ANNUAL CORPORATE GOVERNANCE REPORT

CONTENTS

This Annual Corporate Governance Report is part of the Company's Management Report for the year ended 31 December 2019. It has been prepared in accordance with Circular 2/2018, of 12 June, of the Spanish Comisión Nacional del Mercado de Valores (CNMV), that established the templates for the Annual Corporate Governance Report for listed companies.

In accordance with Circular 2/2018, of 12 June, of the Spanish CNMV, the Company has also prepared a statistical annex which has been published together with the annual corporate governance report, and which form part of the Management Report.

This Annual Corporate Governance Report contains the following sections:

General

Other statutory information

In relation to the template for the Annual Corporate Governance Report established in annex I of appendix II of the CNMV Circular 2/2018, the Company advises that it has not included in this report information on sections A.4, A.6, A.13, C.1.8, C.1.20, C.1.22 and C.1.37 as these matters are not applicable to the Company in its current circumstances.

Ensuring we have the right leadership and culture to achieve sustainable growth

Antonio Vázquez
Chairman

"Our approach to corporate governance is all about ensuring our business can continue to grow sustainably long into the future for the benefit of all our stakeholders."

I am delighted to welcome you to our latest corporate governance report, which covers a busy year for the Board and a highly significant one for IAG.

2019 – our ninth year as a combined Group - was a year of solid progress for the company despite challenging operating and geo-political conditions. But it was also one of great change for the leadership of the Group and you will not be surprised that succession planning was a major pre-occupation for the Board during the year.

There were many other important items on our agenda as well, of course. They included the proposed acquisition of Air Europa by Iberia, Brexit contingency planning, the make up of our shareholder register, the data breach at British Airways, as well as further work to embed the principles of the 2018 UK Corporate Governance Code and to roll out our new Code of Conduct, Group-wide.

But the overall role of the Board remains the same - to help create long-term sustainable value for the benefit of our shareholders and all the other stakeholders of the company, working in close co-operation with the management team. My fellow Board directors and I remain firmly focused on that task.

Leadership changes

Effective succession planning is a key element of corporate governance, and it has been a growing activity for the Board and our Nominations Committee in recent years.

That work increased during the year, both in terms of the management team and Board membership.

After completing a thorough evaluation, the Nominations Committee recommended in January 2020 that Luis Gallego, Chairman and Chief Executive of Iberia, should be appointed to succeed Willie Walsh as Group Chief Executive following the announcement of his retirement.

Earlier, in April 2019, we announced that our Group Chief Financial Officer, Enrique Dupuy, would step down in June and be replaced by Steve Gunning, British Airways' Chief Financial Officer.

We also appointed Alistair Hartley as the IAG Director of Strategy following the retirement of Robert Boyle, and John Gibbs to a new and important role within the management team, as Group Chief Information Officer.

More recently we have announced important leadership appointments in our airlines, with Javier Sánchez-Prieto, currently Chairman and Chief Executive of Vueling, replacing Luis at Iberia and with Marco Sansavini moving from the post of Chief Commercial Officer at Iberia to take the helm at Vueling.

With the exception of John, who joined us from Rolls-Royce, all of these appointments are internal promotions. They are evidence of the depth and quality of talent we are so lucky to have within the company, and our determination to develop our own leaders and give them new opportunities to shine. Having said that, when planning succession at all levels of the Group, we always map our options, both internally and externally, to ensure we attract the people we need to sustain our success.

Board changes

Since our earliest days, I've always had the support of a diverse, experienced and highly capable group of non-executive directors. When changes occur, we work hard to recruit the right people to the Board, with a blend of relevant sector and market skills.

At our Shareholders' Meeting in June, Patrick Cescau – a Board member since IAG was first formed in 2011 – stepped down and I thank him for his great service as a director, our Senior Independent Director and a long-standing member of the Audit and Compliance Committee. I have always valued his wise advice and unstinting support.

