

ANNUAL REPORT ON REMUNERATION OF DIRECTORS

Report of the Remuneration Committee



Marc Bolland
Remuneration Committee Chairman

airport employees, and booking trends in our low-cost segments.

Overall strategy and link to remuneration

IAG’s aim is to become the world’s leading international airline group. Its strategy is to actively participate in the consolidation of the airline industry to create a multi-brand portfolio of leading airline businesses each focused on addressing specific customer markets and geographies while driving revenue and cost synergies through commercial co-operation, scale effects and leverage of the broader Group platform. Execution of this strategy coupled with disciplined capital allocation allows IAG to deliver superior value and sustainable financial returns to its shareholders. To measure the effectiveness of this strategy, a set of consistent financial metrics linked to creating shareholder value are applied to each part of the Group.

The Committee’s main objective is to ensure that remuneration at IAG continues to be aligned with, and drives delivery of our business and strategic priorities, because we see that as the best way to drive performance. We will continue to focus on alignment between performance and pay outcomes, ensuring that the management team receive fair outcomes under our incentive plans only where this can be supported by company and individual performance. We are very pleased to see our shareholders’ support for our remuneration policies and practices in recent years.

IAG’s executive remuneration framework aims to support the business objectives and the financial targets attached to them through the following two schemes:

The Company’s long-term incentive plan, known as the performance share plan (PSP), measures our performance by:

- earnings per share (EPS), adjusted for exceptional items, which reflects the profitability of our business and the core elements of value creation for our shareholders. Growing earnings indicates that the Group is on the right path to create value for our shareholders;
- total shareholder return (TSR) to ensure alignment with our shareholders; and
- Return on Invested Capital (RoIC) to assess efficient return on the Group’s asset base.

Committee members	
Date appointed	Meetings attended
Marc Bolland (Chair) June 16, 2016	100%
Maria Fernanda Mejia October 30, 2014	100%
Nicola Shaw January 1, 2018	86%
Emilio Saracho June 20, 2019	100%
Javier Ferrán June 20, 2019	50%

Dear Shareholder

As Chairman of the Remuneration Committee, and on behalf of the Board, I am pleased to present the Remuneration Report for 2019. It has been a year of high activity for the Committee on several fronts, including detailed discussions on the regulatory and governance developments in both Spain and the UK. Changes at Board level and Management Committee level have also meant the Committee carefully considering remuneration packages and exit packages taking into account all the appropriate external and internal factors. I have set out below our overall approach, a summary of 2019 performance and key decisions made by the Committee in 2019. The remuneration policy is up for review and approval in 2021, and the Committee will consider the features of the new policy in the context of the views and perspectives of key stakeholders as well as ensuring that the policy continues to support the business objectives. We will consult with key shareholders ahead of finalising the proposed policy. Once determined, our new policy will be published in next year’s report, and any changes to the current approach will be clearly set out.

As well as global economic conditions, the Company faced a number of other challenges during 2019, and in September the Company issued a guidance update to the London and Spanish stock exchanges, as a result of the British Airways pilots’ strike, a threatened strike by Heathrow

The annual incentive plan has its major focus on strong financial performance, and therefore the primary measure in the plan is the Group's operating profit before exceptional items (this element has a 60 per cent weighting). A customer measure, Net Promoter Score (NPS), drives a focus on improving customer advocacy as a source of competitive advantage (10 per cent weighting from 2020). Performance against role-specific objectives (20 per cent weighting from 2020) allows us to focus on key strategic and business targets that are important aspects of the role, which may not be suitably captured under the financial or customer elements. For 2020, we have introduced a new measure which focusses on reducing our flight emissions. The specific measure is the grammes of CO₂ per passenger kilometre. This measure will have, for 2020, a 10 per cent weighting.

The policy in general is designed to deliver total remuneration that is competitive and with a strong emphasis on "pay for performance". The Committee will continue to ensure that executive remuneration is aligned with our business strategy and that the overall reward framework for 2020 and beyond is in the best interests of our shareholders.

Summary of performance and incentive outcomes

The PSP that was awarded in 2017 had a three-year performance period (2017 to 2019) and had the same performance measures as current awards. Performance targets for all three measures were set at the beginning of 2017 at a level that the Committee considered to be appropriately stretching based on internal and external expectations for performance.

The Company has had solid financial performance over the last three years, leading to 2019 adjusted EPS reaching 116.8 euro cents. As a result, the 2017 PSP has an outcome of 60 per cent of its maximum for the EPS element. RoIC in 2019 reached 14.7 per cent, resulting in an outcome of 91 per cent of its maximum level for the RoIC element. TSR has outperformed the index that the Company measures itself against by over 4 per cent, resulting in an outcome of 65% of its maximum for the TSR element. Overall, this has resulted in the 2017 PSP award having an outcome of 72 per cent of the maximum. The PSP award has an additional two-year holding period. This applies until the end of 2021.

The financial target for the 2019 annual incentive plan set at the beginning of the year was for an IAG operating profit of €3.43bn. The challenges that I mentioned earlier have led to IAG operating profit being below this target and paying out at 24 per cent of the maximum level for the 60 per cent weighting linked to financial performance. It is very pleasing to see strong customer performance at all airlines in the Group and as a result the outcome for the NPS measure was well above the target level of 21.0 set at the beginning of 2019, resulting in a pay-out at the maximum level for the 15 per cent weighting linked to customer performance.

For the outcomes of both the 2017 PSP award and the 2019 annual incentive plan, the Committee was mindful of not just relying on formulaic outcome: we were committed to determining appropriate and robust outcomes taking into account all necessary factors, including the wider Company performance context. It was the view of the Committee that the incentive outcomes appropriately reflect performance in the period and the remuneration policy operated as intended and therefore no discretion was applied.

Decisions during 2019

2019 has been another busy year for the Committee. We have continued working through the implications for IAG of the new UK Corporate Governance Code (the Code) and we are committed to complying with all the provisions of the Code.

For the first time in recent years, there have been changes at the executive director level. The Committee carefully considered appropriate leaving arrangements for the outgoing Chief Executive Officer (CEO) as well as the Chief Financial Officer (CFO) of IAG, (covered in detail later in this report), and at the same time discussed fully the remuneration packages for their respective replacements. Both the new CEO and CFO were internal promotions and in their prior roles were entitled to a 25 per cent of salary employer pension contribution rate. However the Committee was mindful of the relevant provisions in the Code as well as investor expectations and recommended a rate that was comparable to the rate for the majority of IAG's workforce. As a result both the new CEO and CFO have a pension contribution rate of 12.5 per cent of salary. As a Committee, we intend to follow this same thinking if there are any more newly appointed executive directors in future, whether they are internal promotions or external hires.

There have been two other new appointments to the IAG Management Committee during 2019, and the Committee took careful consideration when determining their remuneration packages, taking into account all necessary external and internal factors to ensure the packages are fair and appropriate.

The Committee had oversight of remuneration practices across IAG as well as the overall bonus frameworks in place at the airlines. This analysis helped shape our thinking when determining remuneration for IAG executives.

In October of last year, the Company announced industry-leading short, medium and long-term climate targets. The Committee was very keen to add a climate measure to the Company's incentive plans, as part of our plans towards the long-term sustainable success of our company. As mentioned, for the 2020 annual incentive plan, a CO₂ emissions efficiency measure has been added for the first time. All operating companies in the Group have added climate measures to their own incentive plans for 2020.

Working with shareholders

IAG has always recognised the need to build strong relationships with our investors through a process of open and transparent dialogue, and the Committee has continued that approach during 2019. We appreciate their constructive comments about remuneration. Our overall intention has been to ensure that we have a strong alignment to our strategy because we think that is the way to create long-term, sustainable shareholder value.

On behalf of the Committee, I appreciate your time in reading our 2019 DRR and I hope you find it accessible and informative.

