through share-based compensation. Despite sometimes assuming significant amounts, other remunerations such as pensions or compensation of various kinds are not included in this analysis.

Variable salaries represent a significant part of the total payments to executives of large companies. The amount of said remuneration is normally determined based on performance criteria with respect to various types of financial objectives, and to a lesser extent non-financial (as will be analysed in the next section) There is a notable diversity in terms of variable remuneration policies and conditions, however, in general terms this usually consists of a annual bonus and long-term incentives.

10 Air France-KLM Board of Directors + CEO remuneration
11 easyJet Board of Directors + Arline Management Board remunerations
12 IAG Board of Directors + Management Committee remunerations
13 Lufthansa Executive Board + Supervisory Board remunerations
14 Ryanair Board of Directors + Executive Board remunerations
15 SAS Board of Directors + "senior executives" remunerations
16 TAPBoard of Directors + Supervisory Board remunerations

117 As noted in previous footnotes, Air France-KLM reports only on CEO +BOD remunerations, while other companies also report on other executive or advisory boards.

As can be seen in the following table, the payment of variable remuneration experienced a slight increase between 2018 and 2019, with a drastic reduction of 77.08% between 2019 and 2020. This reduction is due to the impact of the COVID crisis on economic results and future prospects of the airlines analysed, which make up most of the criteria used to determine variable remuneration. Companies such as Ryanair highlight the voluntary initiatives taken by their senior management to reduce their salaries, as shown in their Annual Report 2021 (p.238): "No bonus was paid for fiscal year 2021. Additionally, the Board and management agreed to significant fee/basic salary cuts for fiscal year 2021 as part of the Company's response to the COVID crisis ". Despite not having paid bonuses, the share-based compensations paid to Ryanair executives in its fiscal year 2021 continue to amount to more than 2 EUR million.[118]

Table 25: Incentives paid to senior managers (EUR)

Company	2018	2019	2020
Air France-KLM	573,000	367,000	768,000
easyJet	1,707,000	1,225,000	0
IAG	3,225,000	3,398,000	0
Lufthansa	7,756,000	9,923,000	1,058,000
Ryanair[17]	2,327,000	2,967,000	2,315,000
SAS	0	184,000	0
TAP	Not reported	Not reported	Not reported
Total, all companies	15,588,000	18,064,000	4,141,000

(Based on companies annual/sustainability reports, 2018-2020)

Lufthansa paid the highest variable remunerations in 2018 and 2019, representing around half of the amount reported by the 6 airlines that provide data (all except TAP). In 2020 Ryanair spent the most, while Air France-KLM is the only company that increased the variable remuneration paid between 2019 and 2020. It is worth mentioning that the amounts paid in the fiscal year usually correspond to amounts owed for the services provided in the previous year or years; that is, the amounts paid in 2020 may be due to debts generated in 2019. However, several of the companies (easyJet, Ryanair, IAG and Lufthansa) have expressed declarations of reduction or elimination of bonus to be paid in 2020, regardless of whether these debts were generated in the previous year.

It should be remembered that, as mentioned above, the bailouts agreed by Lufthansa, Air France and SAS in 2020 include conditions related to the limitation of the remuneration of managers. However, these bailouts were agreed upon after the general shareholders' meetings where these remunerations were approved. Therefore, the dividend ban would take effect from fiscal year 2021, and is not applicable to the amounts distributed in 2020 with respect to 2019.

17 Bonus + share-based compensation

118 Ryanair's fiscal year ends on 31 March.

Bonus and incentives with ESG criteria

Regarding the consideration of ESG targets in the variable remuneration schemes of senior executives, the analysis shows a progressive inclusion of these criteria that can be considered positive. While in 2018 only 2 out of the 7 companies claimed to include these criteria in their remuneration policies, in 2020 all companies claimed to include them, except TAP. For the criteria specifically related to climate change (in particular the reduction of CO2 emissions), the level of compliance increased from 1 company in 2018 to 5 companies in 2019 and 2020.

The inclusion of evaluation criteria based on the management of social and environmental impacts can be considered a step in the right direction for the airlines analysed. However, these companies should provide clearer information on the specific indicators that are considered when establishing or verifying achievement of the goals.

Table 26: ESG criteria on variable remuneration schemes

Company	ESG criteria on variable remuneration
Air France-KLM	In 2018, the CEO's long-term incentive plan takes into account general sustainability issues, as shown by the company position on DJSI (15%) or "Environmental commitments and CSR performance targets" (15%) (Air France Universal Registration Document 2017, p.54). There is no data on compliance levels or criteria used to define performance targets. In the long term incentive plans for 2019 & 2020 the information provided has improved in terms of its specificity, including the position in DJSI (30%), and the specific long-term incentive plan includes CSR performance targets (20%), such as CO2 reductions and increasing the female presence on the Group Board of Directors (Air France Universal Registration Document 2018, p.113; and 2019, p.115) . Despite improved information about CSR goals, target setting generally still lacks time-bound and measurable commitments, and there is no specific information on the criteria used to measure compliance levels.
easyJet	Annual bonus and long term incentives are determined based on financial magnitudes or quality of service, without including ESG criteria, with the exception of the Annual Report 2020, in which the company declares that "Climate change-related personal targets were agreed to form part of the remuneration package for all members of the Airline Management Board for this financial year" (Annual Report 2020, p.38). However, the targets are not specified, and neither are the levels of compliance achieved by managers.
IAG	ESG criteria are mentioned as part of the CEO's annual incentives in 2019 & 2020, but there is no significant data on conditions or levels of performance for the environmental objectives mentioned. In 2020 the annual incentive plan was cancelled. It should include "a CO2 emissions efficiency metric" (IAG Annual Report 2019, P.115).
Lufthansa	ESG targets, and specifically climate change related targets are part of the Executive Directors remuneration. In 2018, 30% of the multiplication factor of the short-term incentive is determined based on the reduction of CO2 emissions (Annual Report 2018, p. 88). In 2019 and 2020 new ESG criteria were included, and information about conditions and compliance improved.
Ryanair	With respect to fiscal years 2020 and 2021, Ryanair mentions that 50% of the remuneration of the CEO and other senior managers is determined based on a set of criteria that include environmental targets, but does not specify what targets are, their relative weight or the compliance level achieved.
SAS	According to SAS's Annual Report 2019, p. 57: "Less than 30% of the variable cash remuneration depends on non-financial criteria". The company does not specify conditions or levels of compliance on climate change related targets.
TAP	Doesn't provide information on this issue

The inclusion of non-financial figures and the information on ESG criteria used when determining the variable remuneration of senior executives shows an appreciable improvement over the years. However, as can be seen in the table above, it still generally lacks measurable indicators and time frames, with generic statements such as "leading sustainability efforts" or "improving employee satisfaction" predominating.

RESULTS BY AREA

Lobbying

6.4. Lobbying

6.4.1 Lobbying: conceptual framework

Definition of lobbying
According to Transparency International, lobbying activities are those "carried out to influence a government or institution's policies and decisions in favor of a specific cause or outcome".[119] Lobbying is a legitimate and necessary activity for the quality of democracy which allows for different points of view and criteria to be provided to legislators. It plays an important role within the democratic process, especially in the development and implementation of public policies, due to the strong influence it can have on decision-making processes. Various actors, from companies to social organisations or NGOs, carry out lobbying activities with the aim of transmitting their interests and approaches to policymakers.

However, the concept of lobbying has been associated in recent years with negative connotations, causing a large part of society to perceive such activities as a "policy capture" strategy; that is, actions oriented to prioritise, in the areas of political decision, the particular interests of the lobbyists over the common interests of societies. From this point of view, lobbying is an opaque activity that results in an inordinate influence on institutions, providing undue advantages to certain interest groups over others. Companies do not always refer to their lobbying as such, preferring to use euphemisms such as "institutional relations", "dialogue with public administrations" or "policy influence".

In general, lobbying is perceived as an unequal battlefield, an area in which certain economically powerful groups well connected to political power impose their criteria at the expense of the general interest, above collectives or social agents that lack such resources. According to the OECD, the "policy capture" has associated negative effects such as the misallocation of public resources, negative impact on productivity and the free market, perpetuating and increasing inequalities, legitimacy losses for public institutions or deterioration of public services.[120] This capture occurs in formal and public contexts (such as meetings with authorities, public consultation processes or events of various characteristics); but it also takes place in informal contexts away from public scrutiny (for example, through private meetings or taking advantage of personal or family relationships).

The risks of corruption are frequently associated with lobbying in its most negative aspects, for example in the case of financing political parties to obtain favorable regulations or advantages in public contracting processes. They are also related to other phenomena such as "revolving doors" which entails the passage of professionals between the public and private sectors in order to make their period as a public servant profitable for the benefit of private companies, and vice versa.[121] These situations make it even more difficult for citizens to access information about who is lobbying, through which channels, which public representatives they address, and what their objectives are. It is important to take into account not only the lobbying exercised directly by the corporations, but also those activities that are carried out indirectly, through support for business organisations, think tanks, media campaigns, etc.

To mitigate the risks of policy capture, the OECD proposes to act on four fronts: promote the diversity of stakeholders' engagement (more inclusive decision-making processes), ensuring transparency and access to information, increasing accountability of decision-making and promoting internal regulations towards an integrity culture in the organizations.

According to another OECD report, there is great heterogeneity between the various rules that regulate the lobbying function depending on the territories, both in relation to the quality and scope of these rules, and also the extent to which they are enforced.[122] In general terms, there is a lack of common definitions

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119 **Lobbying Definition**. Transparency International.
https://www.transparency.org/en/corruptionary/lobbying

120 **Preventing Policy Capture: Integrity in Public Decision Making**. OECD Public Governance Review. 2017.
https://read.oecd-ilibrary.org/governance/preventing-policy-capture_9789264065239-en#page10

121 **Revolving Doors in the EU and US**. European Parliament. July 2018.
https://www.europarl.europa.eu/cmsdata/216441/EPRS_BRI(2018)625105_EN_revolving_doors.pdf

122 **Lobbying in the 21st Century**: Transparency, Integrity and Access. OECD Council. 21 April 2021.
https://one.oecd.org/document/C(2021)74/en/pdf

around lobbying activity itself or the figure of the lobbyist and transparency requirements. Future regulatory development must be aimed at promoting equal access to decision-making processes through different mechanisms of direct democratic participation, guaranteeing transparency about the impact that lobbying has on decision-making processes. It should also reinforce corporate policies and establish specific mechanisms for the prevention and detection of irregularities and conflicts of interest.

The legislative footprint

One of the key concepts associated with lobbying is the "legislative footprint", defined by Transparency International as "a comprehensive public record of lobbyists' influence on a piece of legislation"[123].The legislative footprint is a fundamental mechanism to improve transparency in political decisions, however, it is still at an early stage of development worldwide.

It should be mentioned that the implementation of a Register of this type cannot be considered as an isolated measure. According to the OECD report Lobbying in the 21st century:

"Effective rules and guidelines for transparency and integrity in lobbying should be an integral part of the wider policy and regulatory framework that sets the standards for good public governance. Countries should take into account how the regulatory and policy framework already in place can support a culture of transparency and integrity in lobbying"[124].

Regulatory frameworks, in this sense, should guarantee that it is known who has intervened in the definition of a regulation or public policy and how. The reporting obligations, therefore, should be applicable both to public administrations and to those who directly or indirectly carry out lobbying activities.

Corporate lobby in the EU

In the last two decades, the rise in political power of the European institutions has made Brussels a very prominent centre for policy-making, attracting large corporate lobbies that mostly represent industry associations and private corporations. Some steps have been taken to try to improve accountability in this regard, notably the introduction of the EU Transparency Register, run jointly by the European Commission and Parliament. However, as will be developed later, said voluntary register has some important limitations in terms of the scope and completeness of the information provided.[125]

The information provided by large companies and the business organisations that represent them about their lobbying activities is generally very scarce, and lobbying tends to be presented as a positive contribution to policy making. In other words, large companies avoid potentially problematic aspects in their reporting processes and it is not even usual for them to report with a minimum of detail about the company's public positions or the resources assigned to defend them. The laxity and heterogeneity of regulations and reporting obligations make corporate lobbying a reality that is generally little recognized and difficult to quantify. Illicit lobbying activities remain hidden until a case of corruption comes to light, but beyond general references to corporate public relations, most lobbying activity is located in a "gray area" between legitimate dialogue and undue influence.

In 2019, the Observatory of Multinationals in Latin America (OMAL), Ecologistas en Acción and Corporate Europe Observatory presented the report Lobby Planet, dedicated to the analysis of the reality of lobbying around the European Union institutions, estimating that around 25,000 lobbyists worked in Brussels in 2017, most of them working for large companies, and only 11,500 officially registered.[126] In relation to the European Transparency Register, the report indicates as a limitation that, due to its voluntary nature "it is not subject to reliable or systematic controls, therefore it contains many incomplete and inaccurate data."

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123 Berg, J. & Freund, **D. EU LEGISLATIVE FOOTPRINT: What's the real influence of lobbying?**. Transparency International EU. 2015.
https://transparency.eu/wp-content/uploads/2016/09/Transparency-05-small-text-web-1.pdf

124 Berg, J. & Freund, D. **EU Legislative footprint: What's the real influence of lobbying?**. Transparency International EU. 2015.
https://transparency.eu/wp-content/uploads/2016/09/Transparency-05-small-text-web-1.pdf

125 Transparency Register. 18 September 2021.
https://ec.europa.eu/transparencyregister/public/homePage.do?redir=%20false%20&%20locale%20=%20en

126 **Lobby Planet: Tu guía al turbio mundo de lobby en Bruselas**. Corporate Europe Observatory & Observatorio de Multinacionales en América Latina y Ecologistas en Acción. May 2018.
https://corporateeurope.org/sites/default/files/2019-05/informe-lobby-planet.pdf

In this way, the register does not offer a realistic picture of the phenomenon, taking into account that "these regulations only affect a minority (about 300 people in total), which leaves the rest of the nearly 30,000 officials off the radar, with total freedom to organise meetings as it suits them. In this regard, it is especially worrying that administrative officials are not covered by this type of regulation, since they are usually the ones who are in charge of writing the initial drafts of a policy".

The availability of resources is accompanied by intense activity of corporate lobbyists around the EU institutions, managing to position their points of view in decisive areas for policy making. An investigation by Transparency International showed that 75% of all meetings reported in the EU Register were with corporate lobbyists, compared to 18% with NGOs, 4% with think tanks and 2% with local authorities.[127] According to Social Europe, in the meetings held by the Working Party on Competitiveness and Growth of the European Council between September 2018 and February 2021, "business interests massively outnumbered trade unions and non-governmental organisations — by 13 to one — in attendance at these meetings. While industry held 65 per cent of the external speaker opportunities, alternative voices from trade unions and NGOs were rarely invited, with just 5 percent of speaker slots" [128].

Lobbying in the COVID context

According to the OECD, COVID-19 has revealed the weaknesses of governance frameworks against undue influence and inequities in influence. There is a risk that, as in previous shock events, "lobbying activities from powerful interests with closer connections to policy-makers lead to biased stimulus packages and responses, with a negative impact on the resilience of societies and economies in the longer term".[129]

The context of exceptionality and uncertainty in which said state support was approved accelerated bureaucratic processes and greatly restricted public debate on them. Such a situation greatly increases the influence of lobbying representing large corporate interests, with large resources and good connections with the political and administrative elite at the European and national level. Meanwhile, the demands of social actors with fewer resources and influence are left in a secondary position in the name of the emergency. In the case of European airlines, as discussed in the chapter on its bailouts, the demands for environmental conditions by civil society were largely ignored by public institutions.