Dame Marjorie Scardino also left our Board in June 2019 at our Shareholders' Meeting. She has made a wonderful contribution, always bringing a fresh perspective and brilliant insights to our deliberations. I will miss that greatly.

We are delighted to have brought two new, first-class directors on to the team, welcoming Margaret Ewing and Javier Ferrán to the Board in June 2019, after an extensive search by the Nominations Committee.

Margaret brings strong financial and accounting experience, including time working within our sector as chief financial officer at BAA, and is making a valuable addition to our Audit and Compliance Committee. Javier, after a long career with the Bacardi Group, is now chairman of Diageo, a top 10 FTSE 100 company, and brings much experience as a non-executive director, offers us both expertise in general management and a deep understanding of consumer markets.

Following these appointments, we have made some changes to the membership of our committees and Alberto Terol has become our Senior Independent Director.

I'm also glad to say we continue to meet our diversity target of having 33 per cent female representation on the Board. You can read full details of these leadership changes and our rigorous approach to succession planning in the Nominations Committee's report.

Maintaining our effectiveness

We are committed to increasing the effectiveness of the Board, always looking for ways to improve the way we work and our ability both to scrutinise and support the management team.

We completed internal reviews of the Board in 2017 and 2018 during which I talked individually to fellow directors to understand their concerns and to get their ideas on how we can improve our performance. In accordance with recommendations in both the Spanish and the UK corporate governance codes, we open ourselves to external review in the third year to make sure our own conclusions are valid. I am pleased to say the latest review was positive and added good value to our own reflections, as you can read further on in this report.

Compliance, culture and engagement

The Board spent a good deal of time during the year considering how best to embed the principles of the UK Corporate Governance Code, with directors being briefed regularly on its implementation. We also involved the IAG Management Committee in the process to ensure that the day-to-day running of Group conforms to best corporate governance practice.

We believe we are very largely compliant with the code. There are areas relating to culture and engagement with employees and stakeholders that require further work. We are still a young Group made up of distinct airline brands, each with their own values and culture. We see this as a real strength of IAG and one we want to safeguard. But it does make implementing common procedures and principles more challenging for us than might be the case for a company with a more centralised structure.

Good progress was made on implementing our new Code of Conduct across the Group, with activities carried out in all our operating companies and with the Board completing a session on integrity during the year. This project is not about imposing a set of rules and procedures. Rather it is about getting the message clearly out to people across the Group that we must all act with integrity at all times and to demonstrate clearly our aspiration to create a healthy culture across the business.

We are serious about finding ways for the Board to understand the views of employees, without, of course, detracting from the management team's key role in this area. We are doing this in a number of ways. Initially, three Board members – Maria Fernanda Mejia, Nicola Shaw and Alberto Terol – have taken on the role of liaising with employees more closely and were involved in a number of activities during the year.

The Board reviewed its relationship with other key stakeholders, taking into account the issues that are most important to them, not least environmental and sustainability issues where we have made further great progress in 2019.

Non-EU shareholders

Under EU regulations, our airlines must be majority EU owned and controlled to maintain their operating licences. By February 2019, we reached the point where 47.5% of our shares were owned by investors outside the EU so we took swift action to limit non-EU share buying. This move saw the proportion of shares owned by non-EU investors fall to 39.5% during the year and, as a result, we removed the cap with immediate effect on January 17, 2020. The Board will watch this issue carefully. Although it is not an action we like to take, our by-laws permit us to re-impose the permitted maximum, if necessary, to protect our airlines' operating licences.

Sustaining our success

I want to thank my fellow directors for their tremendous work and support during the year. I believe we have a robust corporate governance structure in place and we are all determined to keep it that way.

We want IAG to be a profitable business. But our overriding concern is to make sure we can sustain our success long into the future, for the benefit of those who commit capital to the Group and for our employees and the communities we serve. I think we are well positioned to do just that.

Antonio Vázquez
Chairman

Antonio Vázquez N S

Key areas of experience:
Consumer, sales/marketing, finance, governance

Current external appointments:
Chairman,Cooperation Board of Loyola University. Trustee, Loyola University Foundation. Member, Advisory Board of the Franklin Institute. Trustee, Nantik Lum Foundation.