Approved by the Board and signed on its behalf by

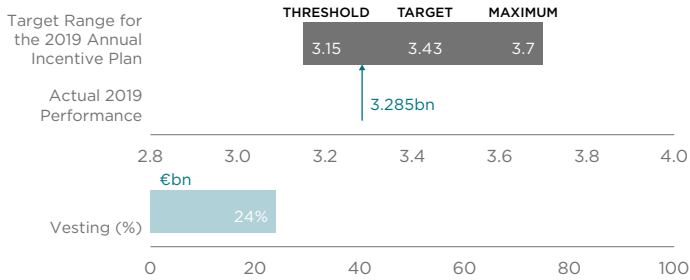
Marc Bolland
Remuneration Committee Chairman

At a Glance

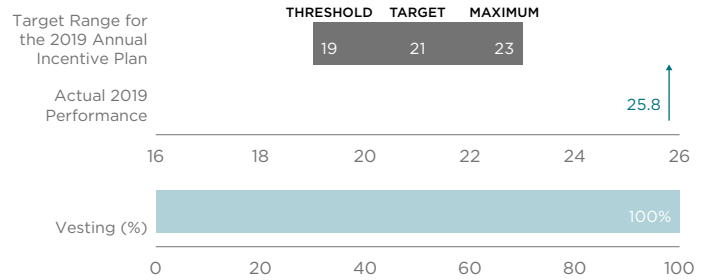
Implementation of remuneration policy in 2019

The following two charts show Company performance for the two corporate measures in the 2019 annual incentive plan. Financial performance and customer performance has resulted in 24 per cent and 100 per cent vesting respectively:

IAG Operating Profit (before exceptional items)

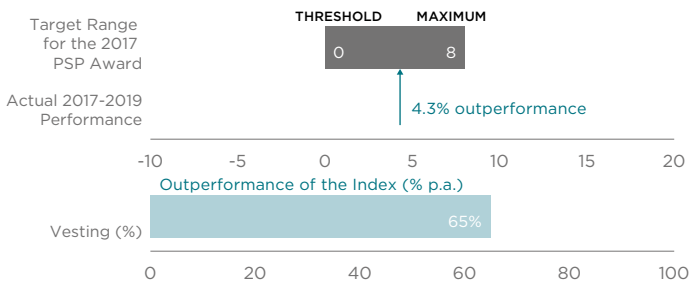


Net Promoter Score

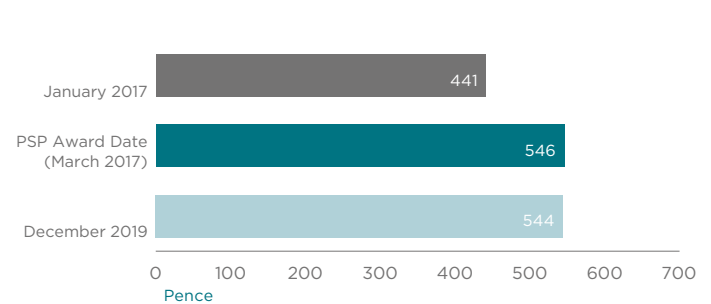


The following four charts show Company performance for the three performance measures in the 2017 PSP award, and share price performance:

Total Shareholder Return

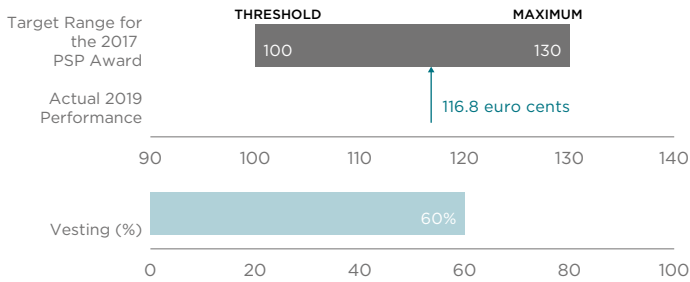


Share Price

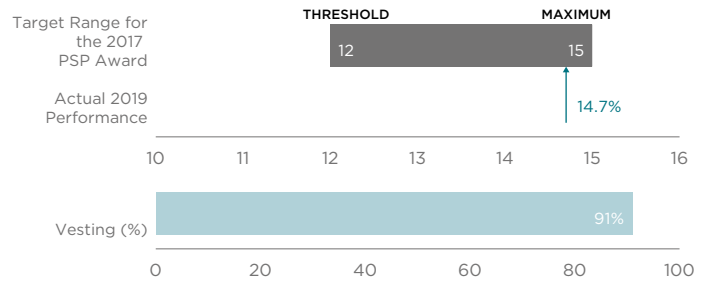


Strong EPS and RoIC performance in 2019 has resulted in good vesting levels for the following two measures in the 2017 PSP award:

Adjusted Earnings per Share



Return on Invested Capital



Introduction

The Remuneration Committee takes responsibility for the preparation of the report, which is approved by the Board.

The Company's current policy on directors' remuneration was approved by shareholders at the annual Shareholders' Meeting on June 14, 2018. It is intended that this policy will apply for three years, and therefore there are no changes to the policy this year. However, mindful of shareholders' views, certain aspects of how the policy operates in practice have been discussed by the Remuneration Committee and approved by the Board with effect from January 1, 2020. However, these adjustments to the application of policy, listed in the following section, don't imply an amendment of the policy that would be subject to the shareholders' meeting approval.

As a Spanish incorporated company, IAG is subject to Spanish corporate law. The Spanish legal regime regarding directors' remuneration is substantially parallel to that of the UK as far as directors' remuneration disclosure and approval requirements are concerned.

The Company welcomes the opportunity provided by the Spanish CNMV allowing companies to prepare free format reports. Therefore, for the second year in a row, IAG is presenting a consolidated report responding to Spanish and UK disclosure requirements. This report will be accompanied by a duly completed form which is required by the CNMV covering some relevant data. This is prepared in accordance with Spanish legislation and is available on the Company's website, and the CNMV website.

It is the Company's intention once again to comply voluntarily with all reporting aspects of the UK legislation of 2013 and to follow best practice UK standards, for the benefit of our UK shareholder base.

In addition to the Remuneration Committee Chairman's statement, this Directors' Remuneration Report contains the Annual Report on Remuneration, which covers the information on directors' remuneration paid in the reported year.

Directors' Remuneration Policy

The policy as approved by shareholders at the annual Shareholders' Meeting on June 14, 2018 was shown in full in the 2017 Directors' Remuneration Report and is not repeated here. It can be found on the Company's website in the 2017 Annual Report and Accounts. However, as covered in the Committee Chairman's letter at the beginning of this report, the Committee has considered the remuneration provisions in the UK Corporate Governance Code and shareholder sentiment and have as a result determined how the policy will be operated in practice in respect of pension provisions. The policy of capping pension employer contributions at a maximum level of 15 per cent of basic salary for new externally recruited external directors will also be applied for internal promotions. On a case-by-case basis, pension contributions may be set lower than 15 per cent.

The policy itself will be reviewed and submitted for a shareholder vote next year, at the annual Shareholders' Meeting in 2021.

Annual Remuneration Report

The Annual Remuneration Report sets out how the Directors Remuneration Policy (as approved by shareholders at the annual Shareholders' Meeting on June 14, 2018) was put into practice in 2019 and how it will be implemented in 2020.

The Committee's activities during the year

In 2019, the Committee met 7 times and discussed, amongst others, the following matters:

Meeting	Agenda items discussed
January	Review of IAG Management Committee members' basic salaries Approval of the 2019 annual incentive plan Approval of the 2019 Performance Share Plan
February	2018 annual incentive plan payments to IAG Management Committee members 2019 Management Committee role-specific objectives Vesting outcome of the Performance Share Plan 2016 award Final review of 2018 Directors' Remuneration Report New UK Corporate Governance Code requirements Review of incentive plans in all operating companies across the Group Review of information on the pay ratio between the CEO and IAG UK workforce Annual disclosure regarding gender pay gap data
March	CFO succession remuneration arrangements
April	CFO succession remuneration arrangements
June	Approval of remuneration for a new Management Committee member
August	Approval of remuneration for a new Management Committee member
October	Executive remuneration market update and review of corporate governance requirements Remuneration strategy for 2020

Subject to audit

Single total figure of remuneration for each executive director

The table below sets out the single total figure and breakdown for each executive director. An explanation of how the figures are calculated follows the table. The remuneration for each executive director reflects the performance of the Company and the contribution each individual has made to the ongoing success of the Company.

Director ('000)	Salary		Benefits		Pension		Total Fixed		Annual incentive		Long-term incentive		Total Variable		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Willie Walsh (GBP) ¹	850	850	30	27	213	213	1,093	1,090	883	1,051	1,222	889	2,105	1,940	3,198	3,030
Willie Walsh (euro)	967	962	34	31	242	241	1,243	1,234	1,004	1,189	1,390	1,006	2,394	2,195	3,637	3,429
Steve Gunning (GBP) ^{1,2}	315	-	8	-	39	-	362	-	286	-	380	-	666	-	1,028	-
Steve Gunning (euro)	358	-	9	-	44	-	411	-	325	-	432	-	757	-	1,168	-
Enrique Dupuy de Lôme (GBP) ^{1,3,4}	269	557	46	27	67	139	382	723	217	498	-	412	217	910	599	1,633
Enrique Dupuy de Lôme (euro)	306	630	52	31	76	157	434	818	247	564	-	466	247	1,030	681	1,848
Total (€'000)	1,631	1,592	95	62	362	398	2,088	2,052	1,576	1,753	1,822	1,472	3,398	3,225	5,486	5,277

1 Remuneration for all executive directors above is paid in sterling and expressed in euro for information purposes only.

2 Steve Gunning joined the Board on June 20, 2019

3 Enrique Dupuy de Lôme stepped down from the Board on June 20, 2019

4 Enrique Dupuy de Lôme taxable benefits include a payment of €37,394 in lieu of fifteen days of accrued but untaken holiday entitlement

Additional explanations in respect of the single total figure table for 2019

Each director has confirmed in writing that they have not received any other items in the nature of remuneration other than those already disclosed in the table above.

Base salary

Salary paid in year for executive directors.

Taxable benefits

Taxable benefits including personal travel and, where applicable, a company car, fuel and private health insurance.