As mentioned in another OECD report, the COVID-19 crisis "created tension between the need for rapid decision making to deliver urgent solutions, and the need for an inclusive approach to policy decisions. The crisis has revealed weaknesses in governance frameworks to lobbying interests, including inequity of influence and undue influence". As a result of this tension, the regulatory frameworks on lobbying activity underwent a stress test, with transparency and accountability regarding the stimulus programmes being compromised on many occasions.[130]

In April 2020, the European Ombudsman asked the European Commission and the European Council to ensure that "all decisions related to the pandemic, including those taken under accelerated or emergency procedures, need to be taken as transparently as possible, while temporary measures should be publicised, explained, and regularly reviewed". The Ombudsman also requested high accountability standards for decisions on other important issues such as the climate emergency or EU-UK relations. Such standards may include "effective public access to documents and transparent dealings with lobbyists - including when meetings take place by video".[131]
According to Corporate Europe Observatory,

127 **Lobby Meetings with EU Policy-Makers Dominated by Corporate Interests.** Transparency International. 24 June 2015.
https://www.transparency.org/en/press/lobby-meetings-with-eu-policy-makers-dominated-by-corporate-interests

128 Cann, V. Business lobbies offered privileged access to secretive EU Council group. 15 July 2021.
https://socialeurope.eu/business-lobbies-offered-privileged-access-to-secretive-eu-council-group

129 **Lobbying in the 21st Century: Transparency, Integrity and Access**. OECD Council. 21 April 2021.
https://one.oecd.org/document/C(2021)74/en/pdf

130 ibid.

131 European Ombudsman. **Ombudsman asks EU institutions to ensure transparency of EU COVID-19 response**. 14 September 2021.
https://www.ombudsman.europa.eu/es/news-document/en/127058

“Lobbyists for many industries are opportunistically repackaging old demands, or developing new ones, and using the Corona Crisis to justify them, even though in many cases there is no clear link to the health emergency”.[132]

Regulations related to taxes, environmental protection or workers are areas where this opportunism is expressed. There is a risk that certain corporate actors could take advantage of exceptional circumstances to obtain financial support in order to hide previous mismanagement; in the same way, the standards regarding the aforementioned issues can be seen as “risks” or “obstacles” for the economic recovery of a specific sector or economical activity as a whole. That is to say, to lead the way out of the COVID crisis according to their own interests, usually to the detriment of the interests of society and the environment. Corporate Europe states that, in this situation, “the EU’s Transparency Register is nearly useless as companies don’t have to update their lobbying disclosures until long after the lobbying happens. This means that only in one or two years will we get to see their lobby budgets and how they increased or decreased during the pandemic. And even that remains a self-declaration”.

6.4.2 The airlines lobby in Brussels:

Table 27: Main actors of the airlines lobby in the EU

Company	Last reported lobbying costs, financial year	Lobbyist declared	Meetings with EU officials (2014-2021)
Business Europe	4,000,000€ - 4,249,999€, 2020	30	325
IATA	900,000€ - 999,999€, 2019	4	53
A4E	1,000,000€ - 1,249,999€, 2020	9	51
A4D	<9,999€, 2020	1	0
ACP	100,000€ - 199,999€, 2020	2	1

Business Europe
Considered by Corporate Europe Observatory as “Brussels’ most powerful lobbyist”, Business Europe represents about 40 national business organisations, as well as big corporations.[133] In the case of the airlines included in the analysis, only Air France reports being a member of this entity, however, all of them are in one way or another connected to it through the national business organisations to which they belong.

With a reported expenditure of over 4 EUR million and 30 declared lobbyists in 2020, this lobby has a great capacity to influence European governance. According to the aforementioned Corporate Europe Observatory report, “On climate action, Business Europe’s lobbying has ensured that targets on renewable energy and energy efficiency have been watered-down in favor of a focus on emissions trading. Alongside lobbyists from energy intensive industries, it has ensured that firms continue to receive as many subsidies, in the form of pollution permits, as possible”.

132 Corporate Europe Observatory. **Opportunistic lobbyists abuse the EU’s unprecedented health crisis**. 1 May 2020. https://corporateeurope.org/en/2020/05/corona-lobby-watch
133 Corporate Europe Observatory. **Brussels’ most powerful lobbyist? Step forward Business Europe**. 27 November 2017. https://corporateeurope.org/en/power-lobbies/2017/11/brussels-most-powerful-lobbyist-step-forward-businesseurope

Between November 2014 and September 2021, Business Europe recorded 325 meetings in the EU Transparency Register, 40 of them in 2021 and 59 in 2020. It claims to have contributed to a total of 36 public consultations, including several related to climate change, such as *Updating the EU Emissions Trading System, 2030 Climate Target Plan or Trans-European transport network Guidelines*. In addition, it contributed to 11 EU roadmaps and belonged to 45 expert groups.

Business Europe has a public commitment to fight against climate change, but a detailed analysis of their position on the various matters and legislative initiatives that they are trying to influence shows a general opposition to the adoption of strong commitments to reduce emissions or adopt environmental charges.[134] Likewise, there is a constant search for public support to mitigate the corporate costs of the transition towards a more sustainable economy, which is recognised as necessary, but only realistic if carried out under favourable conditions for large companies. For example, it formally supports the EU's climate strategy of "net-zero greenhouse emissions" to achieve the goals of the Paris Agreement. However, it establishes a series of conditions, including support for the development of new technologies, including energy sources and sustainable products that are readily available and affordable.

International Air Transport Association (IATA)
Founded in 1945, the International Air Transport Association (IATA) is the largest airline lobby group worldwide, representing 290 airlines in 120 countries and 380 strategic partners linked to the aviation industry. According to their profile in the EU Transparency Register, in 2019, IATA declared 4 lobbyists, with an investment in lobbying between EUR 900,000 and EUR 999,999. The total number of meetings reported in the Register between November 2014 and September 2021 is 53.[135]

According to their website, one of the main benefits of membership is that IATA "provides a powerful, unified and experienced voice that supports and promotes the interests of its members"; for its part, one of the main incentives to be part of the strategic partners programme would be to "Interact with global decision-makers and other influential leaders".[136&137] IATA's activities also include media campaigns, such as the one proposed in 2019 to counter the "flight shaming" movement.[138]

IATA has been chaired since April 2021 by Willie Walsh, who stepped down as CEO of IAG in September 2020. According to the organisation, "Walsh is deeply familiar with IATA, having served on the IATA Board of Governors for almost 13 years between 2005 to 2018, including serving as Chair between 2016 and 2017".[139] Previously, this position was held by Alexandre de Juniac, who served as CEO of Air France (2011-2013) and Air France-KLM (2013-2016). The presence of former airline executives at IATA reveals the intense relationships between these organisations.[140]

The organisation has working groups that are "responsible for moving industry projects forward and drawing up policies and regulations on behalf of our member airlines".[141] Furthermore, strategic partners are offered the possibility of receiving technical advice on various subjects. These groups are dedicated to technical, financial and sustainability issues, including topics such as taxes, the incorporation of new technologies, environmental regulation or the reporting of non-financial information.

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134 Business Europe. Publications.
https://www.businesseurope.eu/publications/european-business-%20views-competitive-energy-climate-strategy

135 Transparency Register. **International Air Transport Association**.
https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=1805107590-28

136 I ATA. **IATA Members**.
https://www.iata.org/en/about/members/

137 IATA. **Strategic Partnerships**.
https://www.iata.org/en/about/sp/

138 Hagagy, A. **Aviation industry to counter flight shaming movement: IATA chief.** Reuters. 5 November 2019.
https://www.reuters.com/article/us-airlines-environment-iata-idUSKBN1XF1HE

139 IATA. **DG biography & photos**.
https://www.iata.org/en/pressroom/dg-biography/

140 IATA. **IATA DG to Step Down**.
https://www.iata.org/en/pressroom/pr/2020-11-23-04/

141 IATA. Industry Areas of Involvement for Strategic Partners.
https://www.iata.org/en/about/sp/areas/

In 2009 IATA established three fundamental goals in relation to climate change: an improvement in fuel efficiency of 1.5% per year until 2020, to "carbon neutral growth" in 2020 and a reduction in net aviation CO_2 emissions of 50% by 2050 (relative to 2005 levels).[142] To do this, it proposes a "four pillar strategy" based mainly on voluntary measures, such as technological improvements (including SAFs), more efficient aircraft operations, infrastructure improvements and a single global emission trading system (CORSIA). In April 2021, an ICCT report encouraged the organisation to update its climate commitments and make them more specific in the short term.[143]

According to Corporate Europe Observatory: "IATA fought for many years to avoid both the UN and the EU regulations aimed at curbing climate change. It has manipulated data on emissions from the aviation sector and in recent years has tried to paint a greener picture of the sector".[144] IATA strongly opposed the decision of the European Council of Justice and Home Affairs Ministers to include aviation in the European Emissions Trading Scheme (ETS) from 2012, considering that "taxes don't reduce emissions", but rather that this reduction must be achieved through operational and technological improvements, stating that "while Brussels has been fast to introduce its regional ETS scheme, it has been slow to improve efficiency. We need the same urgency to deliver an effective Single European Sky that would save billions of Euros in cost and 16 million tonnes of CO_2 annually".[145]

IATA opposes any environmental tax on aviation at the national or regional level, considering that CORSIA should be the only valid reference:

"IATA strongly opposes any form of national or regional environmental scheme that would result in double and extra-territorial taxation of aviation's emissions as this would negatively affect the economy. The implementation of CORSIA obviates the need for existing and new economic measures to be applied to international aviation emissions on a regional or national basis and all international flights should be subject exclusively to CORSIA".[146]

In the context of the COVID emergency, IATA called on national governments to guarantee the survival of airlines through various support measures, including reductions or extensions in the tax payment period.[147] "IATA is appealing to governments, as part of a worldwide campaign, for emergency government intervention as airlines fight for survival due to the collapse in air travel as a result of the COVID-19 crisis. IATA called for tax relief: Rebates on payroll taxes paid to date in 2020 and/or an extension of payment terms for the rest of 2020, along with a temporary waiver of ticket taxes and other Government-imposed levies".

Airlines for Europe (A4E)

Founded in 2016, Airlines for Europe (A4E) represents 16 airline groups, accounting for 70% of European air traffic.[148] In addition, it represents global manufacturers such as Airbus, Boeing, Embraer and Thales.

A4E declared lobbying activity with an amount ranging from EUR 1,000,000 to EUR 1,249,999 in 2020, with 9 registered lobbyists and 51 meetings between April 2016 and September 2021.[149] The register includes 22 contributions to EU public consultations and 7 contributions to roadmaps, most of them related to EU-ETS and other regulations related to climate change. Furthermore, A4E belongs to 9 working groups of the European Commission.

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142 IATA. **Working Towards Ambitious Targets**.
https://www.iata.org/en/programs/environment/climate-change/

143 Graver, **B. Glass half full: An invitation for IATA to update climate goals. The International Council on Clean Transportation (ICCT).** 6 April 2021.
https://theicct.org/blog/staff/iata-update-apr2021

144 Lobby Planet. **Bruselas: El Barrio Europeo**. Corporate Europe Observatory.
https://corporateeurope.org/sites/default/files/lobby_planet_es.pdf

145 IATA. Pressroom 2018.
https://www.iata.org/en/pressroom/2008-releases%20/%202008-10-24-02%20/

146 IATA. **Environmental Taxes**.
https://www.iata.org/contentassets/a72d8d3cfaf84529bcdef6b2dc59f224/environmental_tax_update.pdf

147 IATA. **Taxation**.
https://www.iata.org/en/policy/taxation/

148 Airlines for Europe. **Our Members**.
https://a4e.eu/about-us/our-members/

149 Transparency Register. **Airlines for Europe.** 20 July 2021.
https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=807912421050-91

According to InfluenceMap,

"Airlines for Europe (A4E) appears to be actively lobbying against ambitious European climate policy for aviation. While Airlines for Europe has stated top-line support for 2050 net-zero European aviation emissions, it has actively lobbied against numerous near-term EU climate policies to reach such a target, including an EU jet fuel tax, and expanding the scope of the EU ETS to fully include all international flights." [150]

Like IATA, A4E opposes national aviation taxes: "A4E calls on the EU to support the industry's substantial efforts to reduce its climate impact. Effective measures, such as EU policies to increase production capacity of sustainable aviation fuels in Europe, should take priority over symbolic, penalizing measures such as taxes that do not address the core issue".[151] A4E shows its support for CORSIA because "market-based measures are a more cost-effective way to cap and reduce emissions while incentivizing companies to improve their environmental performance and invest in the future". In a recent public consultation on EU / ETS[152] A4E declared its support for a possible coexistence of both schemes, as long as there is no double taxation: "EU ETS applying to CO2 emissions not already obligated by CORSIA". According to the Financial Times[153], "Industry group Airlines for Europe urged officials not to adopt a tax on kerosene for flights within the EU, arguing that carriers would fill up in third countries".

A4E calls on the EU to support measures aimed at operational efficiency (SES) or the production of SAFs. In a June 2021 press release the organisation stated once again that "Single European Sky Regulation must be agreed before additional decarbonisation costs imposed on airlines".[154] In the words of the chairman of A4E 2021 and CEO of easyJet Johan Lundgren, "Governments should rather focus on helping our sector meet ambitious emissions reduction goals under Destination 2050 by championing financial and regulatory support for green technologies, investments in net zero aircraft and innovative fuels" .

In the context of the pandemic, A4E requested the EU to implement the "deferment or waiver of new aviation taxes at EU or national level to aid in the sector's future recovery" among other urgent measures.[155]

Airlines for Dialogue (A4D), Airlines Coordination Platform (ACP)

In both cases, these are lobbying organisations for which there is little public data. They do not have their own dedicated website, and the information included in the EU Register is very scarce.

Airlines for Dialogue (A4D) has been registered since May 2021, with less than 9,999 EUR spending on activities covered by the register between May 2020 and April 2021 and only one declared part-time lobbyist[156]. It does not report meetings, nor contributions to public consultations or roadmaps, although it does mention being a member (observer) of the Expert Group on Aviation Internal Market. A4D declares that its objective is "to provide an association vehicle for members to access EU consultative forums in which members are not represented by another association".