Previous relevant experience:
Chairman, Iberia 2012–2013. Chairman and CEO, Iberia 2009–2011. Chairman and CEO, Altadis Group 2005–2008. Chairman, Logista 2005–2008. Director, Iberia 2005–2007. Chief Operating Officer and other various positions, Cigar Division of Altadis Group 1993–2005. Various positions at Osborne 1978–1983 and Domecq 1983–1993. Began his professional career in consultancy at Arthur Andersen & Co.

Willie Walsh S

Key areas of experience:
Airline industry

Other Group appointments:
Chairman, Aer Lingus Board of Directors.

Previous relevant experience:
Chairman, Airlines for Europe (A4E) 2016-2019. Chairman, National Treasury Management Agency of Ireland, 2013–2018. Chairman, IATA Board of Governors 2016–2017. Chief Executive Officer, British Airways 2005–2011. Chief Executive Officer, Aer Lingus 2001–2005. Chief Operating Officer, Aer Lingus 2000–2001. Chief Executive Officer, Futura (Aer Lingus' Spanish Charter airline) 1998–2000. Joined Aer Lingus as cadet pilot in 1979.

Alberto Terol A N

Key areas of experience:
Finance, professional services, information technology, hospitality industry

Current external appointments:
Vice Chairman, Leading Independent Director and Chairman of the Nominations, Remuneration and Corporate Governance Committee, Indra Sistemas. Director, Broseta Abogados. International Senior Advisor, Centerbridge. Independent Director, Schindler España. Patron of Fundación Telefonica. Executive Chairman of various family owned companies.

Previous relevant experience:
Chairman of the Supervisory Board, Senvion GmbH 2017–2019. Chairman of the Audit Committee, Senvion S.A 2017–2019. Director, OHL 2010–2016. Director, Aktua 2013–2016. Director, N+1 2014–2015. International Senior Advisor, BNP Paribas 2011–2014. Member, Global Executive Committee Deloitte 2007–2009. Managing Partner: EMEA Deloitte 2007–2009, Managing Partner Global Tax & Legal Deloitte 2007–2009. Member, Global Management Committee Deloitte 2003–2007. Managing Partner, Latin America Deloitte 2003–2007, Integration Andersen Deloitte 2002–2003, Managing Partner EMEA Arthur Andersen 2001–2002, Managing Partner Global Tax & Legal Arthur Andersen 1997–2001, Managing Partner Garrigues-Andersen 1997–2000.

Marc Bolland R N

Key areas of experience:
General management, commercial management/ marketing, retail, hospitality industry

Current external appointments:
Head of European Portfolio Operations, The Blackstone Group. Chairman of Blackstone Europe. Director, Coca-Cola Company. Non-Executive Director, Exor S.p.A. Vice President, UNICEF UK. Non-Executive Chairman Polymateria.

Previous relevant experience:
Chief Executive, Marks & Spencer 2010–2016. Chief Executive, WM Morrison Supermarkets PLC 2006–2010. Director, Manpower USA 2005–2015. Chief Operating Officer 2005–2006, Director 2001–2005 and other executive and non-executive positions, Heineken 1986–2001.

Margaret Ewing (A)

Key areas of experience:
Professional services, financial accounting, corporate finance, strategic and capital planning, corporate governance, risk management

Current external appointments:
Senior independent non-executive director and Chairman of the Audit and Risk Committee, ConvaTec Group Plc. Independent non-executive director and Chair of the Audit and Risk Committee, ITV Plc. Trustee and Chairman of the Finance and Audit Committee, Great Ormond Street Hospital Children's Charity.