Pension related benefits

Employer contribution to pension scheme, and/or cash in lieu of pension contribution.

Annual incentive plan

Annual incentive award for the year to December 31, 2019 (accrued at December 31, 2019, but cash payments (50 per cent of the award) not paid until March 2020). The outcomes of the performance conditions which determined the award are described in the next section. Half of the annual incentive award is deferred into shares for three years (Incentive Award Deferral Plan (IADP)). For the 2019 annual incentive plan, these will vest in March 2023.

Long-term incentive vesting

This relates to the IAG PSP 2017 award based on performance measured to December 31, 2019, although the shares vested will not be delivered until January 1, 2022, following the two-year holding period. For the purposes of this table, the award has been valued using the average share price in the three months to December 31, 2019 of 544.4 pence. The outcomes of the performance conditions which determined vesting are described below.

For the year to December 31, 2019, €:£ exchange rate applied is 1.1371 (2018: 1.1317).

Share price appreciation and depreciation

The amount of remuneration attributable to share price depreciation is £3,592 (Willie Walsh), zero (Enrique Dupuy de Lôme), and £1,116 (Steve Gunning). This is as a result of share price depreciation from the date of the PSP award on March 6, 2017 until the end of 2019. The Committee have not exercised any discretion as a result of share price appreciation or depreciation for any of the remuneration in the above table.

Life Insurance

The Company provides life insurance for all executive directors. For the year to December 31, 2019 the Company paid contributions of €26,790 (2018: €22,987).

Subject to audit

Variable pay outcomes

2019 Annual Incentive Plan

At the beginning of 2019, the Board, following a recommendation by the Committee, set IAG operating profit before exceptionals as the financial target in the Annual Incentive Plan for that year, with a 60 per cent weighting. Operating profit before exceptionals was considered to be the most appropriate financial measure in aligning shareholder interests with the Company. For the customer measure, there was a weighting of 15 per cent. Outcomes were calculated based on NPS. NPS is used to gauge the loyalty of the Group's customer relationships. It is calculated based on survey responses, by subtracting the percentage of customers who are 'Detractors' from the percentage of customers who are 'Promoters'. The final 25 per cent weighting is based on personal performance against objectives. The Remuneration Committee, on the proposal of the Chairman of the Board, considered the Chief Executive Officer's performance against his objectives; and on the proposal of the Chief Executive Officer, considered the Chief Financial Officer's performance against his objectives. Both performance evaluations were submitted to the Board for final approval on January 30, 2020.

The maximum award for the Chief Executive Officer of IAG was 200 per cent of salary (100 per cent of salary for on-target performance). For the retiring Chief Financial Officer of IAG (Enrique Dupuy de Lôme) the maximum award was 150 per cent of salary (75 per cent of salary for on-target performance), pro-rated to end on June 20, 2019, and for the new Chief Financial Officer of IAG (Steve Gunning) the maximum award was 165 per cent of salary (82.5 per cent of salary for on-target performance), pro-rated to start on June 20, 2019.

The outcomes of the performance conditions were as follows:

Measure		Chief Executive Officer of IAG	Chief Financial Officer of IAG (Steve Gunning)	Chief Financial Officer of IAG (Enrique Dupuy de Lôme)
IAG operating profit (before exceptional items) (60 per cent)	Payout	£245,922 €279,638	£75,874 €86,276	£57,606 €65,504
	per cent of maximum awarded	24 per cent See below for details of the performance target ranges	24 per cent See below for details of the performance target ranges	24 per cent See below for details of the performance target ranges
Group Net Promoter Score (15 per cent)	Outcomes versus targets	£255,000 €289,961	£78,674 €89,460	£59,733 €67,922
	per cent of maximum awarded	100 per cent See below for details of the performance target ranges	100 per cent See below for details of the performance target ranges	100 per cent See below for details of the performance target ranges
Personal performance against objectives (25 per cent)	Outcomes versus targets	£382,500 €434,941	£131,124 €149,101	£99,555 €113,204
	per cent of maximum awarded	90 per cent See below for details of the extent of the achievement of objectives	100 per cent See below for details of the extent of the achievement of objectives	100 per cent See below for details of the extent of the achievement of objectives
Details of any discretion exercised				
Overall outcome		£883,422 €1,004,540	£285,672 €324,837	£216,894 €246,630

Half of the overall outcome of the annual incentive detailed above is payable in deferred shares in the Company vesting after three years (under the Incentive Award Deferral Plan).

The target ranges and outcomes for each corporate measure in the annual incentive plan for 2019 were as follows:

	Threshold level at which payments begin	On-target (50 per cent of the maximum pay-out)	Stretch target (Maximum pay-out)	Outcome for 2019	Pay-out as a percentage of the maximum
IAG operating profit (before exceptional items)	€3,150m	€3,430m	€3,700m	€3,285m	24 per cent (2018: 66 per cent)
Group NPS	19.0	21.0	23.0	25.8	100 per cent (2018: 0 per cent)

For both measures, there was a straight-line sliding scale between the threshold level and the on-target level, and between the on-target level and the stretch target level.

Personal Performance

In assessing personal performance, the Committee considers a range of factors to ensure there is a holistic and detailed assessment of the executive directors' contribution. For 2020, the assessment of personal performance focused on progress towards our strategic priorities and key performance indicators during the year:

- 1 Strengthening a portfolio of world-class brands and operations with an unrivalled customer proposition
- 2 Growing global leadership position with value accretive and sustainable growth
- 3 Enhancing IAG's common integrated platform with efficiency and innovation

The assessment of the executive director's achievements is summarised below:

Chief Executive Officer of IAG (Willie Walsh)

Objective	Outcome
Succession planning	Effective facilitation of CEO succession planning and consideration of skills and expertise within the senior team and effective succession management within this team.
Key stakeholder relationships	Successful management of key stakeholder relationships including with governments and regulators.
Brexit	Planned and led the Group's response in relation to Brexit outcomes (in the context of the external uncertainties) including interactions with the relevant authorities.
Unrivalled customer proposition	
Customer focus	Led the Group's commitment to strengthen its customer focus and instilled this focus across the Group as a whole.
Customer investment	Ensured that each of the airlines invested significantly in improving their customer experience - key investment decisions included in lounges, catering, seats and digital solutions.
Airbus A350 introduction	Led the introduction of the Airbus A350 fleet.
Value accretive and sustainable growth	
Route and network expansion	Reinforced the Group's revenue leadership positions in its home markets with addition of new routes and optimisation of longhaul network with joint business partners.
New airlines	Managed new opportunities for airline integration and joint ventures including successful progression of Air Europa deal.
Sustainability and CO₂ emission	Ensured ongoing focus on being a leading airline group with regard to sustainability. This included the successful launch of Flightpath net zero and building a platform as IAG makes progress towards its 2050 CO ₂ emissions target by investing in carbon reduction projects, sustainable aviation fuel, modernised fleet and innovative technologies.
Efficiency and innovation	
Cost reductions	Kept the Group focused on efficiency and cost reduction programmes to ensure customer and shareholder value creation.
IT platform	Development of clear IT strategy informed by deep technical knowledge and a business and customer focus.
Digital innovation	Ensured that digital innovation remained a core part of the Group's focus, in particular continuing the Hangar 51 accelerator programmes to attract global talent, and making strategic investments to automate the business above and below the wing.
Customisation and data analytics	Continued development in the Group of capabilities to support data customisation and data analytics.
Outcome (as a % of maximum)	90%

Chief Financial Officer of IAG (Steve Gunning)

Objective	Outcome
CFO transition	Has made a smooth transition into the role including an effective handover process from the outgoing CFO
Unrivalled customer proposition	
Investment decisions	Supported the significant and focussed investment at each airline to strengthen customer focus and improve the customer experience.
Cost reductions	Continued to ensure focus on reducing costs and improving efficiency by leveraging Group scale and synergy opportunities.
Value accretive and sustainable growth	
Management of financial risk	Carefully managed financial risk, maintaining adequate cash balances and substantial committed financing facilities.
Expansion opportunities	Facilitated expansion opportunities for airline integration and joint ventures including successful progression of Air Europa deal.
Efficiency and innovation	
Cost reductions	Drove the CASK ex-fuel cost reduction.
Capital allocation	Proactively led on the continued focus on disciplined capital allocation, active portfolio management, and flexible and rapid decision-making.
Outcome (as a % of maximum)	100%

Chief Financial Officer of IAG (Enrique Dupuy de Lôme)

Objective	Outcome
CFO transition	Enrique successfully achieved his main objective in 2019, which was to ensure there was a smooth handover and transition to the new CFO.
Unrivalled customer proposition	
Investment decisions	Supported the significant focussed investment at each airline to strengthen customer focus and improve the customer experience.
Cost reductions	Continued to ensure focus on reducing costs and improving efficiency by leveraging Group scale and synergy opportunities.
Value accretive and sustainable growth	
Management of financial risk	Carefully managed financial risk, maintaining adequate cash balances and substantial committed financing facilities.
Efficiency and innovation	
Cost reductions	Drove the CASK ex-fuel cost reduction.
Capital allocation	Proactively led on the continued focus on disciplined capital allocation, active portfolio management, and flexible and rapid decision-making.
Outcome (as a % of maximum)	100%

IAG PSP award 2017

The IAG PSP award granted on March 6, 2017 was tested at the end of the performance period which began on January 1, 2017 and ended on December 31, 2019. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG, and 150 per cent of salary for the previous Chief Financial Officer of IAG (Enrique Dupuy de Lôme).