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150 Influence Map. **Airlines for Europe**.
https://influencemap.org/influencer/Airlines-For-Europe-A4E-70ed0c4d8d3f9249e0c3e37d135a8770

151 Airlines for Europe. **Taxes**.
https://a4e.eu/policies/taxes/

152 Airlines for Europe. **Input on Public Consultation Updating the EU Emissions Trading Syste**m (ETS). 30 March 2021.
https://a4e.eu/publications/a4e-input-on-public-consultation-updating-the-eu-emissions-trading-system-ets/

153 Hodgson, C., Georgiadis, P. & Khan, M. **European airlines step up lobbying against EU climate rules**. Financial Times. 10 June 2021.
https://www.ft.com/content/7ac043eb-364b-43c3-bc32-9a90add1ab20

154 Airlines for Europe. **Single European Sky Regulation must be agreed before additional decarbonisation costs imposed on airlines**. 10 June 2021.
https://a4e.eu/publications/single-european-sky-regulation-must-be-agreed-before-additional-decarbonisation-costs-imposed-on-airlines/

155 Janzen, J. **European Governments Must Act Now to Reduce COVID-19 Impact on Aviation**. Airlines for Europe. 12 March 2020.
https://a4e.eu/publications/european-governments-must-act-now-to-reduce-COVID-19-impact-on-aviation/

155 Transparency Register. **Airline 4 Dialogue**.
https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=532375942808-38

156 Transparency Register. **Airline Coordinator Platform.**
https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=224920726807-48

Airlines Coordination Platform (ACP[157]) has been registered since April 2017, with contributions to four public consultations and a roadmap, as well as a reported meeting. It is a member (observer) of the Expert Group on Aviation Internal Market. In 2020 it declared expenses of € 100,000-199,999 and two part-time lobbyists. Its objectives are "coordinate and represent interest of members with respect to external aviation relations and fair competition in international aviation" and "coordinate and represent interest of members with respect to the social dialogue, participation of members in the social dialogue". According to InfluenceMap,[158] this organisation "appears to have previously focused on competition law issues, during the COVID crisis it appears to have focused on lobbying EU climate policy". As a result of this change in its orientation, according to the evidence analysed by InfluenceMap, ACP's recent positions reject the EU fuel tax proposal and the mandates regarding the inclusion of SAFs, while it would have supported reforms to exclude feeder flights from EU-ETS.

European Regions Airline Association (ERA)
ERA[159] has been registered in EU Transparency Register[160] since April 2009, with 500.000 - 599.999€ of spending in activities covered by this Register in 2020 and four lobbyists declared (three full time equivalents). ERA reports eight meetings with EU authorities between March, 2015 and March, 2021, and also some contributions to public consultancies on the Revision of the EU Emission Trading System Directive concerning aviation. The only airline groups reporting their membership to ERA are SAS and KLM as, however, the association website[161] shows that some subsidiaries are members, such as Hop! (Air France) or Portugàlia (TAP).

Information on the activities of this organisation is scarce, beyond general references on its website and in the Transparency Registry. The public positions expressed by ERA on climate issues are broadly similar to those of the other organisations analysed, with a formal position in favour of sustainability, but prioritizing voluntary measures.[162]

In relation to the COVID crisis, the ERA magazine, in its July 2020 edition,[163] mentions that "During the last 4 months, extensive lobbying activities have led to a basket of financial relief measures for airlines, to alleviate the impact of the pandemic".

6.4.3 European airlines and climate lobbying

In general the main airline lobbying organisations in the European context shows a concordance of interests around the main regulatory debates related to the fight against climate change (such as aviation taxes, emissions trading schemes or air traffic management). As will be analysed below, these public positions coincide with those of the airlines they represent, acting on a common front to influence environmental policy making.

According to a Corporate Europe Observatory report: "Both directly and through the influential International Air Transport Association (IATA) lobby group, airlines have managed to put a stop to the EU's proposal to introduce a tax on greenhouse gas emissions produced by international flights. IATA also disagrees that civil aviation should be covered by the international climate agreement to be adopted in Paris".[164] As mentioned above, IATA has opposed the EU-ETS since its implementation, and continues to maintain its exclusive support for CORSIA.

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157 Transparency Register. **Airline Coordinator Platform**.
https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=224920726807-48
158 Influence Map. **Airline Coordination Platform** (ACP).
https://influencemap.org/influencer/ACP-335f29490f01e6cae908f468f22733c0
159 Transparency Register. ERA.
https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=73491621553-11
160 Transparency Register. ERA.
https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=73491621553-11
161 ERA, **Our members**, 2021
https://www.eraa.org/membership/our-members
162 ERA, **Policies: sustainable aviation**. 2021.
https://www.eraa.org/policy/sustainable-aviation
163 ERA, **Regional-International**, July-August 2021, p.5
https://cloud.3dissue.net/9237/9242/9271/37010/?page=5
164 Lobby Planet. **A Guide to Corporate COP21 Info on key climate criminals Maps of lobbying hotspots Section on COP21 Sponsors.**
https://corporateeurope.org/sites/default/files/attachments/lobbyguide_en_small.pdf

In the midst of the emergence of the COVID crisis, the climate lobby activities of the sector intensified, and were oriented to request tax breaks and public support without environmental conditions.[165] As reported by Unearthed in April 2020, “Under a current industry plan, 2019 and 2020 airline emissions would be used as a baseline and airlines would have to offset any emissions beyond them. After a dramatic fall in the level of emissions for 2020, however, the IATA is now lobbying for only 2019 to be used”.[166] Although these demands are made in the context of the emergency, as has been seen in previous pages, they are not a novelty, but rather reflect the public positions that the sector’s lobbyists have maintained in recent years. Beyond short-term demand, the airline lobby in Europe appears to have been acting to ease environmental regulation of their activities.

According to Corporate Europe Observatory “Corona Lobby Watch”, on May 2020 the airline industry associations IATA and A4E were pushing for a moratorium on new taxation, as well as other tax measures discussed within the European Green Deal, which include a review of tax exemptions on aviation fuels: “IATA quickly secured a meeting on 16 March with EU Transport Commissioner Vălean, which was logged, enlightening, as discussing ‘aviation’. In an interview published on 16 April, Commissioner Vălean said that she was ‘sympathetic’ to the airline industry. She also argued that it is the wrong time to attach climate and environment conditions to the public funding that will be pumped into the airlines to bail them out in the coming months”.[167]

The recent InfluenceMap report “The Aviation Industry and European Climate Policy: How the aviation industry has lobbied to weaken and delay climate regulation” examines the involvement of European airlines and the entities that represent them in defining European agendas in relation to this issue. According to this report, the airline sector has “a two-point strategy to avoid regulation directly addressing their climate emissions”.[168]

Firstly, the European airline platforms show their formal commitment to the goal of net-zero EU aviation emissions by 2050, while rejecting various climate regulations at national and European level. Furthermore, IATA only supports the global offsetting scheme CORSIA, opposing national and regional regulations and taxes on emissions. On both fronts, airline lobbies emphasize the COVID crisis as a pretext for climate action delay, and publicly promote voluntary alternative measures to reduce emissions, such as offsetting programs and “green flights”. As a result of this strategy, “Europe climate legislation for aviation is delayed and weakened, and aviation’s long term emissions continue rising”

According to InfluenceMap:

“While many industrial sectors are in the process of transformation in response to the EU’s strengthened climate agenda, the aviation sector has instead pursued a lobbying strategy to avoid effective regulation (…) Many airlines have initiated extensive, climate-focused PR campaigns to deflect growing concern from governments and the public over the sector’s climate footprint”.

The results of the analysis on the lobbying activities of the 7 airline groups analysed are presented below. Companies provide little information on this type of activity and how they regulate it internally, however, the data provided shows a similar discourse to that of sectoral associations regarding climate regulations.

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165 Frost, L. & Abnett, K. **Coronavirus redraws battle lines on airline emissions**. Reuters. 24 March 2020.
https://www.reuters.com/article/us-health-coronavirus-%20airlines-climatech%20/%20coronavirus-redraws-battle-lines-on-airline-emissions-idUSKBN21B1RQ

166 Baratt, L. **Documents reveal airline industry plan for tax breaks, subsidies and voucher refunds**. 7 April 2020.
https://unearthed.greenpeace.org/2020/04/07/coronavirus-airlines-lobby-for-tax-breaks-subsidies-vouchers-passenger-refunds/

167 Corporate Europe Observatory. **Opportunistic lobbyists abuse the EU’s unprecedented health crisis**. 1 May 2020.
https://corporateeurope.org/en/2020/05/corona-lobby-watch

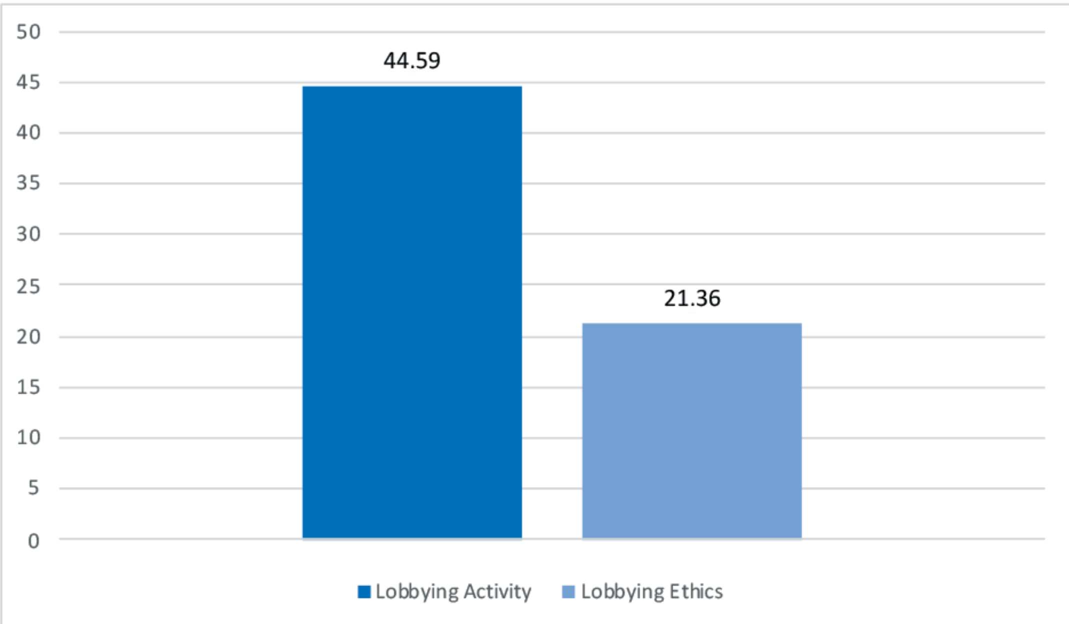
168 Influence Map. **The Aviation Industry and European Climate Policy**. Report June 2021.
https://influencemap.org/report/Aviation-Industry-Lobbying-European-Climate-Policy-131378131d9503b4d32b365e54756351

6.4.4 Company results

Table 28: Lobbying area results

Total Lobbying			
Company	**Lobbying Activity**	**Lobbying Ethics**	**Total**
TAP	12.12	11.11	11.82
SAS	27.27	25	26.59
Ryanair	42.42	14.81	29.7
Lufthansa	51.52	11.11	39.39
IAG	51.52	25	43.56
easyJet	54.55	37.5	49.43
Air France-KLM	72.73	25	58.41
Average	44.59	21.36	36.99

Figure 5: Companies' results average. lobbying area



Air France-KLM has the highest score, due to the fact that it provides reasonably exhaustive information on its public positions and areas of intervention, although its level of compliance in terms of lobbying ethics barely scores. For its part, TAP only scores 11.82 points, without providing any data on this issue in its Annual Reports.

The average score for lobbying activity is 44.59, however, the information provided is usually a general description of the company's public positions in relation to regulatory issues or its membership of sectoral associations. Little information is provided on the resources assigned to the lobbying function, beyond that reported in the EU Transparency Register or the specific activities in which it is carried out.

For its part, the average score for lobbying ethics is only 21.36 out of 100, mainly as a result of the low level of information on the internal regulation of lobbying and the training of senior managers on social and environmental issues.

6.4.4.1 Lobbying activity

INDICATOR	Result	Number of companies		
		2018	2019	2020
Reports on associations who represent its business interests	C	6	7	7
	N.R	1	0	0
	N.C	0	0	0
	N.A	0	0	0
Reports on the amount of contributions to these entities	C	1	1	1
	N.R	6	6	6
	N.C	0	0	0
	N.A	0	0	0
Provides disaggregated data (contributions for each organisation)	C	0	0	0
	N.R	7	7	7
	N.C	0	0	0
	N.A	0	0	0
Is registered in the EU Transparency Register	C	5	6	6
	N.R	0	0	0
	N.C	2	1	1
	N.A	0	0	0
Reports presence in other Transparency Registers	C	1	1	1
	N.R	6	6	6
	N.C	0	0	0
	N.A	0	0	0
Reports about the subjects of its lobbying activity	C	6	5	6
	N.R	1	2	0
	N.C	0	0	0
	N.A	0	0	0
Reports on climate lobbying	C	5	5	6
	N.R	2	2	1
	N.C	0	0	0
	N.A	0	0	0
Reports on labour regulation lobbying	C	1	0	0
	N.R	4	7	5
	N.C	2	0	2
	N.A	0	0	0
Reports on public aid/bailout lobbying	C	0	0	1
	N.R	7	7	4
	N.C	0	0	2
	N.A	0	0	0
Reports on specific legislative initiatives monitored by the company	C	5	4	4
	N.R	1	3	3
	N.C	1	0	0
	N.A	0	0	0
Reports on meetings with EU or national level officials	C	5	5	3
	N.R	2	2	4
	N.C	0	0	0
	N.A	0	0	0

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

Industry coalitions and associations membership and contributions

Table 29: Industry coalitions membership

Company	IATA	A4E	A4D	ACP
Air France-KLM	X	X		X
easyJet		X	X	
IAG	X	X	X	
Lufthansa	X	X		X
Ryanair		X	X	
SAS	X			
TAP	X	X		X

(Based on EU Transparency Register)

As mentioned above, companies carry out part of their lobbying activities indirectly, through various associations that represent their interests. Therefore, it is important that they are transparent about the organisations they are part of, as well as their financial contributions to those associations.

With the exception of TAP in 2018, all the companies analysed mention the main associations in the sector to which they belong, either in their annual reports or in their profile in the EU Transparency Register. A4E is the organisation with the most members (6, all except SAS), followed by IATA (5), A4D and ACP (3) and European Regions Airlines Association (ERA, 2). Similarly, the airlines have presence in various corporate organisations at the national level (such as Lufthansa in BDI - Bundesverband der Deutschen Industrie) and in Europe (such as Air France-KLM in Business Europe).

However, no company provides individual data on contributions to these organisations, and only Air France provides an estimate of its investment in policy influence, which increased from 1.64 EUR million in 2018 to 2.75 EUR million in 2019 and 3.27 EUR million in 2020. According to its Sustainability Reports from 2018 to 2020, "The majority of these costs relate to memberships of national and international trade associations. A minor part is spent for the services of consultancies". [169]

Practice that can be improved	Air France KLM is the only company that provides data (beyond the Transparency Register) on its investment in lobbying activities. This investment practically doubled between 2018 and 2020 (from 1.64 to 3.27 EUR million)
Negative practice	None of the airlines analysed specifies the amount of contributions to each of the sector organisations to which they belong.

169 AirFrance-KLM. **Public Positions. Sustainable** Development Strategy 2020 Report. 2020. https://sustainabilityreport2020.airfranceklm.com/en/english-public-positions/

Presence and data on transparency registers

The presence of a company in voluntary registers such as that of the European Union is considered a good practice in relation to transparency on lobbying activities. With the exception of SAS, all the companies included in the analysis are registered in the EU Transparency Register, with TAP being the last to join in 2019. Only Air France-KLM reports that it is registered in other databases: the registers of the Dutch and French parliaments.

The 6 companies with a profile in the EU Register report an annual investment in activities covered by the Register of about 2.25 EUR million and 22 registered lobbyists. Air France-KLM leads the ranking with an expenditure of 800,000-899,999 EUR in 2020. It should be emphasised that in AirFrance-KLM's 2020 Annual Report they declared spending on "policy influence" amounting to 3.27 EUR million. In view of this example, it is clear that the EU Register does not provide a realistic picture of the total investment in lobbying by the airlines analysed.