One-third of the award was subject to a TSR performance condition measured against the TSR performance of the MSCI European Transportation (large and mid-cap) index, one-third subject to achievement of the Company's adjusted EPS targets (diluted EPS, adjusted for exceptional items), and one-third subject to RoIC. The definition of RoIC used was the methodology as described in the Company's 2017 Annual Report and Accounts. The vesting of any award was subject to the Board being satisfied that the Group's underlying financial performance was satisfactory in the circumstances prevailing over the three-year period.

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2017)
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one-third)	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	IAG outperformed the index by 4.3 per cent p.a.	65 per cent
Adjusted earnings per share (EPS) (one-third)	2019 EPS of 100 €cents (10 per cent of award vests)	2019 EPS of 130 €cents (100 per cent of award vests)	116.8 €cents	60 per cent
Return on Invested Capital (RoIC) (one-third)	2019 RoIC of 12 per cent (10 per cent of award vests)	2019 RoIC of 15 per cent (100 per cent of award vests)	14.7 per cent	91 per cent
Details of any discretion exercised				
Overall outcome				72.11 per cent

IAG PSP award 2016

The IAG PSP award granted on March 7, 2016 was tested at the end of the performance period which began on January 1, 2016 and ended on December 31, 2018. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG, and 150 per cent of salary for the previous Chief Financial Officer of IAG (Enrique Dupuy de Lôme).

The performance measures, and their weightings and definitions, were the same as described above for the 2017 award. The vesting of any award was subject to the Board being satisfied that the Group's underlying financial performance was satisfactory in the circumstances prevailing over the three-year period.

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2016)
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one-third)	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	IAG underperformed the index by 6 per cent p.a.	0 per cent
Adjusted earnings per share (EPS) (one-third)	2018 EPS of 105 €cents (10 per cent of award vests)	2018 EPS of 145 €cents (100 per cent of award vests)	117.7 €cents	39 per cent
Return on Invested Capital (RoIC) (one-third)	2018 RoIC of 12 per cent (10 per cent of award vests)	2018 RoIC of 15 per cent (100 per cent of award vests)	16.6 per cent	100 per cent
Details of any discretion exercised				
Overall outcome				46.19 per cent

Subject to audit

Scheme interests awarded during the financial year

The IAG PSP is a discretionary plan targeted at key senior Group executives and managers who directly influence shareholder value. The Company granted an award under the PSP on March 8, 2019. The table in this section sets out the key details of the award.

The Committee believes that comparing the Company's TSR to that of European transportation companies, including airlines, is appropriate, given that these companies are subject to external influences impacting share price performance similar to those of the Group. This comparison therefore provides a good reference point for management outperformance and value creation.

Earnings per share reflect the profitability of our business and the core elements of value creation for our shareholders. Growing earnings indicates that the Group is on the right path to create value for our shareholders.

The Company uses rolling RoIC as a profitability indicator to assess efficient return on the Group's asset base. It quantifies how well the airlines generate cash flow in relation to the capital invested in their businesses together with their ability to fund growth and to pay dividends.

PSP 2019 – eligibility, metrics and targets

Type of award	Shares		
Basis of determination of the size of award	Awards only made to those executives who are consistently high-performing, and/or are in key roles, and/or whom the Company wishes to retain in the long term.		
Face value awarded (per cent of salary)	CEO of IAG – 200 per cent	Enrique Dupuy de Lôme – 150 per cent (to be pro-rated: see note later in the report on leaving arrangements) Steve Gunning (who at the time of the award was not an executive director) – 120 per cent	
Grant price	£5.67		
Performance period	January 1, 2019 to December 31, 2021		
Performance conditions and weightings	Threshold	Target	Maximum
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one-third weighting)	IAG's TSR performance equal to the index 25 per cent vests	IAG's TSR performance between index return and 8 per cent p.a. outperformance (straight line vesting between threshold and maximum)	IAG's TSR performance exceeds index by 8 per cent p.a. 100 per cent vests
Adjusted EPS. Measure is adjusted EPS in final year of the performance period, i.e. 2021 EPS (one-third weighting)	EPS of 150 €cents 10 per cent vests	EPS between 150 €cents and 190 €cents (straight line vesting between threshold and maximum)	EPS of 190 €cents 100 per cent vests
RoIC. Measure is RoIC in final year of the performance period, i.e. 2021 RoIC (one-third weighting)	RoIC of 14 per cent 10 per cent vests	RoIC between 14 per cent and 16 per cent (straight line vesting between threshold and maximum)	RoIC of 16 per cent 100 per cent vests
Holding period	Additional period of two years after the performance period		

The three measures are as defined for the 2017 PSP award earlier in the report. The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to review and, if appropriate, revise the EPS targets and/or definition in the context of any corporate transactions, provided that, in its view, any revised targets are no more or less challenging than the original targets. To the extent that any such adjustments are made, the Committee will disclose the basis for any adjustments and the rationale in subsequent reports.

Subject to audit

Total pension entitlements

Willie Walsh is not a member of the Company's pension scheme, and the Company therefore did not pay any contributions during the reporting period (2018: zero). He received cash in lieu of contributions of £212,500 (2018: £212,500).

Enrique Dupuy de Lôme is not a member of the Company's pension scheme, and the Company therefore did not pay any contributions in his time as an executive director during the reporting period (January 1, 2019 to June 20, 2019) (2018: zero). He received cash in lieu of contributions of £67,292 (2018: £139,250).

Steve Gunning is not a member of the Company's pension scheme, and the Company therefore did not pay any contributions in his time as an executive director during the reporting period (June 20, 2019 to December 31, 2019). He received cash in lieu of contributions of £39,357.

Enrique Dupuy de Lôme: payments for loss of office and payments to past directors

On April 15, 2019, it was announced that Enrique Dupuy de Lôme would step down from the Board and the role of Chief Financial Officer on June 20, 2019. The Company's remuneration policy states that the period of notice required from the executive is six months and the period of notice required from the Company is 12 months. By April 2020, Enrique Dupuy de Lôme will have served 12 months' notice.

Enrique Dupuy de Lôme received (or will receive) the payments set out below, less any required tax withholdings. All payments are in accordance with his service agreement and the Company's remuneration policy as set out in the Company's 2017 Annual Report and Accounts.

The single total figure of remuneration table for executive directors earlier in this report showed all remuneration paid to Enrique Dupuy de Lôme up until the date he stepped down from the Board, i.e. June 20, 2019. This included base salary, taxable benefits, pension related benefits, and the 2019 annual incentive award pro-rated to June 20, 2019.

From June 21, 2019 onwards, he received or is expected to receive, the following:

Payments from June 21, 2019 to December 31, 2019	Basic salary of €300,833, taxable benefits of €13,603, and pension benefits of €75,208 (cash allowance). There was no further 2019 annual incentive award entitlement after June 20, 2019.
Payments already made in 2020, or expected to be made up until the date he ceases employment (April 14, 2020)	Basic salary of €164,667, taxable benefits of €7,442, and pension benefits of €41,167 (cash allowance).

IADP Awards

Enrique Dupuy de Lôme holds outstanding IADP awards granted in 2017, 2018, and 2019, and is about to receive a 2020 award in respect of the deferred shares portion of the outcome of the 2019 annual incentive plan. All of these awards will remain capable of vesting in full on their normal vesting dates, in accordance with the rules of the IADP.

PSP Awards

Enrique Dupuy de Lôme holds outstanding PSP awards as follows:

Award	Notes
2016 PSP Award	Shares will be released at the end of the normal two-year holding period (end of 2020)
2017 PSP Award	Shares will reflect the vesting outcome at the end of 2019, and released at the end of the normal two-year holding period (end of 2021)
2018 PSP Award	Shares will reflect the vesting outcome at the end of 2020, pro-rated to 20 June 2019 (pro-ratio is 17/36). On a recommendation from the Remuneration Committee, the Board determined that no additional holding period will apply
2019 PSP Award	Shares will reflect the vesting outcome at the end of 2021, pro-rated to 20 June 2019 (pro-ratio is 5/36). On a recommendation from the Remuneration Committee, the Board determined that no additional holding period will apply

No additional holding period will apply to the 2018 and 2019 PSP awards. At the time of his stepping down, he held shares equal to 691 per cent of salary and unvested IADP and PSP awards will ensure that he will continue to have a significant shareholding in the Company post-termination.

Travel Benefits

Enrique Dupuy de Lôme will participate in the Iberia travel benefits programme for former employees, in line with the standard approach in place.