Negative practice	The lobby investment reported by TAP in the EU Registry is less than 10,000 EUR, an amount that would not cover even the IATA fixed annual fee (about 11,000 EUR) https://www.iata.org/en/about/members/fees/

Between January 2018 and September 2021, 43 meetings with European authorities were reported in this Register, 13 of them by Lufthansa. Twenty of these meetings were held as of March 2020, that is, a significant part of them, especially in 2020, were held in the context of COVID, using virtual media. Among the authorities with whom the airline representatives met, those with Henrik Hololei (Director-General for Mobility and Transport, 12 meetings) and Frans Timmermans (European Commission Executive Vice-President for the European Green Deal, 8 meetings) stand out, followed by meetings with Violeta Bulc (former Commissioner for Transport, 6 meetings) and Adina Vălean (Commissioner for Transport, 5 meetings), including the meetings held directly or with members of their teams.

Table 30: Lobbying cost, number of declared lobbyist and meetings with EU officials

Company	Latest reported lobbying costs, financial year	Number of lobbyists declared	Meetings with EU officials (2018-2021)
Air France-KLM	800,000-899,999 EUR (2020)	5	8
easyJet	100,000-199,999 EUR (2020)	4	8
IAG	200,000-299,999 EUR (2019)	5	4
Lufthansa	700,000-799,999 EUR 2020	5	13
Ryanair	200,000-299,999 EUR (2021)	2	8
SAS	-	-	-
TAP	< 9,999 EUR (2020)	1	2
Total, all companies (average)	About 2,25 € million	22	36.99

(Based on EU Transparency Register companies profiles, as of October 31, 2021)

In view of these figures, together with those previously mentioned in relation to the sector associations, it is possible to conclude that the analysed airlines have carried out intense lobbying activity since 2018, intensifying as of March 2020. This activity has developed directly, but also through pressure groups, and has become a powerful influence on European policy making.

Lobbying activity around climate change

Lobbying related to labour regulations or obtaining bailouts or direct public aid is hardly recognised by companies, beyond generic mentions about the defense of corporate interests. However, all the companies analysed, with the exception of TAP, refer to the aspects of environmental regulation that are the object of their lobbying activity, providing information on their public positions. These positions correspond almost entirely to those expressed by the sectoral associations to which they belong, in particular IATA and A4E.

As can be seen in the following table, European airlines have intervened in recent years in various public consultation processes and roadmaps related to climate regulation.

Table 31: Participation in public consultation processes and roadmaps related to climate regulation

Company	Revision of the EU ETS Directive	ReFuelEU Aviation[18]	Revision of the Renewable Energy Directive	Revision of Energy Tax Directive
Air France-KLM	X	X	X	
easyJet		X		
IAG				X
Lufthansa	X	X	X	
Ryanair	X	X	X	
TAP				

(Based on EU Transparency Register, as of October 31, 2021)

In addition to lobbying at the European level, the airlines analysed generally state that they hold meetings with national institutions. However, the information on this aspect is usually not very specific in terms of the legislative initiatives that were the object of interest or their participation in the consultation phase. Nor does it specifically cover the formats in which lobbying activities take place, beyond general mentions of "collaboration" and "dialogue with institutions" within the framework of specific initiatives. For example, IAG, in its Annual Report 2018, p.52, mentions the UK Green Paper on its future strategy for aviation, stating, "IAG is actively participating in the consultation phase of the program".

The 6 companies included in the EU Register declare that they are part of the Consultative Forum on EU External Aviation Policy, and Lufthansa is also part of other expert groups such as the Digital Transport and Logistics Forum or the Expert Group on alternative transport fuels ('the Sustainable Transport Forum').

All the airlines analysed mention frequently (in their annual reports, press releases or advertising) their intention to develop a more sustainable business model and declare that they are committed to the fight against climate change. However, in line with IATA or A4E, they oppose aviation taxes at the national level,

18 European Commission regulatory initiative aimed to boost the supply and demand for sustainable aviation fuels in the EU.
EC: Sustainable aviation fuels – ReFuelEU Aviation
https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12303-Sustainable-aviation-fuels-ReFuelEU-Aviation_en

recognising CORSIA as the preferable standard (in the case of easyJet and Lufthansa, they are committed to a harmonization of both systems, with intra-EU flights remaining within EU ETS). Once again, there is a huge difference between what is publicly stated by these companies and the positions that they defend through their lobbying activities, dedicated to a large extent to weaken the climate objectives present in the regulatory framework regarding their activities.

Table 32: Companies and industry associations positions on climate regulation

	IATA	A4E	Air France-KLM	easyJet	IAG	Lufthansa	Ryanair	SAS	TAP
Supports CORSIA	YES	YES	YES	YES	YES	YES	YES	YES	Unknown
Supports EU-ETS	NO	NO	NO	Partial	NO	Partial	Unknown	Unknown	Unknown
Supports national taxes	NO	NO	NO	NO	NO	NO	NO	NO	Unknown

(Based on companies annual reports/sustainability reports (2018-2020) and public external sources)

CORSIA vs EU-ETS

The EU-ETS Directive is the main reference for the European carbon market. According to the European Commission website,[170] "the legislative framework of the EU ETS for phase 4 was revised in 2018 to ensure emissions reductions in support of the EU's 2030 emissions reduction target (of -40% relative to 1990 level) and as part of the EU's contribution to the Paris Agreement". The revised Directive will apply for the period 2021-2030.

Reforms regarding emissions trading at global and European level are a subject considered by 5 companies in the period analysed. As mentioned above, positions vary between the possibility of harmonisation (Lufthansa, easyJet) and supporting CORSIA as the only future scheme (IAG, SAS, Air France). Ryanair and TAP do not report lobbying activities or public positions on this issue, but considering their membership in industry associations, it can be assumed that they also support the prevalence of CORSIA over EU ETS.

170 EC, Climate Action: **EU-ETS Revision for phase 4** (2021-2030)
https://ec.europa.eu/clima/eu-action/eu-emissions-trading-system-eu-ets/revision-phase-4-2021-2030_es

Table 33: Companies position on Corsia/EU-ETS

Company	Position
Air France-KLM	"The Group expects CORSIA to be the only measure applicable to emissions from international flights within Europe in the future" (CSR Report, 2018)
easyJet	"easyJet was an early advocate for aviation being part of the EU ETS" (Annual Report 2018, p.44) "The new global framework for managing aviation carbon through offsetting is the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)." (Annual Report 2020, p.47)
IAG	IAG Annual Report 2018 (p.57) states that the company is "allocating resources to collaborate with governments, IATA and ICAO to to lobby and help define a single effective global carbon pricing solution for aviation: CORSIA"
Lufthansa	Annual Report 2020 (p.95) states "The European Emissions Trading Scheme is currently being revised, and the Lufthansa Group is also involved in this process. The project aims to harmonise CORSIA and EU ETS in order to avoid double regulation"
Ryanair	Ryanair Annual Report 2021 (p.12) mentions that the company "continues to work actively with the European Commission and fuel manufacturers to incentivize sustainable aviation fuel use. We are working with A4E and the EU Commission to accelerate reform of the Single European Sky, so we can eliminate ATC delays, and thereby significantly reduce oil consumption and CO_2 emissions".
SAS	Sustainability Report 2018 (p.15) mentions that the aviation industry "pays for its carbon emissions within the EU through the European Union Emission Trading Scheme (EU/ETS), which is an established market-based measure. SAS has supported the development of a global, market-based solution for airline emissions for many years".

Malpractice	A report by the think-tank InfluenceMap titled "The Aviation Industry and European Climate Policy" (2021) mentions that European airlines are "actively lobbying UK and EU Governments on the issue that CORSIA should replace the inclusion of aviation EU Emissions Trading System (ETS)". According to InfluenceMap, this is only a small part of the sector's activities oriented to push for weakening EU climate policies, especially since the start of the COVID-19 crisis. The airlines lobby is also pressing for subsidies for the incorporation of new technologies or the relaxation of environmental regulation in various areas, including opposition to the inclusion of biofuels quotas.

National aviation taxes

The airlines analysed show, in cases where significant information is provided in their annual documentation, a rejection of aviation taxes at the national level. This rejection is usually based on reasons of efficiency and free competition, as well as the high taxes that the sector already contributes. A clear example of the general position on aviation taxes is that expressed by easyJet:

"Currently taxes are often linked to individual passengers, which means a flight with more passengers - which will create less carbon per passenger journey - is taxed more highly. Instead any taxes should be linked to the overall emissions of a flight, including the length of the flight and the efficiency of the aircraft used. " (easyJet Annual Report 2020, p.47)

Apart from the cases of Air France-KLM and SAS, no references to specific national taxes have been found in the annual documentation for the years 2018 to 2020. The subject is not mentioned or a very general reference is made, as in the case of IAG Annual Report 2019 (p.46): "Influence British, Spanish, Irish, EU and international policies on taxation, sustainable aviation fuels and carbon pricing to make these policies effective and fair".

Table 34: Companies position on national aviation taxes

Company	Position
Air France-KLM	About French tax: "As per January 2020, airline tickets issued by all airlines now attract a tax on all flights departing from France (but not on flights arriving), except connecting flights. This tax will raise funds for investment in other transportation infrastructure, including rail. Such legislation may have a significant negative impact on the Group's operations and growth, which could be reflected in more substantial costs, and could lead to competitive distortions between airlines when applied solely to a specific geographical area. The Group regrets that such additional taxation will not serve the environmental transition of the sector through a contribution to a Sustainable Aviation Fuel fund." (CSR Report 2019) About Dutch tax: "with the COVID-19 crisis further impacting the liquidity of airlines and investments foreseen to make the sector more sustainable, the introduction of the Dutch ticket tax is questionable." (CSR Report, 2020). "Air France-KLM is in favor of more sustainable aviation, but the Group is against a national air passenger tax that does not help the environment." (CSR Report, 2018)
SAS	Annual Report 2019, (p.57): "Sweden and Norway have both introduced excise taxes on air travel. While the taxes are called environmental taxes, they have no connection with emissions or any climate protection measures. Emission-linked taxes or regulations are also being discussed in Denmark. National aviation taxes create a patchwork of costdriving taxes that negatively impact profitability, increase the complexity of agreements at a global level and can affect future investment possibilities for areas including biofuel".

Sustainable Aviation Fuels promotion and other voluntary measures
Apart from general commitments to gradually incorporate biofuels or participate in research and development initiatives, only 4 of the 7 companies (Air France-KLM, easyJet, Ryanair and SAS) provide a specific public position regarding the promotion of SAFs in their annual documentation. Support for SAFs by these airlines is conditioned by two key aspects:

(1) Availability: guarantee of stable and quality production and supply
(2) Price: guarantee of a stable and competitive price

Both aspects are seen as problems that make the incorporation of SAFs on a large scale technically and economically unfeasible in the short term. Air France-KLM and SAS mention as an additional key aspect that biofuels should be sustainably produced. SAFs and other innovations such as new propulsion technologies are viewed as a forward-looking promise or even an advertising claim, but effective engagement by airlines is limited to voluntary research and development initiatives. Rather, it would appear that they are lobbying to ensure that states are covering a significant percentage of the costs of transition to a more sustainable business model.

Table 35: Companies position on SAFs

Company	Position
Air France-KLM	"Sustainable Aviation Fuels (SAFs) are a key lever for decarbonising aviation in the short and medium term as they emit up to 80% less CO_2 than regular kerosene. Air France-KLM calls for a predictable, coherent and long-term EU framework to be put in place, in particular in the context of the European Commission's RefuelEU proposal, in order to support the ramp-up of affordable SAF supply in Europe". "SAF production must have a minimal impact on biodiversity, not compete with food production or access to food resources, be high quality (for instance no palm oil and first generation feedstock), have a positive impact on local development, and lead to a minimum CO_2 reduction of 75%. Unfortunately, the price of SAFs is still six to eight times more expensive than regular kerosene, depending on the price of oil and the type of SAFs considered. It is crucial to close this price gap, not only by upscaling production, but also by using EU funds, e.g. from the EU ETS revenues through the EU ETS Innovation Fund, or through national plans and the 750 billion euro NextGenerationEU recovery fund." (CSR Report 2020)
easyJet	"We do not see SAFs as a long-term decarbonisation solution for short-haul aviation, since current pathways are not zero carbon and total projected emissions savings remain limited. In the long term they are best suited to long-haul flying where there may not be alternatives to using SAFs. We support the development of genuine zero emissions technologies for short-haul, such as electric or hydrogen-powered flight." (Annual Report 2020, p.47)
Ryanair	Annual Report 2021, p. 48: "Through our leadership role in Airlines for Europe (A4E) we are actively encouraging governments to support industry investment in SAF through incentives, and work with the energy sector to ensure sufficient availability of renewable energy at affordable prices".
SAS	Supports SAFs with conditions: availability, competitive price and sustainability criteria. Concerning availability and price, the company mentions that it is involved in "projects and forums to develop biofuel production" (SAS Sustainability Report 2018, p.13). According to its Annual Report 2020, p.9: "SAS has continued the work with multiple stakeholders to accelerate the commercialization of Sustainable Aviation Fuels, such as biofuel". Despite considering that SAFs are a strategic element in the development of its sustainability strategy, it considers that supply is still limited, and prices are high. As set out in its Annual Report 2020 (p.124): "SAS continues to ask for SAF quotes in all jet-fuel tenders in order to indicate that we are prepared to purchase biofuel if the sustainability criteria are in place and the price is competitive" Concerning sustainability, the company mentions that biofuel production should be "sustainable in the long-term, does not compete with food production or access to potable water, does not harm biodiversity and uses as little land area as possible" (SAS Annual Report 2020, p. 124). Despite this consideration, one of the main biofuel suppliers of the company is Neste[19], a Finnish company which is producing in Singapore and is member[20] of RSPO (Roundtable of Sustainable Palm Oil), a palm oil industry lobby. The cultivation of palm oil has been widely questioned for its impact on deforestation and loss of biodiversity in developing countries[21].

Concerning the promotion of other voluntary measures, IAG, in its Annual Report 2020 (p.91) stated that the Group "contributed key information to the joint product of the European aviation industry sponsored by A4E, called Destination 2050, aviation's roadmap to carbon neutrality by 2050. Released in December, this roadmap shows how European aviation can reduce emissions through new aircraft and engine technologies, operational efficiencies, sustainable aviation fuels, cost-effective measures (such as CORSIA) and abatement technologies".

According to the Destination 2050 website, the initiative was born with the objective of "reaching net zero CO2 emissions from all flights departing the EU, UK and EFTA by 2050".[171] To achieve this goal, they propose a collaboration of the various agents in the sector on four fronts of action: (1) improvements in aircraft and engine, (2) SAFs and new propulsion technologies, (3) economic measures and (4) improvements in air traffic management and aircraft operations. As in the case of airlines with respect to SAFs, the Destination 2050 Roadmap proposals focus mainly on voluntary measures and public sector support, with an ambivalent stance on regulation (beyond general support to CORSIA).

19 Neste, Neste and Boston Consulting Group announce new sustainable aviation fuel partnership to reduce the climate impact of business air travel,2021:
https://www.neste.com/releases-and-news/aviation/neste-and-boston-consulting-group-announce-new-sustainable-aviation-fuel-partnership-reduce-climate

20 RSPO: Neste Oyj (Neste Corporation) profile:
https://rspo.org/members/100/Neste-Oyj-Neste-Corporation

21 Greenpeace: 5 problems with sustainable palm oil, 2019:
https://www.greenpeace.org/aotearoa/story/5-problems-with-sustainable-palm-oil/

171 The European Aviation Sector's Climate Mission. Destination 2050.
https://www.destination2050.eu/commitments/

6.4.4.2 Lobbying ethics

INDICATOR	Result	Number of companies		
		2018	2019	2020
Provides specific information on the regulation of the lobbying function	C	0	0	1
	N.R	5	5	4
	N.C	2	2	2
	N.A	0	0	0
Bans contributions to political parties and their candidates	C	4	4	4
	N.R	3	3	2
	N.C	0	0	1
	N.A	0	0	0
Bans contributions to organisations linked to political parties	C	1	1	1
	N.R	3	3	3
	N.C	3	3	3
	N.A	0	0	0
Board of directors with no former politicians or officials linked to company activities in EU or national institutions	C	4	4	4
	N.R	0	0	0
	N.C	3	3	3
	N.A	0	0	0
Board of directors has one or more members with relevant training and experience in social issues	C	1	1	1
	N.R	0	0	0
	N.C	6	6	6
	N.A	0	0	0
The board of directors has one or more members with relevant training and experience in environmental issues	C	0	0	0
	N.R	0	0	0
	N.C	7	7	7
	N.A	0	0	0
Senior management received training in social issues	C	1	1	1
	N.R	0	0	0
	N.C	6	6	6
	N.A	0	0	0
Senior management received training in environmental and climate change issues	C	0	0	0
	N.R	0	0	0
	N.C	7	7	7
	N.A	0	0	0

*C: Compliance: the information offered by the company meets the conditions established by the indicator.
N.R: Not reported: the corporate documentation for the reference year does not include the information in the terms established by the indicator.
N.C: Non-compliance: the information provided by the company does not meet the conditions established in the indicator.
N.A: Not applicable: the indicator is not applicable for the company in the reference year, and consequently, it is not considered for the company's score.

Lobbying regulation
Information on the regulation of the lobbying function is practically non-existent. None of the 7 airlines analysed mentions having a specific policy in this regard, and only Ryanair, in its Anti-Corruption Policy (2020), includes a specific mention on lobbying regulation.

Practice that can be improved	Ryanair declares that lobbying activity must be carried out under ethical standards, however, it does not have a specific public policy in this regard. Ryanair Anti-Bribery and Anti-Corruption (ABAC) Policy (2020), p. 4: "Lobbying should not be carried out for any corrupt or illegal purposes, or to improperly influence any decision. Relevant functions (e.g., Ryanair's Head of Public Affairs) provide guidance on how lobbying should be conducted based on the values of transparency, honesty and integrity. Any lobbying activities must be reported to the respective manager"

Contributions to political parties or related organisations
Three companies (Air France, easyJet, IAG) ban direct contributions to political parties and their candidates. Ryanair does not expressly ban them, but claims not to have made any contributions in the fiscal years from 2018-2021. TAP, SAS and Lufthansa do not provide regulatory evidence of this aspect in their codes of conduct, corporate policies or annual reports. None of the 7 companies analysed regulates contributions to foundations or other organisations.

Former public officials/politicians on senior management
In reference to the "revolving doors" phenomenon of, it should be mentioned that the shift from politics to corporate or lobbying activities is normally regulated by not too strict rules regarding possible conflicts of interest, and there are numerous cases of former politicians who have found a place on the boards of directors of large companies who were favoured while they were in public office.[172]

In the case of the 7 companies analysed, 3 of them had senior managers that previously held senior national positions in public service which ceased less than 10 years ago (8 in total) in areas related to the activities of airlines. Ryanair, with 4 executives, leads this ranking. If the the temporal range were to be eliminated and second-order positions (such as government advisers) were included, this list would increase considerably, reaching around 20 executives.

Table 36: Former public officials/politicians on senior management

Air France-KLM	3 of the company's directors between 2018 and 2020 (Anne Marie Idrac, Jean-Dominique Comolli and Patrick Vieu) held positions of responsibility in public institutions related to their field of activity.
Ryanair	4 of the company's directors between 2018 and 2020 (Michael Cawley, Julie O'Neill, Mike O'Brien and Michal Kaczmarzyk) held positions of responsibility in public institutions related to their field of activity.
TAP	Bernardo Trindade, director of the company in the three years analyzed, held the position of Secretary of State of Tourism of Portugal between 2009 and 2011.

(Based on annual reports and cross-check with public external sources)

172 Thiel, M., Bauer, E. & Runcan, P. **Revolving Doors in the EU and US**. European Parliament: Transparency Sector. July 2018. https://www.europarl.europa.eu/cmsdata/216441/EPRS_BRI(2018)625105_EN_revolving_doors.pdf

ESG background and training of senior management

The diversity of professional and academic backgrounds in the management bodies of a company, beyond the usual technical, legal and financial profiles, is a fundamental aspect for the incorporation of new points of view in the debate on corporate management, and allows a greater openness towards social and environmental issues. However, none of the 7 companies has senior executives with relevant training and experience in the environmental field, and only one company declares that it has a senior executive with experience in social matters.

Good practice	TAP is the only company that has a director with relevant training and experience in social matters: Diogo Campos Barradas de Lacerda Machado (director between 2018 and 2020). According to TAP's Corporate Governance Report (p.86), he has training in law, human rights and conflict mediation, and working and third sector experience relating to these topics. Between 2016 and 2017, he was Consultant to the Portuguese Prime Minister's Office.

This ESG training deficit should be addressed through top management training, but no company refers concisely to training in social issues provided to the board of directors.

RESULTS BY AREA

Greenwashing

6.5 Greenwashing

6.5.1 What is greenwashing?

Green sells

In recent decades, there has been a global cultural change that has increased the demand for environmental commitments by large corporations from various stakeholders: clients, institutions, NGOs, investment funds, etc. Companies fear being associated with negative information about their environmental impact, and they actively try to position the positive aspects of their management. This positioning is carried through to the various forms of public influence of the companies, from their lobbying function to advertising or reporting of non-financial information.

It is possible that, at certain levels, companies have incorporated greater environmental sensitivity. However, it seems that there is a main reason to promote a positive image in this area: economic profitability, based on the image of a "green brand" as a market argument and for investors.[173]

Said profitability is legitimate, as long as it is supported by concrete management commitments and results, about which the company reports objectively and satisfactorily to meet the information needs of the different stakeholders. However, although there is room for interpretation, the fact that a company considers itself green does not mean that it is effectively so. Faced with the stimulus of profitability, companies with questionable environmental performance may be tempted to present an unbalanced image of their management, overrepresenting the positive aspects and hiding or presenting ambiguous information on the negative or potentially conflicting aspects.

Greenwashing definition

Greenwashing is a concept that has been strongly incorporated into the public debate on the environmental impacts of large companies in the last two decades.[174] The term became popular after the publication, in 1992, of "The Greenpeace Book on Greenwash", which defined it as the situation in which "transnational corporations are preserving and expanding their markets by posing as friends of the environment".[175] According to this book, with the emergence and popularisation of the demands of the environmental movement towards the end of the 1980s, large companies began to consider the simple denial of their negative environmental impacts insufficient. On the contrary, they decided to promote an image of being committed to the environment, assuming and co-opting environmental terminology, but without making significant changes to their negative environmental impacts. One of the fundamental elements of this discourse is the allusion to changes in "company culture", which aims to convince that the corporation "is not the same" as it was a few years ago, but rather incorporates a more "green" sensitivity in various ways, from voluntary initiatives to the creation of corporate policies or sustainability departments.

As a complement to this strategy, according to the aforementioned document, highly polluting multinationals would invest large amounts of money in advertising, but also in lobbying activities to influence national policies or United Nations initiatives and dialogues on environmental issues. In 2012, Greenpeace published a sequel to the 1992 document, in which it recorded the intensification of greenwashing and the excess influence of large corporations on the environmental agendas of international organisations in the early 21st century.[176]

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173 Kenny, S. **Setback in fight against greenwashing**. Transport & Environment. 30 September 2019.
https://www.transportenvironment.org/discover/setback-fight-against-greenwashing/

174 Gelmini, S. **We're living in a golden age of greenwash**. Greenpeace. 29 June 2021.
https://www.greenpeace.org.uk/news/golden-age-of-greenwash/

175 Bruno, Kenneth and Greer, Jed. (1992) **The Greenpeace Book of Greenwash.** Amsterdam: Greenpeace.

176 How some powerful corporations are standing in the way of sustainable development. Greenpeace. June 2012
https://wayback.archive-it.org/9650/20200430152205/http://p3-raw.greenpeace.org/international/Global/international/publications/RioPlus20/GreenwashPlus20.pdf

From the above, it is possible to deduce the existence of the two main areas in which greenwashing is expressed: corporate communication (including both advertising and public documentation of the company) and influence on policy-making. In reference to this second aspect, Corpwatch[177] defines "deep greenwash" as "the corporate strategy of weakening national and international environmental agreements while promoting voluntary measures. Deep Greenwash may occur behind the scenes or in coordination with public forms of greenwash such as environmental image advertising".

According to a Terrachoice report, the main "greenwashing sins" would be the following: hidden trade-offs, no proof, vagueness, irrelevance, claims of "lesser of two evils", false labels or, directly, false information (less frequent).[178] According to Terrachoice, "if green demand is to create genuinely 'greener' products, the environmental claims of those products must be true and transparent. This is why greenwashing is such a significant impediment to continued progress".

Climate greenwashing

Climate change, due to its scope and impacts, has been a major feature on the agenda of environmental movements in recent decades. The concern of society and institutions has been increasing, and consequently, there is greater pressure for companies to commit to the fight against climate change. Unfortunately, many large companies are content to "show commitment" in public, without making corresponding effective changes in their business model and the management of impacts on climate change to justify this renewed brand image.[179]

As discussed in the lobbying chapter of this document (6.4), the airlines analysed have carried out intense lobbying campaigns in recent years aimed at weakening regulations related to climate change, positioning voluntary measures, such as carbon offsetting schemes, as a preferable alternative. In line with this position, the airlines' public communication has used their actions in these areas as evidence to support an image of companies committed to the environment and to "sustainable aviation".

In addition to the lack of objectivity regarding the performance of companies in terms of reducing emissions, climate greenwashing is often based on the presence of "false solutions", defined by Greenpeace[180] as "a climate solution, presented by governments or companies that has either been proved to be actively harmful to the planet and or communities, or is so severely under researched or developed that it cannot be seen as a substantial alternative to renewable energy technologies. This includes fossil gas, carbon capture and storage, bioenergy, offsetting, nature based solutions and hydrogen (with the exception of green hydrogen[181])".

False climate solutions are convenient for companies from a communication point of view, and do not really alter the negative aspects of the business model. Their promotion may have an opportunity cost, delaying the adoption of effective measures to fight climate change, but it can also have, paradoxically, direct negative effects on the environment. In this respect, a GRAIN release considered that "nature-based solutions may well just end up being greenwashing, serving mainly to distract from and delay real emissions reductions.[182] But if the rapidly growing number of corporate net zero plans do move to implementation, even only partially, it will in our opinion result in a massive grab of lands, forests and territories of Indigenous Peoples and rural communities in the global South".

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177 **Greenwash Factsheet.** Corpwatch, 2001
https://www.corpwatch.org/article/greenwash-fact-sheet

178 **The Sins of Greenwashing Home and Family Edition**. TerraChoice. 2010.
http://faculty.wwu.edu/dunnc3/rprnts.TheSinsofGreenwashing2010.pdf

179 Carrignton, D. **How to spot the difference between a real climate policy and greenwashing guff**. The Guardian. 6 May 2021.
https://www.theguardian.com/commentisfree/2021/may/06/difference-real-climate-policy-greenwashing-emissions

180 **Words vs actions: The truth behind fossil fuel advertising**. Greenpeace.
https://www.greenpeace.org/static/planet4-netherlands-stateless/2021/10/3b500e9b-words-vs-actions-the-truth-behind-fossil-fuel-advertising.pdf

181 Green hydrogen or non-fossil hydrogen is produced using renewable electricity via electrolysis in a power-to-gas plant. According to the mentioned report, Greenpeace supports green hydrogen produced by renewable sources.

182 **Corporate greenwashing: "net zero" and "nature-based solutions" are a deadly fraud**. Grain. 17 March 2021.
https://grain.org/en/article/6634-corporate-greenwashing-net-zero-and-nature-based-solutions-are-a-deadly-fraud

6.5.2 Airlines greenwashing

There is a growing social awareness about the notable environmental impact of aviation, and in particular, the intensity of its greenhouse gas emissions. From a financial point of view, numerous investment funds have incorporated metrics related to this aspect, and at the regulatory level, European institutions have been involved in recent years in reforms related to the taxonomy of socially responsible investments.[183] From a social and cultural point of view, trends such as "flight shaming[184]" (which originally appeared in Sweden) proposed a reduction in flights due to their high environmental impact, inviting institutions and investors to support alternative modes of transport, especially trains. It should be noted that this movement is considered as a serious threat by companies and industry coalitions, as shown by the fact that in 2019 the IATA announced that it was going to intensify its communication efforts to counter this movement with a narrative favorable to the airlines.[185]

In response to these demands from their stakeholders, in recent years airlines have made efforts to present themselves as actors which are committed to the environment.[186] As discussed in the chapter on climate change in this report (6.1), airlines have been incorporating policies and commitments on this issue in recent years, although their effectiveness and scope are questionable. The modest performance in terms of climate change, as well as the negative lobbying activity against climate change regulations, contrast with the positive and "green" image that companies in the sector try to convey.

Sustainability leaders?
Airlines communications are oriented to show great awareness about sustainability and environmental conservation. It's common for an airline to claim to be "the greenest" or a "leader in sustainability", but these bold statements are not accompanied by a description of the criteria used to determine its good performance. For example, on the cover of its Annual Report 2019, IAG states that the company is "leading sustainable aviation", but we must question, according to our analysis results, what the company understands by "leading" and by "sustainable aviation".

Questionable sources
A slogan repeated by Ryanair in all its Annual Reports from 2018 to 2021 as well as in numerous press releases is to be "the greenest, cleanest airline in Europe". This assertion is made based on the Air Travel Carbon and Energy Efficiency Report, as mentioned in Annual Report 2021, p.127: "According to the Air Travel Carbon and Energy Efficiency Report published by Brighter Planet, Ryanair is the industry leader in terms of environmental efficiency, and the Company is constantly working towards improving its performance".

However, the most recent Brighter Planet report on this issue that could be founded is a public document from 2011[187]. In contrast Transport & Environment considered[188] that Ryanair was the seventh biggest company with the most CO_2 emissions in EU/ETS in 2019, the only airline in the top 10.