Payments to past directors

Baroness Kingsmill received travel benefits worth €22,131 during 2019 after she had left the Company.

James Lawrence received travel benefits worth €9,905 during 2019 after he had left the Company.

Dame Marjorie Scardino received travel benefits worth €22,422 during 2019 after she had left the Company.

Patrick Cescau received travel benefits worth €12,514 during 2019 after he had left the Company.

Subject to audit

Statement of directors' shareholding and share interests

In order that their interests are aligned with those of shareholders, each executive director is required to build up and maintain a minimum personal shareholding in the Company.

Under the Group's shareholding guidelines, the CEO of IAG is required to build up and maintain a shareholding of 350 per cent of salary. Other executive directors are required to build up and maintain shareholdings of 200 per cent of salary. In addition, they are required to retain the entire 100 per cent of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained. The Committee has reviewed executive directors' progress against the requirements and notes that both executive directors are above the shareholding requirement.

Shares which count towards the guideline include shares already held by the executive, vested and exercised shares, vested and unexercised shares including those in the performance share plan holding period, and unvested deferred annual incentive shares. Interests in share awards following departure enable departing directors to remain aligned with the interests of shareholders for an extended period after leaving the Company. Deferred annual incentives and PSP awards subject to a holding period will normally vest at the normal time. This means that directors may retain a significant interest in shares following departure from the Company. The Remuneration Committee intends to further review the Company's arrangements for alignment with shareholders post-cessation of employment as part of the review of the Remuneration Policy that will take place prior to the 2021 AGM. The table below summarises current executive directors' interests as of December 31, 2019:

Executive director	Shareholding requirement	Shares owned	Shares already vested, or in the holding period, from performance share plans	Shares already vested from deferred annual incentive plans	Unvested shares from deferred annual incentive plans	Total qualifying shareholding
Willie Walsh	350 per cent of salary	50,000	1,117,753	323,716	137,222	1,628,691 (1,078 per cent of salary)
Steve Gunning	200 per cent of salary	16,651	132,934	73,614	45,863	269,062 (253 per cent of salary)

External non-executive directorship

The Company's consent is required before an executive director can accept an external non-executive appointment and permission is only given in appropriate circumstances. During the reporting period in question, Steve Gunning was a non-executive director at FirstGroup Plc, for which he received a fee of €65,952.

Non-executive directors

Non-executive directors are paid a flat fee each year, as per the following table. There was no increase to fees from the previous year.

Role	Fee
Non-executive Chairman	€645,000
Non-executive directors	€120,000
Additional fee for holding a Committee chairmanship	€20,000
Additional fee for Senior Independent Director	€30,000

In relation to the Chairman, as set out in the British Airways and Iberia merger documentation, the conditions of the service contract with Iberia were taken into account at the time of the merger. This means that he will therefore continue to be entitled to a lump-sum retirement benefit in an amount of €2,800,000. The fund balance under the policy (including accrued interest) will be paid upon exit from the Company for any reason.

Subject to audit

Single total figure of remuneration for each non-executive director

Director (€'000)	2019 fees	Taxable benefits	Total for year to December 31, 2019	2018 fees	Taxable benefits	Total for year to December 31, 2018
Antonio Vázquez	645	5	650	645	4	649
Alberto Terol	136	26	162	120	22	142
Patrick Cescau ¹	71	27	98	150	37	187
Marc Bolland	138	19	157	120	6	126
Margaret Ewing ²	64	1	65	-	-	-
Javier Ferrán ³	64	2	66	-	-	-
Deborah Kerr ⁴	120	11	131	65	4	69
James Lawrence ⁵	-	-	-	55	4	59
Maria Fernanda Mejia	120	14	134	120	10	130
Kieran Poynter	140	24	164	140	27	167
Emilio Saracho	120	18	138	120	18	138
Dame Marjorie Scardino ⁶	58	40	98	140	68	208
Nicola Shaw ⁷	120	16	136	120	7	127
Total (€'000)	1,796	203	1,999	1,795	207	2,002

1 Patrick Cescau retired from the Board on June 20, 2019

2 Margaret Ewing joined the Board on June 20, 2019

3 Javier Ferrán joined the Board on June 20, 2019

4 Deborah Kerr joined the Board on June 14, 2018

5 James Lawrence retired from the Board on June 14, 2018

6 Dame Marjorie Scardino retired from the Board on June 20, 2019

7 Nicola Shaw joined the Board effective January 1, 2018, appointment approved by the annual Shareholders' Meeting on June 15, 2017

Additional explanations in respect of the single total figure table

Each director has confirmed in writing that they have not received any other items in the nature of remuneration other than those already disclosed in the table above.

Fees

Fees paid in the year for non-executive directors.

Taxable benefits

Taxable benefits including personal travel.

For the year to December 31, 2019, €:£ exchange rate applied is 1.1371 (2018: 1.1317).

Subject to audit

Directors' interests in shares

	Total shares and voting rights	Percentage of capital
Antonio Vázquez	512,291	0.026
Willie Walsh	1,305,331	0.066
Marc Bolland	0	0.000
Margaret Ewing	0	0.000
Javier Ferrán	80,000	0.004
Steve Gunning	175,508	0.009
Deborah Kerr	0	0.000
Maria Fernanda Mejia	100	0.000
Kieran Poynter	15,000	0.001
Emilio Saracho	0	0.000
Nicola Shaw	1,714	0.000
Alberto Terol	26,537	0.001
Total	2,116,481	0.106

There have been no changes to the shareholdings set out above between December 31, 2019 and the date of this report.

Share scheme dilution limits

The Investment Association sets guidelines that restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10 per cent of the issued ordinary share capital and restrict the issues under the Company's discretionary schemes to 5 per cent in any ten-year period. At the annual Shareholders' Meeting on June 14, 2018 the Company was given authority to allocate up to 45,000,000 shares in 2019, 2020, and 2021. Of this a maximum of 5,100,000 shares could be allocated to executive directors under all IAG share plans for awards made during 2019, 2020, and 2021.

The highest and lowest closing prices of the Company's shares during the period and the share price at December 31, 2019 were:

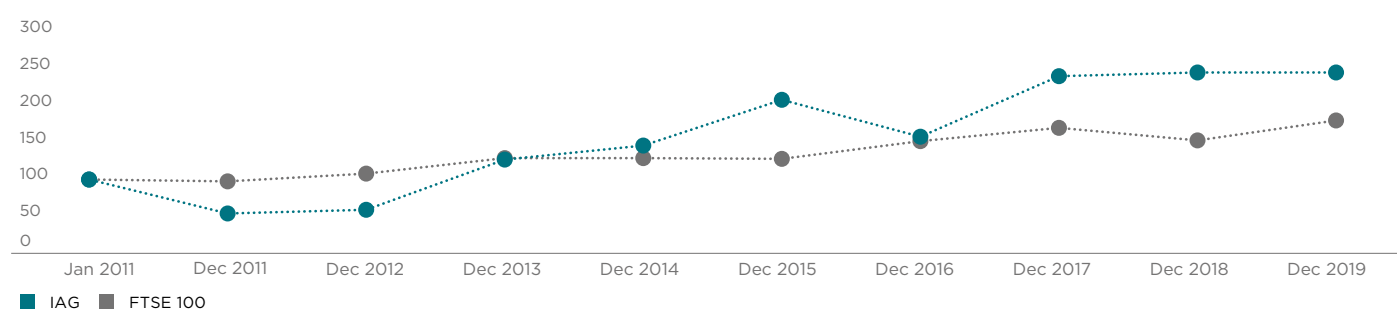
At December 31, 2019	625p
Highest in the period	668p
Lowest in the period	414p

Company performance graph and Chief Executive Officer of IAG 'single figure' table

The chart shows the value by December 31, 2019 of a hypothetical £100 invested in IAG shares on listing compared with the value of £100 invested in the FTSE 100 index over the same period. A spot share price has been taken on the date of listing, and a three-month average has been taken prior to the year ends.

The FTSE 100 was selected because it is a broad equity index of which the Company is a constituent, and the index is widely recognised.

IAG's total shareholder return (TSR) performance compared to the FTSE 100



The table below shows the CEO 'single total figure' of remuneration for each year since the creation of IAG in January 2011:

	CEO of IAG - 'total single figure' of remuneration	Annual incentive payment as a percentage of the maximum	Long-term incentive vesting as a percentage of the maximum
2011	£1,550,000	18 per cent of maximum	35 per cent of maximum
2012	£1,083,000	No annual incentive payment	Zero vesting of long-term incentives
2013	£4,971,000	78.75 per cent of maximum	100 per cent of maximum
2014	£6,390,000	97.78 per cent of maximum	85 per cent of maximum
2015	£6,455,000	80 per cent of maximum	100 per cent of maximum
2016	£2,462,000	33.33 per cent of maximum	50 per cent of maximum
2017	£3,954,000	92.92 per cent of maximum	66.67 per cent of maximum
2018	£3,030,000	61.85 per cent of maximum	46.19 per cent of maximum
2019	£3,198,000	51.97 per cent of maximum	72.11 per cent of maximum

Single total figure of remuneration includes basic salary, taxable benefits, pension related benefits, annual incentive award and long-term incentive vesting.

2011 figure includes 20 days of remuneration in January 2011 paid by British Airways.

Percentage change in remuneration of the Chief Executive Officer of IAG compared to employees

The table below shows how the remuneration of the Chief Executive Officer of IAG has changed for 2019 compared to 2018.

This is then compared to a group of appropriate employees. It has been determined that the most appropriate group of employees are all UK employees in the Group, comprising around 40,000 employees in total. To make the comparison between the CEO of IAG and employees as meaningful as possible, it was determined that as large a group as possible of employees should be chosen.

The selection of all UK employees in the Group (roughly two-thirds of the entire Group's employees) meets these criteria. The majority of the 40,000 UK employees in the Group are employed by British Airways, but there are also a number of employees from all other companies in the Group based in the UK. It was determined that employees outside the UK would not be considered for the comparison, as very different employment market conditions exist in other countries.

	Chief Executive Officer of IAG	UK employees
Basic salary	No basic salary increase for 2019.	Basic salary awards in 2019 at UK companies in the Group varied from around 2.5 per cent to 3.0 per cent.
Annual incentive	Decrease from £1,051,000 in March 2019 (covering the 2018 performance period) to £883,000 in March 2020 (covering the 2019 performance period). This represents a 16 per cent decrease.	Changes in overall annual incentive payments for 2019 versus 2018 varied considerably around the Group, depending on the incentive design, financial performance, and non-financial performance at each individual company.
Taxable benefits	No change in benefits policy. Actual payments increased to £30,000 in 2019 from £27,000 in 2018.	No change in benefits policy. Overall costs 2019 versus 2018 increased slightly in line with inflation.

Relative importance of spend on pay

The table below shows, for 2019 and 2018, total remuneration costs, operating profit and dividends for the Company.

	2019	2018
Total employee costs, IAG	€4,962,000,000	€4,812,000,000
Total remuneration, directors (including non-executive directors)	€7,485,000	€7,279,000
IAG operating profit (before exceptional items)	€3,285,000,000	€3,230,000,000
Dividend declared	€288,000,000	€1,310,000,000
Dividend proposed	€337,000,000	-

Total employee costs are before exceptional items.

CEO Pay Ratio

Following UK Government changes to reporting regulations, IAG voluntarily chose to disclose the median pay ratio in last year's report in advance of the regulations being implemented. For this report, IAG will comply fully with the regulations. The table below shows the ratio of pay between the CEO of IAG and IAG's UK employees. The CEO of IAG remuneration is the 2019 'single figure' total remuneration, and this is compared to the 25th, median, and 75th percentile 2019 total remuneration of full-time equivalent UK employees in IAG. The Government's methodology "Option A" has been used to calculate the remuneration, as we believe that this is the option that most investors favour, and gives the most accurate and robust ratio. The data for the UK employees is from the payroll records of 38,781 UK employees who were in the Group during 2019.

Percentile	CEO of IAG Pay Ratio	Basic Salary, UK employees	Total Remuneration, UK employees
25 th (Lower quartile)	109:1	£20,092	£29,360
50 th (Median)	72:1	£32,290	£44,208
75 th (Upper quartile)	49:1	£46,544	£64,673

Around 98 per cent of the Group's UK employees work for British Airways. British Airways have undertaken many initiatives in recent years to ensure its lower paid workers are paid fairly.

Implementation of remuneration policy for 2020

Basic salary

Basic salaries for executive directors are reviewed from January 1 each year. After careful consideration of Company affordability, the worth of each executive, retention risks and the size of pay increases generally across the Group for 2020 (which varied across the Group from 2.0 per cent to 3.0 per cent), the Board, following the recommendation of the Remuneration Committee, approved the following:

Executive director	Basic salary review
Chief Executive Officer of IAG (Willie Walsh)	£850,000 (€962,000) (no increase from 2019, owing to retirement shortly).
Chief Executive Officer of IAG (Luis Gallego)	£820,000 (€932,000) (new appointment from March 26, 2020).
Chief Financial Officer of IAG	£610,000 (€694,000) (in UK sterling terms, an increase of 2.5% from 2019).

2020 annual incentive plan

For 2020, the maximum award for the Chief Executive Officer of IAG will be 200 per cent of salary and for the Chief Financial Officer of IAG 165 per cent of salary. The weighting for the IAG operating profit before exceptionals measure will be 60 per cent, for role-specific objectives will be 20 per cent, and for the NPS measure will be 10 per cent. For the first time, a carbon measure will be introduced. The measure will be a flight emissions intensity measure: grammes of carbon dioxide per passenger kilometre, and the weighting will be 10 per cent. The Board, after considering the recommendation of the Committee, has approved a stretching target range for IAG operating profit before exceptionals, NPS and the carbon measure for 2020 at the threshold, on-target and maximum levels. At threshold, there will be a zero pay-out, 50 per cent of the maximum will pay out at the on-target level, and 100 per cent of the maximum will pay out at the stretch target level. There will be a straight-line sliding scale between threshold and on-target, and on-target and the stretch target. For commercial reasons, the target range for these measures will not be disclosed until after the end of the performance year. They will be disclosed in next year's Remuneration Report.

2020 Performance Share Plan award

The Board, on the Committee's recommendation, has approved a PSP award for 2020, with a performance period of January 1, 2020 to December 31, 2022. For 2020, the face value of awards for the Chief Executive Officer will be 200 per cent of salary and for the Chief Financial Officer 175 per cent of salary.

The Board has approved the use of three performance conditions, each with a one-third weighting. These are the same three performance conditions and weightings that have been used since 2015.

The first is based on IAG TSR performance relative to an index. For the first time, the index will be the STOXX Europe 600 Travel and Leisure Index, as the Board believes this is a more appropriate benchmark. The target range is identical to 2019 and is outlined earlier in this report.

The second performance condition is based on adjusted EPS. The Board and the Committee have agreed that the adjusted EPS target range for the 2020 PSP award will be decreased compared to the 2019 PSP award. The adjusted EPS measure will be as follows:

Weighting	One-third
Threshold	2022 adjusted EPS of 140 €cents 10 per cent vests
Target (straight line vesting between threshold and maximum)	2022 adjusted EPS between 140 €cents and 180 €cents
Maximum	2022 adjusted EPS of 180 €cents 100 per cent vests

The third performance condition is RoIC. The measure will be as follows:

Weighting	One-third
Threshold	2022 RoIC of 14 per cent 10 per cent vests
Target (straight line vesting between threshold and maximum)	2022 RoIC between 14 per cent and 16 per cent
Maximum	2022 RoIC of 16 per cent 100 per cent vests

There will be an additional holding period of two years. This means that executives will be required to retain the shares for a minimum of two years following the end of the performance period. This is to strengthen the alignment between executives and shareholders.

Taxable benefits and pension related benefits

Taxable benefits remain unchanged for 2020. Pension related benefits as a percentage of basic salary will decrease for new externally recruited executive directors as stated in the remuneration policy, and also will decrease for internal promotions on a case-by-case basis.

Non-executive director fees

Non-executive director fees were last reviewed in 2017 and remain unchanged for 2020. The fees have remained unchanged since 2011.

Payments for loss of office and payments to past directors: Willie Walsh

On January 9, 2020 it was announced that Willie Walsh has decided to retire as Chief Executive. He will step down from the Board on March 26, 2020 and remain employed by the Company until June 30, 2020 in order to support the transition and provide insight and background. In accordance with the scheme rules, Willie was granted 'good leaver' status by the Committee.

Willie Walsh received (or will receive) the payments set out below, less any required tax withholdings. All payments are in accordance with his service agreement and the Company's remuneration policy as set out in the Company's 2017 Annual Report and Accounts.

Willie will receive basic salary of £224,000, taxable benefits of £8,000, and pension benefits of £56,000 (cash allowance), after he has stepped down from the Board.

Willie Walsh holds outstanding IADP awards granted in 2017, 2018 and 2019, and is about to receive a 2020 award in respect of the deferred shares portion of the outcome of the 2019 annual incentive plan. All of these awards will remain capable of vesting in full on their normal vesting dates, in accordance with the rules of the IADP.

PSP Awards

The 2015 PSP Award shares were released at the end of the normal two-year holding period (end of 2019). Willie Walsh holds outstanding PSP awards as follows:

Award	Notes
2016 PSP Award	Shares will be released at the end of the normal two-year holding period (end of 2020)
2017 PSP Award	Shares will reflect the vesting outcome at the end of 2019, and released at the end of the normal two-year holding period (end of 2021)
2018 PSP Award	Shares will reflect the vesting outcome at the end of 2020, pro-rated to 30 June 2020 and released at the end of the normal two-year holding period (end of 2022)
2019 PSP Award	Shares will reflect the vesting outcome at the end of 2021, pro-rated to 30 June 2020 and released at the end of the normal two-year holding period (end of 2023)

The Remuneration Committee retains the authority to lapse the unvested 2018 and/or 2019 PSP awards if, at the date upon which the applicable performance conditions have been assessed, the Committee is not satisfied that Willie Walsh remains in retirement.