Minimising negative impacts, exaggerating progress
An elementary form of greenwashing in the aviation sector is the lack of objectivity regarding the environmental impact of the activity itself. Negative aspects such as emissions are minimised or treated ambiguously in corporate communication. As will be explained in the cases of Ryanair and

183 Bonaccorsi, L. **EU law against greenwashing approved by European Parliament**. 18 June 2020. Transport & Environment. https://www.transportenvironment.org/discover/eu-law-against-greenwashing-approved-european-parliament/

184 Timperley, J. **Why 'flight shame' is making people swap planes for trains**. BBC. 10 September 2019. https://www.bbc.com/future/article/20190909-why-flight-shame-is-making-people-swap-planes-for-trains

185 Hagagy, **A. Aviation industry to counter flight shaming movement:** IATA chief. Reuters. 5 November 2019. https://www.reuters.com/article/us-airlines-environment-iata-idUSKBN1XF1HE

186 Sampson, H. '**Green' travel stunts by airlines can't erase the environmental impact of flying**. Washington Post. 16 August 2019. https://www.washingtonpost.com/travel/2019/08/16/green-travel-stunts-by-airlines-cant-erase-environmental-impact-flying/

187 Kling, M & Hough, **I. Air Travel: Carbon and Energy Efficiency**. Brighter Planet. 2011. https://static.brighterplanet.com/science/publications/aviation/aviation.pdf

188 Murphy, A. **Ryanair Europe's 7th biggest carbon polluter last year as aviation emissions continued to grow**. Transport & Environment. 16 April 2020. https://www.transportenvironment.org/discover/ryanair-europes-7th-biggest-carbon-polluter-last-year-aviation-emissions-continued-grow/

KLM, sometimes this lack of objectivity is so striking that it forces advertising regulators to intervene, an area in which various legislative alternatives are being developed to prevent greenwashing both in the UK and in the EU.[189&190]

An example is the Code of Self-regulation on Environmental Arguments in Commercial Communications of the Spanish Ministry for Ecological Transition and Demographic Challenge, which establishes that "generic or non-specific assertions on environmental benefits, in particular assertions such as 'not harmful to the environment', 'green', 'ecological', 'sustainable', should be avoided or justified by means of limits.[191] The annotations must be clear and easily understandable, and must be close to the relevant assertion to ensure that they are read together".

Europe's lowest emissions airline In February 2020, Ryanair was charged with greenwashing after the UK Advertising Standards Authority banned an advertising campaign claiming it was "Europe's lowest fares, lowest emissions airline"[192]. The regulator concluded that the claims "Europe's Lowest Emissions Airline and low CO_2 emissions were misleading". According to The Guardian, "The ads claim that Ryanair has the lowest carbon emissions of any major airline, based on CO_2 emissions per passenger per kilometer flown, because it has the youngest fleet, highest proportion of seats filled on flights and newest, most fuel-efficient engines"[193]. According to Jo Dardenne, manager of Transport & Environment[194], "Ryanair should stop greenwashing and start doing something to tackle its sky-high emissions. This ruling is a reminder that the aviation sector's climate impact is soaring because of a decades-long tax holiday and almost zero regulation of their pollution. European governments must without delay agree bilaterally to tax jet fuel until EU Vice-President Timmermans secures the end of the tax exemption ".
Over-emphasised use of biofuel An original version of a KLM corporative blog post claimed that "biofuels are always mixed with conventional fossil kerosene to a maximum of 50%" and that "the airline was the first to fly biofuel on a daily basis"[195]. In 2020, the Dutch Advertising Code Committee ordered KLM to change the blog post contents and to indicate the percentage of biofuels used in its fleet to avoid misleading consumers, after it was found to have over-emphasised the firm's use of biofuel[196]. According to Edie.net, "while KLM has operated a selected number of flights with a 50% biofuel blend and, pre-pandemic, was using a biofuel blend on at least one flight per day, biofuel only accounted for 0.18% of its total fuel consumption in 2019"[197].

Voluntary measures, better than regulations

To complement the minimisation of emissions data, there is an attempt to divert attention onto offsetting programmes or proposed alternative technological solutions to fossil fuels. As analysed throughout this report, the companies that are analysed embrace the decarbonisation discourse, but under their own rules, according to their own deadlines and only to the extent that they can make this process functional to their interests.

The commitments to reduce emissions in absolute terms by these companies are modest, and through their lobbying activities, they try to influence "flexible" regulation on this and other aspects. As analysed in the chapter on lobbying (6.4), CORSIA is presented as the only offsetting scheme that should apply, which implies opposition to any national or regional regulations that impose stricter conditions.

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189 Timmins, B. **Advertising regulator to clampdown on greenwashing ads**. BBC News. 23 September 2021.
https://www.bbc.com/news/business-58645708

190 Jessop, S. & Abnett, K. **EU prepares to turn the screw on asset managers over greenwashing**. Reuters. 9 March 2021.
https://www.reuters.com/article/us-europe-regulations-finance-focus-idUSKBN2B11LM

191 **Código de Autorregulación sobre argumentos en comunicaciones comerciales 2009**. Ministerio de Transición Ecológica y el Reto Demográfico.
https://www.miteco.gob.es/es/ceneam/recursos/mini-portales-tematicos/Codigo-argumentos-ambientales_tcm30-70733.pdf

192 ASA/CAP. **ASA Ruling on Ryanair Ltd t/a Ryanair Ltd**.
https://www.asa.org.uk/rulings/ryanair-ltd-cas-571089-p1w6b2.html

193 Sweney, **M. Ryanair accused of greenwash over carbon emissions claim**. The Guardian. 5 February 2020.
https://www.theguardian.com/business/2020/feb/05/ryanair-accused-of-greenwash-over-carbon-emissions-claim

194 Dardenne, **J. Ryanair fake 'green' ad shows why lawmakers must take on its soaring emissions**. Transport & Environment. 5 February 2020.
https://www.transportenvironment.org/discover/ryanair-fake-green-ad-shows-why-lawmakers-must-take-its-soaring-emissions/

195 Duivis, R. 10 **Things You Didn't Know About Biofuel.** KLM. 23 July 2020.
https://blog.klm.com/10-things-you-always-wanted-to-know-about-biofuel/

196 **Uitspraken**. Stichting reclame code.
https://www.reclamecode.nl/uitspraken/biofuel/vervoer-2020-00136/269836/

197 George, S. **KLM's biofuel advertisements were greenwashing, regulator rules**. Edie. 3 August 2020.
https://www.edie.net/news/7/KLM-s-biofuel-advertisements-were-greenwashing--court-rules/

On the other hand, offsetting and new technological solutions such as biofuels seem to be the preferential option, since they link the company with social and environmental projects, which can be used to “disguise” the negative impacts of aviation and lessen “flight shame.”[198]

Offsetting programmes

In general, the impact on CO_2 levels of emissions offsetting programmes is exaggerated by companies, which provide limited information on the calculation methods used to determine the offset. Furthermore, in some cases it does not appear that the companies have effective control over said projects at source, having detected certain questionable practices from a social and environmental point of view. As will be seen in the following examples, these aspects have been questioned in recent years by various environmental organisations.

“The world’s first major airline to operate net-zero carbon flights” In November 2019, an easyJet press release stated that the company “will become the world’s first major airline to operate net-zero carbon flights across its whole network. The airline will achieve this goal by offsetting the carbon emissions from the fuel used for all of its flights. easyJet will undertake carbon offsetting through schemes accredited by two of the highest verification standards, Gold Standard and VCS. They will include forestry, renewable and community based projects”[199]. Some media[200&201] questioned whether the company contribution to offsetting schemes was only 0.30 GBP per ticket sold, or the little carbon saving achieved through the company offsetting projects[202].
Flying carbon neutral? British Airways offsetting projects In a press statement, British Airways announced that, from 1 January 2020, the airline “will begin offsetting carbon emissions on all its flights within the UK, as part of the airline’s commitment to achieving net zero carbon emissions by 2050”[203]. An investigation carried out by Unearthed-Greenpeace and The Guardian ”found evidence that raises serious doubts about the ability of these projects to offset emissions in line with the claims of major airlines”. The investigation also suggests that “the current flagship system for offsetting emissions through avoided deforestation may not be fit for purpose”[204]. In particular, this report refers to one of the company’s main projects, which is being carried out in Madre de Dios, Peru. The Madre de Dios’ Project could be exposed to risks of deforestation due to demographic pressure, making it difficult to make a realistic calculation of offset emissions. According to Redd Monitor, the Madre de Dios Project is run by logging companies[205].
The first airline to decide to offset the emissions on its domestic flights In a press release issued in December 2019: Air France announced that it was “the first airline to proactively offset the emissions on its domestic flights”[206]. In relation to the company’s commitments in the fight against climate change, the statement mentions that “This voluntary offsetting initiative is part of Air France’s global commitment to reducing its environmental footprint, through its fleet renewal, it’s piloting practices and its partnership with the SolarImpulse foundation aimed at developing sustainable solutions for aviation”. The announcement and the use of this argument in corporate communications was questioned by numerous environmental groups[207]. According to La Chaîne Info: “Defenders of the environment invoke the objectives of the Paris Agreement on the climate to demand the pure and simple reduction of air traffic, rather than the only compensation of CO_2 emissions by airlines”[208]. Carbone 4 recommended that Air France “adopt a different semantics as of now, moving from ‘carbon compensation’ to (synonymous with cancellation of emissions, which is incorrect) to ‘contribution to neutrality’” [209] .

198 Hooker, L. **Will I ever be able to fly again without feeling guilty?**. BBC. 29 August 2021.
https://www.bbc.com/news/business-57917193

199 **easyJet to become the world’s first major airline to operate net-zero carbon flights**.
https://mediacentre.easyjet.com/story/13474/easyjet-to-become-the-world-s-first-major-airline-to-operate-net-zero-carbon-flights

200 Alkadri, H. **Mit 30 Cent gegen die Scham.** 22 November 2019.
https://taz.de/Greenwashing-von-Flugunternehmen/!5640954/

201 Hegmann, G. **Mit 30 Cent will easyjet uns von der Flugscham befreien**. Welt. 19 November 2019.
https://www.welt.de/wirtschaft/article203657970/Easyjet-und-Lufthansa-werben-mit-CO2-Kompensation.html

202 **Carbon offsets used by airlines are not credibles, investigation shows**. Transport & Environment. 31 May 2021.
https://www.transportenvironment.org/discover/carbon-offsets-used-by-airlines-not-credible-investigation-shows/

203 **British airways’ UK offsetting scheme takes off**. British Airways.
https://mediacentre.britishairways.com/pressrelease/details/86/0/11944

204 Sandler, C. & Barratt, L. **Top airlines’ promises to offset flights rely on ‘phantom credits’**. Unearthed. 4 June 2021.
https://unearthed.greenpeace.org/2021/05/04/carbon-offsetting-british-airways-easyjet-verra/

205 Lang, C. Madre de Dios Amazon REDD Project: easyJet’s phantom carbon credits are generated by logging the forest. Redd. 14 May 2021.
https://redd-monitor.org/2021/05/14/madre-de-dios-amazon-redd-project-easyjets-phantom-carbon-credits-are-generated-by-logging-the-forest/

206 AirFrance. **AirFrance to begin offsetting 100% of CO2 emissions on its domestic flights on 1st January 2020**. 23 December 2019.
https://corporate.airfrance.com/en/press-release/air-france-begin-offsetting-100-co2-emissions-its-domestic-flights-1st-january-2020

207 FranceInfo.”**Vol neutre en CO_2” : la petite mention d’Air France qui fait tiquer des scientifiques.** 30 July 2019.
https://www.francetvinfo.fr/economie/transports/greve-a-air-france/vol-neutre-en-CO2-la-petite-mention-d-air-france-qui-fait-tiquer-des-scientifiques_4058309.html

208 Michelon, **V. Air France compensera “100% des émissions de CO2” sur ses vols intérieurs : mesure salutaire ou coup de com**’ ?. LCI. 1 October 2019.
https://www.lci.fr/planete/air-france-compensera-100-des-emissions-de-co2-sur-ses-vols-interieurs-greenwashing-ou-mesure-salutaire-2133791.html

209 Amant, S. **Air France et la neutralité : pourra-t-on voler tranquilles en France dès l’an prochain**? Carbone 4. 7 November 2019.
https://www.carbone4.com/decryptage-mobilite-air-france-neutralite

SAFs and new technologies

Hydrogen engines, carbon capture technologies and other cutting-edge technological solutions are progressively gaining space in the communication agendas and non-financial reporting activities of the airlines analysed, but the most commonly mentioned technology in the 2018-2020 period is definitely SAFs.

SAFs are seen as an effective measure to reduce the environmental impact of aviation, although it is considered that, in the short term, they are not a viable large-scale alternative.[210] However, this does not prevent airlines from taking advantage, in advertising terms, of their trials of alternative fuels, even when their scale is insignificant. This allows them to associate their image with the prestige of developing new "green technologies", and once again, to mitigate their passengers' fear of "flight shame".

<u>The first long-haul flight with SAFs produced in France</u>

In May 18, 2021, Air France-KLM announced in a press release[211] that "Air France-KLM, Total, Groupe ADP and Airbus have joined forces to carry out the first long-haul flight powered by Sustainable Aviation Fuel (SAF) produced in France". SAFs and fleet renewal are considered by Benjamin Smith, CEO of Air France, as the "main lever in the medium-term for reducing our CO_2 emissions per passenger/km by half by 2030". A relevant aspect, not highlighted in the corporate communication about the event, is the proportion of biofuel present in the SAF produced by TOTAL: just 16%, compared to 84% for conventional fuel.

Since 2009, the Group has carried out numerous trials of SAFs on domestic and medium-haul flights[212], which according to a press release, places the company in a leadership position. But according to other sources, Air France-KLM is just one of more than 40 airlines that regularly use SAFs[213] and KLM made its first flights with biofuel in 2012 to Brazil before establishing a weekly flight between Amsterdam and New York in 2013[214]. Therefore, it is questionable whether the flight made in May 2021 could be considered a disruptive novelty for the company and the industry.

<u>Is IAG's commitment to the development and use of SAF a strong one?</u>

IAG boasts a strong commitment to SAF, and will invest US$ 400 million in SAF production over the next two decades (from 2017). In 2018 and 2019 IAG did not mention any investments, and in 2020 it declared that £0.5 million was invested in the Altalto waste-to-jet initiative. Despite these commitments IAG declares sustainable fuels as a "regulatory risk" and takes a position against regulations arguing that "the EU proposal to impose a sustainable fuel quota for the aviation sector would boost production but would force airlines to buy sustainable aviation fuels at a higher price compared to conventional fuels, creating a competitive distortion" (IAG, 2018) and its position is to "persuade to avoid mandates" (IAG, 2018).

6.2.2.6 Airlines and climate change talks

One of the elements that usually appear in companies' information on their public relations is their participation in different events, including, for example, those related to the definition of the United Nations agenda on climate change. Such participation is often presented as a positive contribution to social dialogue and evidence of environmental awareness and commitment. However, critical voices question the true intentions of large corporations when participating in these types of events. According to Corporate Europe,[215] the UN climate talks "are a greenwashing heaven: companies spend lavishly to invent dramatic examples of their stellar climate performances, to claim the most virtuous social practices, and to increase their profits. In fact, their real goal is often even more ambitious. While pretending to fight against climate change, they promote the technological solutions they have designed and wish to finance through subsidies".