Travel benefits

Willie Walsh will participate in the British Airways travel benefits programme for former employees, in line with the standard approach in place.

2020 annual incentive plan

As set out earlier in this report, Willie Walsh will remain as Chief Executive Officer until March 26, 2020. He will be eligible for a 2020 annual incentive award, pro-rated to reflect the period he serves as Chief Executive Officer. Any award will be paid to him in the normal manner, with 50 per cent being deferred for three years and malus and clawback rules will apply. The relevant measures and weightings are as set out earlier in this report.

Newly appointed Chief Executive Officer and Chief Financial Officer

Chief Executive Officer (Luis Gallego)

Luis Gallego will succeed Willie Walsh as Chief Executive Officer on March 26, 2020. The Committee carefully considered the package to be offered to Luis, in the context of the new UK Corporate Governance Code as well as the views of our shareholders and best market practice.

Upon appointment, Luis Gallego will receive a base salary of £820,000. This compares to the current salary for the CEO, who has not received or taken a salary increase since 2014, of £850,000. In addition, the pension contribution rate for Luis will be revised downward to 12.5 per cent, which is comparable to the rate for the majority of the UK workforce.

Luis will be eligible for an annual incentive award of up to 200 per cent of salary and PSP award of up to 200 per cent of salary.

Chief Financial Officer (Steve Gunning)

Steve Gunning was appointed to the Board as Chief Financial Officer on June 20, 2019. In order to reflect the size and scope of the role, as well as the appropriate market positioning, the Committee felt it was appropriate for Steve to receive a base salary of £595,000. Whilst the salary is higher than the previous CFO (whose salary was £570,000), the Committee considers that this appropriately reflects the significance of the role in unlocking current growth opportunities and delivering the Company's key strategic priorities in challenging global economic conditions. The increase also brings the CFO salary more in line with the appropriate market positioning.

In addition, the pension contribution rate for Steve will be revised downward to 12.5 per cent, which is comparable to the rate for the majority of the UK workforce.

Steve will be eligible for an annual incentive award of up to 165 per cent of salary and PSP award of up to 175 per cent of salary.

The Remuneration Committee

The Committee's composition, competencies and operating rules are regulated by article 31 of the IAG Board Regulations. A copy of these Regulations is available on the Company's website.

Beyond executive directors, the Committee oversees the general application of the remuneration policy to the IAG Management Committee (and also occasionally considering remuneration matters of managers generally across the Group).

According to article 31 of the Board Regulations the Remuneration Committee shall be made up of no less than three and no more than five non-executive directors appointed by the Board, with the dedication, capacity and experience necessary to carry out their function. A majority of the members of the Remuneration Committee shall be Independent directors. Marc Bolland is Chairman of the Committee. For the reporting period all members were considered Independent non-executive directors of the Company and none of the members has any personal financial interest, other than as a shareholder, in the matters to be decided.

In accordance with the 2018 UK Code, the Remuneration Committee also has responsibility to review workforce remuneration and related policies and the alignment of incentives and rewards with culture.

Advisers to the Committee

The Committee appointed Deloitte as its external adviser in September 2016. Deloitte report directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2019 were €123,118, charged on a time and materials basis. Deloitte is a member of the Remuneration Consultants Group and a signatory to the voluntary UK Code of Conduct. As well as advising the Remuneration Committee, other Deloitte teams provided advice in relation to remuneration, pensions, global employment programmes, data governance, business process improvement, financial advisory work and tax to the Group in 2019. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent.

The Company obtained high level headline remuneration survey data from a variety of sources. During the year, the CEO of IAG provided regular briefings to the Committee apart from when his own remuneration was being discussed.

Statement of voting

The table below shows the consultative vote on the 2018 annual Directors' Remuneration Report at the 2019 annual Shareholders' Meeting, and the binding vote on the Directors' Remuneration Policy at the 2018 annual Shareholders' Meeting:

	Number of votes cast	For	Against	Abstentions/Blank
2018 Annual Directors' Remuneration Report	1,243,527,439	1,175,238,898 (94.51 per cent)	7,612,630 (0.61 per cent)	60,675,911 (4.88 per cent)
Directors' Remuneration Policy	1,463,865,426	1,396,029,011 (95.37 per cent)	13,091,180 (0.89 per cent)	54,745,235 (3.74 per cent)

Supplementary information

Directors' share options

The following directors held nil-cost options over ordinary shares of the Company granted under the IAG PSP.

Director	Date of grant	Number of options at January 1, 2019	Exercise price	Options exercised during the year	Options lapsed during the year	Options granted during the year	Exercisable from	Expiry date	Number of options at December 31, 2019
Executive directors									
Willie Walsh	May 28, 2015	206,060	-	-	-	-	January 1, 2020	December 31, 2024	206,060
	March 7, 2016	314,233	-	-	169,089	-	January 1, 2021	December 31, 2025	145,144
	March 6, 2017	311,355	-	-	-	-	January 1, 2022	December 31, 2026	311,355
	May 10, 2018	246,020	-	-	-	-	January 1, 2023	December 31, 2027	246,020
	March 8, 2019	-	-	-	-	299,824	January 1, 2024	December 31, 2028	299,824
Total		1,077,668	-	-	169,089	299,824			1,208,403

	Date of grant	Number of options at date of appointment	Exercise price	Options exercised during the year	Options lapsed during the year	Options granted during the year	Exercisable from	Expiry date	Number of options at December 31, 2019
Steve Gunning	May 28, 2015	52,363	-	-	-	-	January 1, 2020	December 31, 2024	52,363
	March 7, 2016	37,621	-	-	-	-	January 1, 2021	December 31, 2025	37,621
	March 6, 2017	96,703	-	-	-	-	January 1, 2022	December 31, 2026	96,703
	May 10, 2018	77,800	-	-	-	-	January 1, 2023	December 31, 2027	77,800
	March 8, 2019	101,587	-	-	-	-	January 1, 2024	December 31, 2028	101,587
Total		366,074	-	-	-	-			366,074

The award granted on March 7, 2016 was tested at the end of the performance period, and as a result 46.19 per cent of the award vested, as detailed earlier in this report in the section on Variable pay outcomes.

The performance conditions for each of the other PSP awards listed above will be tested to determine the level of vesting. For each of these awards, one-third of the award is subject to TSR performance measured against an index, one-third is subject to adjusted EPS performance, and one-third is subject to RoIC performance. The performance conditions will be measured over a single three-year performance period. For each of these awards, following the performance period there is an additional holding period of two years.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the dates of the PSP awards were as follows: 2019: 567 pence; 2018: 691 pence; 2017: 546 pence; 2016: 541 pence; and 2015: 550 pence.

Incentive Award Deferral Plan (IADP)

The following directors held conditional awards over ordinary shares of the Company granted under the IAG IADP (awarded as a result of IAG performance for the periods that ended December 31, 2015, December 31, 2016, December 31, 2017, and December 31, 2018).

Director	Relates to incentive award earned in respect of performance	Date of award	Number of awards at January 1, 2019	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of awards at December 31, 2019
Executive directors								
Willie Walsh	2015	March 7, 2016	125,693	125,693	March 7, 2019	-	-	-
	2016	March 6, 2017	51,893	-	March 6, 2020	-	-	51,893
	2017	May 10, 2018	114,297	-	March 8, 2021	-	-	114,297
	2018	March 8, 2019	-	-	March 8, 2022	-	92,720	92,720
Total			291,883	125,693		-	92,720	258,910

Director	Relates to incentive award earned in respect of performance	Date of award	Number of awards at date of appointment	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of awards at December 31, 2019
Steve Gunning	2016	March 6, 2017	16,117	-	March 6, 2020	-	-	16,117
	2017	May 10, 2018	37,603	-	March 8, 2021	-	-	37,603
	2018	March 8, 2019	32,813	-	March 8, 2022	-	-	32,813
Total			86,533	-		-	-	86,533

There are no performance conditions to be tested before vesting for the IADP, except that the director must still be employed by the Company at the time of vesting, or have left as a Good Leaver.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2019 IADP award was 567 pence (2018: 691 pence; 2017: 546 pence; and 2016: 541 pence).

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2016 IADP award was 541 pence. The share price on the date of the vesting of this award (March 7, 2019) was 554 pence. The money value of the shares received was the share price on the date of the vesting multiplied by the number of shares in respect of the award vested, as shown in the table above.

**ANNEX III – STATISTICS ON ANNUAL REPORT ON REMUNERATION
OF DIRECTORS OF LISTED COMPANIES**

THE ISSUER'S IDENTIFYING DATA

DATE OF END OF REFERENCE FINANCIAL YEAR

31/12/2019

TAX IDENTIFICATION NO.

A-85845535

Corporate name

International Consolidated Airlines Group, S.A.