210 In this regard, it is recommended to consult the section on lobbying activity in this document.

211 **Air France-KLM, Total, Groupe ADP and Airbus Join Forces to Decarbonize Air Transportation and Carry Out The First Long-Haul Flight Powered By Sustainable Aviation Fuel Produced in France**. 18 May 2021.
https://www.airfranceklm.com/en/air-france-klm-total-groupe-adp-and-airbus-join-forces-decarbonize-air-transportation-and-carry-out

212 Sauvage, G. **Un premier vol long-courrier à l'huile de cuisson pour un avion d'Air France**. France 24. 18 June 2021.
https://www.france24.com/fr/%C3%A9co-tech/20210518-un-premier-vol-long-courrier-%C3%A0-l-huile-de-cuisson-pour-un-avion-d-air-france

213 Philippe, A. **Le vol AF 342 Paris-Montréal était-il vraiment le " premier " vol long-courrier avec du biocarburant ?** RTBR.de. 19 May 2021.
https://www.rtbf.be/info/monde/detail_le-vol-af-342-paris-montreal-etait-il-vraiment-le-premier-vol-long-courrier-avec-du-biocarburant?id=10765202#:~:-text=Dans%20les%20r%C3%A9servoirs%20de%20l,partir%20d%27huiles%20de%20cuisson

214 Kroesen, F. **Deployment of sustainable aviation fuels at KLM.** ICAO.
https://www.icao.int/Meetings/SAFStocktaking/Documents/ICAO%20SAF%20Stocktaking%202019%20-%20AI1-3%20Fokko%20Kroesen.pdf

215 Lobby Planet. **A guide to corporate** COP21.
https://corporateeurope.org/sites/default/files/attachments/lobbyguide_en_small.pdf

The events that stand out for generating the most discussion about greenwashing in public opinion are the annual meetings of the Conference of the Parties (COP), the supreme decision-making body of the United Nations Framework Convention on Climate Change (UNFCCC).[216] These meetings have represented fundamental advances in the definition of the international agenda on climate change, and each year they bring together representatives of civil society, institutions, companies and other stakeholders. However, in recent years there has been controversy over the true objectives of highly polluting companies (as in the case of airlines) when participating in these types of events. In this regard, a recent US News article on COP26 in Glasgow 2021 mentions that "Greenpeace and other environmental campaign groups have been critical of a wave of announcements by countries and industry groups, ranging from airlines to shipping firms, to aim for 'net zero' emissions. Rather than cut greenhouse gas emissions to zero, those aiming for net zero pledge to release only as much carbon dioxide or other pollutants into the atmosphere by a certain date as can be captured again".[217]

Iberia as "silver sponsor" of COP25

Iberia (IAG's Spanish airline) was a "silver sponsor" of the COP25 Climate Change Conference, held in Madrid in December 2019[218]. As reported in Iberia's Sustainability Report 2019, p.73: "As part of the Climate Change Conference, Iberia received the award for business climate leadership given by Business Ambition for 1.5ºC of Global Compact Spain, which Iberia recently joined".

Without wishing to deny the importance of COP25 in defining the agenda to fight climate change, several Spanish media[219&220] considered that the sponsorship of the event by highly polluting companies was a possible case of greenwashing. The sponsorship of the event, despite being a positive initiative, contrasts with the few commitments assumed by companies like Iberia and their poor environmental performance.

According to a Greenpeace report, "The environmental performance of IAG-Iberia cannot be considered to be aligned with the reduction of emissions, or with the 1.5 ºC objective. The company does not yet have a specific policy against climate change. And its incipient 'forest' in Madrid is a ruse to distract attention from its responsibility in the worsening of climate change"[221].

216 UN. **Conference of the Parties (COP).** UN Climate Change.
https://unfccc.int/process/bodies/supreme-bodies/conference-of-the-parties-cop
217 Associated Press. **Greenpeace Chief Warns of 'Greenwashing' at UN Climate Talks.** US News. 22 October 2021.
https://www.usnews.com/news/us/articles/2021-10-21/greenpeace-chief-warns-of-greenwashing-at-un-climate-talks
218 UN. **Conferencia de las Naciones Unidas sobre el Cambio Climático, diciembre de 2019**. UN Climate Change.
https://unfccc.int/es/cop25
219 Tena, A. **Jugar a dos bandas o cómo hay empresas contaminantes en la Cumbre del Clima**. 4 December 2019.
https://www.publico.es/sociedad/cop-25-empresas-patrocinan-cop.html
220 Villarreal, A. **El 'greenwashing' del Ibex 35 con la Cumbre: chapa y pintura verde para grandes empresas**. Cotizalia. 3 December 2019.
https://www.elconfidencial.com/empresas/2019-12-03/cop25-greenwashing-empresas-ibex-35_2361780/
221 Haciendo Trampas al clima. Greenpeace. h
ttps://es.greenpeace.org/es/wp-content/uploads/sites/3/2020/12/HACIENDO-TRAMPAS-AL-CLIMA.pdf

GENERAL CONCLUSIONS

7. GENERAL CONCLUSIONS

7.1 Government support of airlines must correspond with more sustainable management.

The bailouts of European governments have provided unprecedented support for an industry whose performance on social and environmental issues in the years before the COVID-19 crisis has been questionable. Between March 2020 and November 2021, the 20 bailout measures included in this report amounted to 31.18 EUR billion, with a total of 13 countries participating in them. This support was essential for the survival of the companies, and should have been an incentive to improve their performance. However, the low level of conditionality suggests that the transition to a more sustainable business model is still largely linked to voluntary initiatives with uncertain results.

The establishment of conditions is positive, but it is still at low levels in terms of its frequency, characteristics and thematic scope. For example, aspects related to labour rights have been included in a significant way, a fundamental issue in the context of massive job losses. Eleven of the twenty bailout measures were approved without any ESG conditionalities, and only two of the twenty bailout measures have specific environmental and/or climate change conditions. 8 of these measures include corporate governance conditionalities while temporary support lasts. In particular, 7 measures include the prohibition or "restriction" of dividends and 5 measures impose limits to the remuneration of senior managers. Where they do exist, the social and / or environmental conditions for public support, are in many cases weak in terms of the required commitments, or even regarding their binding nature (and the consequences of a possible non-compliance).

As can be seen, much of the government support practically gives the airlines a blank cheque on social and environmental issues, and there is not enough transparency regarding the conditions. In those bailouts that do include public conditions, they are not always clear as to their scope, particularly in the environmental field and the remuneration of managers. In a context where States have increased their presence as shareholders of several airlines, or have at least contributed to their financial survival, the bailouts granted to the airlines should serve to stimulate an improvement in their performance on issues which are critical to the country.

Recommendations regarding government support:

- Link any potential government support to legally binding, clear, quantifiable and time-bound commitments and objectives by airlines in terms of their social and environmental impact and particularly reduction of their GHG emissions.
- Include new conditions related to aspects such as labour rights: employment protection, occupational health and safety, equality and diversity, collective bargaining, work-life conciliation, etc.
- Improve levels of transparency regarding the conditions of the bailouts, as well as regarding compliance and monitoring of the use of these funds in the coming years.

7.2 Airlines must incorporate clear and binding commitments in the fight against climate change.

The climate change performance of the 7 airlines analysed should clearly be improved. All companies except SAS increased their total emissions in 2018 and 2019, while the reduction in 2020 is due to the decrease in air traffic as a result of the restrictions derived from the pandemic. Notable is the lack of transparency about how companies calculate their total emissions, on whether they include scope 3 or offsets.

The commitments to address this situation are clearly insufficient, and were not increased in response to bailouts. Companies' plans to reduce emissions typically include measures such as fleet modernisation, contribution to aeronautical research, SAFs, operational measures or regulatory and proactive offsetting. However, these measures are failing to reduce total emissions and some of them are even counterproductive, such as the use of palm oil as SAF.

Many companies established environmental plans more than ten years ago, but have not reported in detail on their compliance when the deadline was reached. Without adequate follow-up of the commitments made recently, this situation could be repeated, leaving these commitments as a simple declaration of good intentions, or at worst, greenwashing to use in advertising.

Aspects such as fleet renewal, voluntary offsetting or the incorporation of SAFs show insufficient development, and the economic impact of the pandemic may delay the slight advances registered in recent years.

<u>Recommendations related to climate change risk management:</u>

- Airlines must be obliged to respect binding commitments with specific short and medium-term and annual goals in terms of the absolute reduction of greenhouse gas emissions.
- These commitments should include phasing-out ultra short-haul flights, in cooperation with public institutions and other transport sector agents (i.e rail companies).
- Airlines must present realistic information about the scope of their offsetting programmes or the incorporation of SAFs, two aspects widely used in corporate communication, but with a rather questionable effective impact.
- Airlines should consider incorporating more senior managers with knowledge and experience in environmental issues, as well as promoting training on these issues at the senior management level.
- Airlines should increase their transparency about the calculation methods used to determine emissions, as well as offer the information in such a way that it can facilitate comparability.
- Regulatory institutions must establish reporting obligations on emissions and their compensation as well as sanctions in case of non-compliance. In particular, the specific calculation methods should be included, as well as significant information on the financial, social and environmental aspects linked to the projects supported through the compensation programs.

7.3 Airlines have to face growing job precariousness, guarantee adequate collective bargaining and strengthen their commitments on equality and non-discrimination.

Although working conditions in the airline industry have traditionally had relatively high standards, the conditions of recently incorporated personnel (especially in the low-cost airlines) are becoming more precarious with the emergence of various forms of outsourcing and atypical employment modalities, with limited infor mation about this from the analysed airlines. These contracting modalities are part of "efficiency" programs that prioritise the reduction of labour costs, in many cases without sufficiently addressing other aspects related to operations (such as the renewal of the fleet) or finances (aggressive dividend policies, managers with millionaire salaries) efficiency. The rising precariousness in the years prior to the crisis, added to the devastating effects of the crisis itself, raises a panorama of uncertainty about the hiring and working conditions in the sector.

Recommendations on workforce management:

- Greater incorporation of commitments related to gender equality at the salary and professional promotion level, beyond the boards of directors. Promotion of similar commitments regarding other possible categories of discrimination such as ethnic origin, disability or age.
- Greater agreement between different stakeholders for the protection of employment and the promotion of measures related to the professional retraining and job alternatives for airline workers affected by the workforce reductions.
- Regulations aimed at standardising data on the composition of the workforce, their contractual conditions, their professional category, etc. Said data must be more exhaustive and comparable than at present, and presented with a greater degree of disaggregation.
- In order to contribute to a way out of the COVID-19 crisis that reinforces social cohesion, the establishment of regulations aimed at improving working conditions in the sector and avoiding the precariousness of the workforce should be considered a priority.
- Greater transparency about the number of people employed under temporary or part-time contracts, as well as through subcontractors, temporary work agencies or other "atypical forms" of hiring, including the working conditions of these employees·

The COVID-19 crisis had an unprecedented impact on the number of employees of the 7 companies analysed, which on average reduced their workforce by 14% between 2019 and 2020. The workforce reductions are considered irreversible in the short term due to the uncertainty in the sector, and they seem to have come to stay, as part of structural adjustment processes.

In addition to the decrease in their workforce, the airlines adopted other voluntary measures related to the reduction of labour costs, and also took part in various government job support schemes. In a context of exceptionality and immediacy, under the threat of bankruptcy, the possibilities for workers to influence the strategic decisions of companies and governments were largely limited. After years of intense labour conflicts, the response to the pandemic seems to have put on hold some of the union demands regarding the growing precariousness of working conditions in the airlines.

All of the analysed airlines state, in greater or less detail, a general commitment to promoting equal opportunities in their workforce and management. However, in general these commitments are not quantifiable and have no temporary deadlines; there is also little information about fundamental aspects that could verify compliance (for example, on pay gaps). Women progressively gain space on the boards of directors of the companies analysed, however, their presence in other areas of management remains at low levels or is not reported.

7.4 Airlines should maintain policies of moderation regarding the distribution of dividends and the remuneration of senior management.

In 2018 and 2019 all analysed airlines, with the exception of TAP, registered positive results. The decrease in airline activity as a result of the pandemic had devastating effects on their financial results for 2020, and the companies analysed recorded negative results.

The distribution of dividends is usually linked to the results and prospects of the company, two aspects seriously threatened by the COVID-19 crisis in the case of airlines. Beyond the dividend ban conditions established by government bailouts, the 2020-early 2021 context was not suitable for dividend distribution. It is worth considering to what extent these bailout conditions will allow, in the medium and long term, the adoption of more “moderate” dividend policies or dividend policies taking into account real climate performance.

Compensation to senior management experienced a notable decrease between 2018 and 2019, and even greater between 2019 and 2020, something that is related to three factors: the deterioration of the financial figures usually used in the calculation of variable remuneration, the conditions of certain bailout agreements and also voluntary initiatives to reduce or defer payments by senior management. Despite the notable decrease in their absolute amount, these remunerations continue to be at very high levels, with a large difference compared to the average employee remuneration in each company.

<u>Recommendations on dividends and incentives:</u>

- Prioritise financial stabilisation and investments related to reducing the environmental impact on the distribution of dividends in the coming years.
- Propose more specific dividend and remuneration policies for senior management in terms of their criteria and conditions.
- The incorporation of metrics related to climate change in variable remuneration schemes could be generalised. These metrics should increase their relative weight and be more specific in terms of beneficiaries, targets and levels of compliance.
- Access to public support to be conditional on responsible policies and practices for the management of remuneration to executives and shareholders.

7.5 Airlines must increase transparency about their lobbying activity and ensure that it is carried out under ethical standards.

Large corporations make multi-million investments in lobbying activities in order to influence policy-making. In this way, they seek to guarantee policies and regulatory frameworks that are functional to their interests. This intervention strategy puts corporate interests in a privileged position compared to the demands of social or environmental groups with fewer resources and connections with the centres of power. The context of the pandemic has intensified these inequalities in influence over the major decision-making spheres at the European level.

The airlines analysed are no exception: in recent years, they have mobilised large amounts of resources to impose their views, either directly or through entities such as IATA or A4E. The 6 companies with a profile in the EU Register (all except TAP) report an annual investment in activities covered by the Register of about 2.25 million EUR and 22 registered lobbyists. This is only part of their full investment in lobbying activities, as explained above (section 6.4) the scope of coverage of the Register is limited (although it is to be expected that the reforms on its regulation, currently underway, will improve this aspect).

Environmental regulation has been the preferred target of the airlines' attempts to influence policy making: the sector has shown head-on opposition to national aviation taxes, pressing for CORSIA to be the only benchmark scheme and, in general, to "alleviate" emission tax rules and burdens.

The airlines and the organisations that represent them try to promote themselves publicly as committed actors in the fight against climate change, using as their main argument the voluntary initiatives in terms of offsetting emissions, biofuels or reducing waste on board. However, this discourse seems to contradict their management results and strategies to influence European institutions.

<u>Recommendations related to lobbying activity:</u>

- Reform of the regulatory reporting frameworks on lobbying information, within the framework of satisfactory accountability processes on non-financial issues.
- Improving equity in access to national and European policymaking, mitigating the excess influence of corporate lobbies and allowing a plural representation of the interests of the various social agents.
- Expansion of the scope and completeness of the information included in the EU Transparency Register and the registers of national institutions.
- Improving the level of transparency on investment in lobbying activities, reliably reporting the economic and human resources assigned to it. This includes a breakdown of the legislative initiatives that have been the objective of monitoring by the company, the contributions by sectoral organisations and the meetings with national and European authorities.
- Improvement of the internal regulation of the public influence function in companies, through the creation of specific and publicly accessible policies.
- Improve the accountability of companies in relation to lobbying actions carried out, by reporting on specific issues and the position maintained by the company.