Registered office

El Caserío, Iberia Zona Industrial, nº 2 (La Muñoza), Camino de la Muñoza, s/n, 28042 Madrid

**STATISTICAL ANNEX OF THE ANNUAL REPORT ON
REMUNERATION OF DIRECTORS OF LISTED COMPANIES**

**B OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS
APPLIED DURING THE YEAR ENDED**

B.4 Report on result of consultative vote at General Shareholders' Meeting on annual report on remuneration from previous year, indicating number of votes against, as the case may be.

	Number	% of total
Votes cast	1,243,527,439	62.43

	Number	% of votes cast
Votes against	7,612,630	0.61
Votes in favour	1,175,238,898	94.51
Abstentions	60,675,911	4.88

**C ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH
DIRECTOR**

Name	Type	Period of accrual in year t
Antonio Vázquez	Independent Chairman	From 01.01.2019 to 12.31.2019
Willie Walsh	Executive	From 01.01.2019 to 12.31.2019
Marc Bolland	Independent	From 01.01.2019 to 12.31.2019
Patrick Cescau	Independent	From 01.01.2019 to 06.20.2019
Enrique Dupuy de Lôme	Executive	From 01.01.2019 to 06.20.2019
Margaret Ewing	Independent	From 06.20.2019 to 12.31.2019
Javier Ferrán	Independent	From 06.20.2019 to 12.31.2019
Steve Gunning	Executive	From 06.20.2019 to 12.31.2019
Deborah Kerr	Independent	From 01.01.2019 to 12.31.2019
María Fernanda Mejía	Independent	From 01.01.2019 to 12.31.2019
Kieran Poynter	Independent	From 01.01.2019 to 12.31.2019
Emilio Saracho	Independent	From 01.01.2019 to 12.31.2019
Dame Marjorie Scardino	Independent	From 01.01.2019 to 06.20.2019
Nicola Shaw	Independent	From 01.01.2019 to 12.31.2019
Alberto Terol	Independent	From 01.01.2019 to 12.31.2019

C.1. Complete the following tables on individual remuneration of each director (including the remuneration for exercising executive functions) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand euros)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance Pay	Other grounds	Total in year t	Total in year t-1
Antonio Vázquez	645	0	0	0	0	0	0	5	650	649
Willie Walsh	0	0	0	967	502	0	0	276	1,745	1,829
Marc Bolland	138	0	0	0	0	0	0	19	157	126
Patrick Cescau	71	0	0	0	0	0	0	27	98	187
Enrique Dupuy de Lôme	0	0	0	306	123	0	0	128	557	1,100
Margaret Ewing	64	0	0	0	0	0	0	1	65	-
Javier Ferrán	64	0	0	0	0	0	0	2	66	-
Steve Gunning	0	0	0	358	162	0	0	53	573	-
Deborah Kerr	120	0	0	0	0	0	0	11	131	69
Maria Fernanda Mejia	120	0	0	0	0	0	0	14	134	130
Kieran Poynter	140	0	0	0	0	0	0	24	164	167
Emilio Saracho	120	0	0	0	0	0	0	18	138	138
Dame Marjorie Scardino	58	0	0	0	0	0	0	40	98	208
Nicola Shaw	120	0	0	0	0	0	0	16	136	127
Alberto Terol	136	0	0	0	0	0	0	26	162	142

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	Name of plan	Financial instruments at start of year t		Financial instruments granted during year t		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year t	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares / handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instrument (thousand of euros)		No. of instruments	No. of equivalent shares
Willie Walsh	Share performance plan – PSP 2015	206,060	206,060	0	0	0	0	0	0	0	206,060	206,060
	Share performance plan – PSP 2016	314,233	314,233	0	0	0	0	0	0	169,089	145,144	145,144
	Share performance plan – PSP 2017	311,355	311,355	0	0	0	0	0	0	0	311,355	311,355
	Share performance plan – PSP 2018	246,020	246,020	0	0	0	0	0	0	0	246,020	246,020
	Share performance plan – PSP 2019	0	0	299,824	299,824	0	0	0	0	0	299,824	299,824
	Incentive award deferral plan – IADP 2016	125,693	125,693	0	0	125,693	125,693	6,30	792	0	0	0
	Incentive award deferral plan – IADP 2017	51,893	51,893	0	0	0	0	0	0	0	51,893	51,893
	Incentive award deferral plan – IADP 2018	114,297	114,297	0	0	0	0	0	0	0	114,297	114,297
	Incentive award deferral plan – IADP 2019	0	0	92,720	92,720	0	0	0	0	0	92,720	92,720
Steve Gunning	Share performance plan – PSP 2015	52,363	52,363	0	0	0	0	0	0	0	52,363	52,363
	Share performance plan – PSP 2016	37,621	37,621	0	0	0	0	0	0	0	37,621	37,621

Name	Name of plan	Financial instruments at start of year t		Financial instruments granted during year t		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year t	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares / handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instrument (thousand of euros)		No. of instruments	No. of instruments
	Share performance plan – PSP 2017	96,703	96,703	0	0	0	0	0	0	0	96,703	96,703
	Share performance plan – PSP 2018	77,800	77,800	0	0	0	0	0	0	0	77,800	77,800
	Share performance plan – PSP 2019	101,587	101,587	0	0	0	0	0	0	0	101,587	101,587
	Incentive award deferral plan – IADP 2016	32,580	32,580	0	0	32,580	32,580	6,30	205	0	0	0
	Incentive award deferral plan – IADP 2017	16,117	16,117	0	0	0	0	0	0	0	16,117	16,117
	Incentive award deferral plan – IADP 2018	37,603	37,603	0	0	0	0	0	0	0	37,603	37,603
	Incentive award deferral plan – IADP 2019	32,813	32,813	0	0	0	0	0	0	0	32,813	32,813

iii) Long-term saving systems

	Remuneration from consolidation of rights to savings system
Director 1	

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		Year t		Year t-1	
	Year t	Year t-1	Year t	Year t-1	Systems with consolidated economic rights	Systems with unconsolidated economic rights	Systems with consolidated economic rights	Systems with unconsolidated economic rights

Willie Walsh	0	0	-	289	-	289	-
Enrique Dupuy de Lôme	0	0	-	31	-	31	-
Steve Gunning	0	0	-	0	-	0	-

iv) Details of other items

Name	Item	Amount remunerated
Willie Walsh	Life Insurance Premiums	18
Enrique Dupuy de Lôme	Life Insurance Premiums	6
Steve Gunning	Life Insurance Premiums	3

b) Remuneration of the company directors for seats on the boards of other group companies:

i) Remuneration in cash (thousand euros)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total in year t	Total In year t-1
Not applicable for all directors										

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	Name of plan	Financial instruments at start of year t		Financial instruments granted at start of year t		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year t		
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares / handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments (thousand €)		No. of instruments	No. of instruments	No. of equivalent shares
Not applicable for all directors													

iii) Long-term saving systems

	Remuneration from consolidation of rights to savings system
Director 1	

	Contribution over the year from the Company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		Year t		Year t-1	
Name	Year t	Year t-1	Year t	Year t-1	Systems with consolidated economic rights	Systems with unconsolidated economic rights	Systems with consolidated economic rights	Systems with unconsolidated economic rights
Not applicable for all directors								

iv) Details of other items

Name	Item	Amount remunerated
Not applicable for all directors		

c) Summary of remuneration (thousand €):

The summary should include the amounts corresponding to all the items of remuneration included in this report that have been accrued by the director, in thousand euros.

Name	Remuneration accrued in the company					Remuneration accrued in group companies				
	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration from saving systems	Remuneration for other items	Total FY2019 company	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration from saving systems	Remuneration for other items	Total year t group
Antonio Vázquez	650	0	0	0	650	0	0	0	0	0
Willie Walsh	1,745	792	0	18	2,555	0	0	0	0	0
Patrick Cescau	98	0	0	0	98	0	0	0	0	0
Marc Bolland	157	0	0	0	157	0	0	0	0	0
Margaret Ewing	65	0	0	0	65	0	0	0	0	0
Javier Ferrán	66	0	0	0	66	0	0	0	0	0
Enrique Dupuy de Lôme	557	281	0	6	844	0	0	0	0	0
Steve Gunning	573	205	0	3	781	0	0	0	0	0
Deborah Kerr	131	0	0	0	131	0	0	0	0	0

María Fernanda Mejía	134	0	0	0	134	0	0	0	0	0
Kieran Poynter	164	0	0	0	164	0	0	0	0	0
Emilio Saracho	138	0	0	0	138	0	0	0	0	0
Dame Marjorie Scardino	98	0	0	0	98	0	0	0	0	0
Nicola Shaw	136	0	0	0	136	0	0	0	0	0
Alberto Terol	162	0	0	0	162	0	0	0	0	0
TOTAL	4,874	1,278		27	6,179					

This annual report on remuneration has been approved by the Board of Directors of the company, at its meeting on February 27, 2020.

State if any directors have voted against or abstained from approving this report.

Yes No

Name or company name of the member of the Board of Directors who has not voted for the approval of this report	Reasons (against, abstention, non- attendance)	Explain the reasons