7.6 Airlines must be responsible and objective when communicating about their environmental impact.

In response to the growing demands from their stakeholders, in recent years airlines have made efforts to present themselves as committed to the environment. Most of the airlines' communications today are oriented to show great awareness about sustainability and climate change. It's common to find that an airline claims to be "the greenest" or a "leader in sustainability", but these bold statements usually are not accompanied by a description of the criteria used to determine this "green leadership".

As analysed throughout this report, the companies embrace the decarbonisation discourse, but under their own rules, according to their own deadlines and only to the extent that they can make this process functional to their interests. Their modest performance in terms of climate change, as well as the negative lobbying activity against the regulations related to it, contrast with the positive and "green" image that companies in the sector try to convey.

Negative aspects such as emissions are minimised or treated ambiguously in corporate communications. At the same time, the impact on levels of CO_2 emissions by offsetting programmes is exaggerated by companies, which provide limited information on the calculation methods used to determine the offset. These practices, as explained above, have led to the intervention of several European advertising regulators.

Recommendations to avoid greenwashing:

- Communication actions that correspond to binding and specific commitments regarding the reduction of emissions in absolute terms.
- Science-based criteria when reporting on the company's performance and environmental commitments.
- Realistic information about the risks and trade-offs in their offsetting or SAFs programmes. Companies must ensure that these measures are coherent with sustainability and human rights criteria. For example, in the case of SAFs, agrofuels production has a big impact itself,[222] and can be counterproductive for food security, climate and biodiversity[223].
- Greater involvement of advertising regulators in the creation of regulations and manuals of good practices in communication on the management of environmental impacts.
- Sanctions for companies whose information or advertisements do not correspond to the reality of the company's environmental impact.

222 Hugo Valin (IIASA), Daan Peters (Ecofys), Maarten van den Berg (E4tech), Stefan Frank, Petr Havlik, Nicklas Forsell (IIASA) and Carlo Hamelinck (Ecofys): The land use change impact of **biofuels consumed in the EU Quantification of area and greenhouse gas impacts**, 2015. https://ec.europa.eu/energy/sites/ener/files/documents/Final%20Report_GLOBIOM_publication.pdf
223 I nternational Food Policies Research Institute (IFPRI): **Biofuels and food security. Balancing needs for food, feed, and fuel**, 2008. https://www.ifpri.org/publication/biofuels-and-food-security

ANNEX

ANNEX 1: LIST OF INDICATORS

Climate change area

POLICY AND COMMITMENT

Does the company have a publicly available environmental policy? (2018, 2019, 2020)
Does the company have a policy commitment to action on climate change? (2018, 2019, 2020)
Has the company quantitative GHG emission targets? (2018, 2019, 2020)
Does the company have an absolute (not net) emission reduction target in the short- medium-term? (2018, 2019, 2020)
Does the company aim to be carbon neutral by 2050 or before? (2018, 2019, 2020)
Does the company have targets by 2030? (2018, 2019, 2020)
Does the company have short term targets (5 years or less)? (2018, 2019, 2020)
Does the company have annual targets? (2018, 2019, 2020)
Has the company increased its climate commitment in the bailout year? (2018, 2019, 2020)

MANAGEMENT SYSTEM

The company has an environmental management system, including climate change variables (2018, 2019, 2020)
If yes, is it an ISO 14001 or EMAS certified system, or another internationally approved sector-specific system? (2018, 2019, 2020)
If yes, the company indicates the percentage of production/facilities/employees covered by the certified/audited system? (2018, 2019, 2020)
Have Scope 1 and Scope 2 GHG emissions been externally verified/audited? (2018, 2019, 2020)
Does the company report on Scope 1 emissions? (2018, 2019, 2020)
Does the company report on Scope 2 emissions? (2018, 2019, 2020)
Does the company report on Scope 3 emissions? (2018, 2019, 2020)
Does the company identify the main climate risks within its business? (2018, 2019, 2020)
Does the company identify the main climate risks outside its business? (2018, 2019, 2020)
The climate change policy is supervised by a responsible senior manager? (2018, 2019, 2020)
Does the company's remuneration for senior executives incorporate climate change performance? (2018, 2019, 2020)
Does it report on the amounts invested in R&D to address climate change? (2018, 2019, 2020)

GHG EMISSIONS

Has the company increased total emissions (CO_{2e}) in the last year by more than 10%? (2018, 2019, 2020)
Has the company increased total emissions (CO_{2e}) in the last year by more than 5%? (2018, 2019, 2020)
Has the company increased total emissions (CO_{2e}) in the last year by more than 2%? (2018, 2019, 2020)
Has the company maintained total emissions (CO_{2e}) over the last year (+/-2%)? (2018, 2019, 2020)
Has the company reduced total emissions (CO_{2e}) in the last year by more than 2%? (2018, 2019, 2020)
Has the company reduced total emissions (CO_{2e}) in the last year by more than 5%? (2018, 2019, 2020)
Has the company reduced total emissions (CO_{2e}) in the last year by more than 10%? (2018, 2019, 2020)
Has the company increased emissions per pkm in the last year (>1%) (2018, 2019, 2020)
Has the company maintained the emissions per pkm in the last year (+/-1%) (2018, 2019, 2020)
Has the company decreased emissions per pkm in the last year (<1%) (2018, 2019, 2020)
Has the average age of the aircraft fleet decreased in the last year by under 3 months? (2018, 2019, 2020)
Has the average age of the aircraft fleet decreased in the last year by at least 6 months? (2018, 2019, 2020)
Has the average age of the aircraft fleet decreased in the last year by at least 12 months? (2018, 2019, 2020)
Has the company used SAF? (2018, 2019, 2020)
If yes, does the company report on the % of SAF used? (2018, 2019, 2020)
If yes, are they from agriculture/forest products? (2018, 2019, 2020)
If yes, are they from waste? (2018, 2019, 2020)
If yes, are they synthetic? (2018, 2019, 2020)
If yes, are they from renewable origin? (2018, 2019, 2020)
Has the company supported any SAF programme? (2018, 2019, 2020)
Is the company offsetting part of its flights? (2018, 2019, 2020)
Is the company offsetting 100% flights? (2018, 2019, 2020)
Is the company offering to offset flights? (2018, 2019, 2020)

Labour area

WORKFORCE STRUCTURE

The company did not reduce its workforce compared to the previous year, 2018, 2019, 2020
Reports reasons for workforce reduction and provides an adequate justification, 2018, 2019, 2020
Provides specific data on the number of layoffs, 2018, 2019, 2020
Commitment to promote and maintain employment, 2018, 2019, 2020
Temporary workers do not exceed 20% of the total workforce in 2018, 2019, 2020
Does NOT increase the % of temporary employees compared to the previous year. 2018, 2019, 2020
In case of increasing % of part-time employees compared to the previous year, provide a justification, 2018, 2019, 2020
Reports on workforce distribution by professional category, 2018, 2019, 2020
Provides disaggregated information on the number of people subcontracted and/or hired through a temporary employment company, 2018, 2019, 2020
Reports on the working conditions of people subcontracted and / or hired through a temporary work agency, 2018, 2019, 2020

LABOUR RIGHTS

Reports on the existence of an occupational health and safety plan implemented following a standard or guide (for example OSHAS), 2018, 2019,2020
At least 80% of the workforce is covered by collective agreement, 2018, 2019,2020
At least 90% of the workforce is covered by collective agreement, 2018, 2019,2020
If there have been labour disputes or strikes, reports on them, 2018, 2019, 2020
Reports on consultation and dialogue processes with trade union organisations, 2018, 2019,2020
Salaries/EBITDA ratio did not decrease, 2018, 2019,2020
Reports on measures for the reconciliation of personal and family life, 2018, 2019, 2020
Reports on the number of people who have taken advantage of these measures and their distribution, 2018, 2019,2020

EQUALITY AND DIVERSITY
Has an equality and non – discrimination public policy, 2018, 2019,2020
The company's commitments to gender equality reflect quantifiable and time-bound goals, 2018, 2019,2020
Provides disaggregated data on the wage gap between men and women, 2018, 2019,2020
The difference between the average remuneration of men and women is less than 30% in 2018, 2019,2020
The difference between the average remuneration of men and women is less than 20% in 2018, 2019,2020
At least 30% of the workforce are women, 2018, 2019,2020
At least 40% of the workforce are women, 2018, 2019,2020
At least 30% of the members of the board of directors are women, 2018, 2019,2020
At least 40% of the members of the board of directors are women, 2019, 2019,2020
At least 30% of managers (apart from the board of directors) are women, 2018, 2019,2020
The Board of Directors and / or some of its comittees are chaired by women, 2018, 2019,2020
Provides data on the composition of the workforce according to age, 2018, 2019,2020
Provides data on the wage gap according to age, 2018, 2019,2020
Provides data on the wage gap according to the professional category, 2018, 2019,2020
Reports on measures for the labour inclusion of people with disabilities, 2018, 2019,2020
Provides data on the % of employees with disabilities, 2018, 2019,2020
Provides data on the difference between the highest salary and the average and/or lowest salary in the workforce, 2018, 2019,2020
The CEO remuneration is less than 30 times the average salary of the workforce, 2018, 2019,2020
The CEO remuneration is less than 50 times the average salary of the staff, 2018, 2019,2020
The CEO remuneration is less than 100 times the average salary of the staff, 2018, 2019,2020

Dividends and incentives area

DIVIDENDS

The company provides an explanation of its dividend policy in 2018, 2019, 2020
Paid no dividends during 2018, 2019, 2020

INCENTIVES
Provides data on the remuneration of managers (apart from the board of directors) in 2018, 2019, 2020
Did not increase the total remuneration of managers in 2018, 2019, 2020 (apart from the board of directors)
Provides disaggregated information on the amounts paid to each of the members of the board of directors, 2018,

2019, 2020
Did not increase the total remuneration of the board of directors compared to the previous year, 2018, 2019, 2020
Reports on the components and structure of the variable remuneration according to objectives of the directors, 2018, 2019, 2020
Did not increase the total variable remuneration paid to the board of directors compared to previous year, 2018, 2019, 2020
The company has not made severance agreements (and has not paid severances) in excess of two years' salary to directors and other senior executives in 2018, 2019, 2020
There are directors with a % of variable remuneration depending on ESG objectives, 2018, 2019, 2020
There are directors with a % variable remuneration depending on objectives specifically related to climate change, 2018, 2019, 2020
Specifies conditions and levels of compliance with climate change-specific targets, 2018, 2019, 2020

Lobbying area

LOBBY ACTIVITY

The company reports on associations or other organisations who represent its business interests in the public sphere, 2018, 2019, 2020
The company reports on the total amount of contributions to these entities, 2018, 2019, 2020
It provides the disaggregated data for each organisation to which it contributes, 2018, 2019, 2020
The company is registered in the EU Transparency Register, 2018, 2019, 2020
The company reports its registration in other transparency registers of public institutions, 2018, 2019, 2020
The company reports on the subjects where it has exercised lobbying activity in 2018, 2019, 2020
Reports on lobbying activities in relation to climate change (e.g. emissions, e-fuels, etc.), 2018, 2019, 2020
Reports on lobbying activities in relation to labour regulation (flexibility, layoffs, etc.), 2018, 2019, 2020
Reports on lobbying activities in relation to obtaining "bailouts", subsidies or public aid, 2018, 2019, 2020
Reports on the legislative initiatives that have been monitored by the company, 2018, 2019, 2020
Reports on meeting with senior officials from the EU or the countries in which it has a presence, 2018, 2019, 2020

LOBBY ETHICS

The company provides information on the internal regulation of the lobbying function, 2018, 2019, 2020
Bans contributions to political parties and their candidates in all countries in which it operates, 2018, 2019, 2020
Provides data on political contributions (or their non-existence) in 2018, 2019, 2020
Bans contributions to foundations and other bodies linked to political parties, 2018, 2019, 2020
It does not have on its board of directors former politicians or officials linked to its sphere of activity in institutions at national or EU level, 2018, 2019, 2020
The board of directors has one or more members with relevant training and experience in social issues, 2018, 2019, 2020
The board of directors has one or more members with relevant training and experience in environmental issues, 2018, 2019, 2020
Senior management has received training in social issues, 2018, 2019, 2020
Senior management has received training in environmental issues, 2018, 2019, 2020

ANNEX 2: MAIN CORPORATE SOURCES

Air France-KLM
Universal Registration Document 2018
https://www.airfranceklm.com/en/system/files/registration_document_air_france-klm_2018_va_def.pdf
CSR Report 2018
https://csrreport2018.airfranceklm.com/en
Universal Registration Document 2019
https://www.airfranceklm.com/en/system/files/universalregistrationdocument2019va.pdf
CSR Report 2019
https://corporate.airfrance.com/en/news/air-france-klms-2019-csr-report
Universal Registration Document 2020
https://www.airfranceklm.com/en/system/files/afk_urd_2020_29042021.pdf
CSR Report 2020
https://sustainabilityreport2020.airfranceklm.com/en/

easyJet
Annual report and accounts 2018
https://corporate.easyjet.com/~/media/Files/E/Easyjet/pdf/investors/results-centre/2018/2018-annual-report-and-accounts.pdf
Annual report and accounts 2019
https://corporate.easyjet.com/~/media/Files/E/Easyjet/pdf/investors/results-centre/2019/eas040-annual-report-2019-web.pdf
Annual report and accounts 2020
https://corporate.easyjet.com/~/media/Files/E/Easyjet/pdf/investors/agm/agm-dec-2020/annual-report-2020.pdf

IAG
Annual report and accounts 2018
https://www.iairgroup.com/~/media/Files/I/IAG/annual-reports/iag-annual-reports/en/annual-report-and-accounts2018-en.pdf
Annual report and accounts 2019
https://www.iairgroup.com/~/media/Files/I/IAG/documents/IAG%20Annual%20report%20and%20accounts%202019.pdf
Annual report and accounts 2020
https://www.iairgroup.com/~/media/Files/I/IAG/annual-reports/iag-annual-reports/en/iag-annual-report-and-accounts-2020.pdf

Lufthansa
Annual Report 2018
https://www.lufthansagroup.com/en/themes/annual-report-2018.html
Annual Report 2019
https://investor-relations.lufthansagroup.com/fileadmin/downloads/en/financial-reports/annual-reports/LH-AR-2019-e.pdf
Annual Report 2020
https://www.lufthansagroup.com/en/themes/annual-report-2020.html

Ryanair
Annual Report 2018
https://investor.ryanair.com/wp-content/uploads/2018/07/Ryanair-FY-2018-Annual-Report.pdf
Annual Report 2019
https://investor.ryanair.com/ryr-reports/annual-report-2019/
Annual Report 2020
https://investor.ryanair.com/ryr-reports/annual-report-2020/
Annual Report 2021
https://investor.ryanair.com/wp-content/uploads/2021/08/FINAL_Ryanair-Holdings-plc-Annual-Report-FY21.pdf

SAS
Annual report 2018
https://www.sasgroup.net/investor-relations/financial-reports/annual-reports/sas-annual-report-fiscal-year-2018/
Sustainability report 2017-2018
https://www.sasgroup.net/sustainability/sustainability-reports/sas-sustainability-report-2017-2018/
Annual and sustainability report 2019
https://www.sasgroup.net/investor-relations/financial-reports/annual-reports/sas-annual-and-sustainability-report-fiscal-year-2019/
Annual and sustainability report 2020
https://www.sasgroup.net/investor-relations/financial-reports/annual-reports/sas-annual-and-sustainability-report--fiscal-year-2020/

TAP
Annual report 2018
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