Previous relevant experience:
Non-executive director, Standard Chartered Plc 2012–2014. Member of the Audit Committee, John Lewis Partnership Plc 2012–2014. Non-executive director, Whitbread Plc 2005–2007. Vice Chairman, Managing Partner, Public Policy, Quality and Risk and London Practice Senior Partner, Deloitte LLP 2007–2012. Director, Finance, BAA Ltd 2006 and Chief Financial Officer, BAA PLC 2002–2006. Group Finance Director, Trinity Mirror PLC 2000–2002. Partner, Corporate Finance, Deloitte & Touche LLP 1987–1999.

Javier Ferrán (R) (S)

Key areas of experience:
Consumer, finance, sales/marketing, governance

Current external appointments:
Chairman, Diageo Plc. Non-executive director, Coca Cola European Partners Plc. Member, Supervisory Board Picard Surgeles.

Previous relevant experience:
Member, International Advisory Board ESADE 2005–2019. Non-executive director, Associated British Foods plc 2005–2018. Non-executive director, SABMiller plc 2015–2016. Member, Advisory Board Agrolimen SA 2005–2016. Vice Chairman, William Grants & Sons Limited 2005–2014. Non-executive director, Louis Dreyfus Holdings BV 2013–2014. Non-executive director, Abbott Group 2005–2008. Non-executive director, Desigual SA. Non-executive director, Chupa Chups SA. Partner, Lion Capital LLC 2005–2018. Management positions with Bacardi Group including tenures as Regional President EMEA and President and Chief Executive Officer.

Steve Gunning

Key areas of experience:
Finance, airline industry

Current external appointments:
Non-Executive Director, FirstGroup Plc.

Previous relevant experience:
Chief Financial Officer, British Airways 2016–2019. Director, IAG Global Business Services 2017–2019. Chief Executive Officer, IAG Cargo 2012–2015. Pension Trustee, British Airways 2006–2011. Managing Director of World Cargo, British Airways 2007–2012. Head of Internal Control, British Airways 2006–2007. World Cargo Finance Director, British Airways 2004–2006.

Deborah Kerr (A) (N)

Key areas of experience:
Technology, digital, marketing, operations, software and services, general management

Current external appointments:
Director, NetApp Inc. Director, Chico's FAS. Inc. Director, ExlService Holdings, Inc. Managing Director, Warburg Pincus.

Previous relevant experience:
Executive Vice President, Chief Product and Technology Officer, SABRE Corporation 2013–2017. Director, DH Corporation 2013–2017. Director, Mitchell International, Inc. 2009–2013. Executive Vice President, Chief Product and Technology Officer, FICO, 2009–2012. Vice President and Chief Technology Officer, HP Enterprise Services 2007–2009. Vice President Business Technology Optimization, Hewlett-Packard Software 2005–2007. Senior Vice President Product Delivery, Peregrine Systems 1998–2005. Prior senior leadership roles with NASA's Jet Propulsion Laboratory, including Mission Operations Manager, US Space VLBI, Nasa Jet Propulsion Laboratory 1988–1998.

Maria Fernanda Mejia (A) (R)

Key areas of experience:
General management, marketing and sales, supply chain, strategic planning, corporate transactions

Current external appointments:
Board Member of the Council of the Americas.

Previous relevant experience:
Senior Vice President, The Kellogg Company (2011–2019). President, Kellogg Latin America (2011–2019). Corporate Officer and member of The Kellogg Company Executive Leadership Team (2011–2019). Vice-President and General Manager Global Personal Care and Corporate Fragrance Development, Colgate-Palmolive 2010–2011. Vice-President Marketing and Innovation Europe/South Pacific Division, Colgate-Palmolive 2005–2010. President and CEO Spain and Spain Holding Company 2003–2005, General Manager Hong Kong and Director, Greater China Management team 2002–2003, Marketing Director Venezuela 2000–2002, Marketing Director Ecuador 1998–2000.

Kieran Poynter (A) (S)

Key areas of experience:
Professional services, finance services, corporate governance, corporate transactions

Current external appointments:
Chairman, BMO Asset Management (Holdings) PLC. Senior Independent Director, British American Tobacco.

Previous relevant experience:
Chairman, Nomura International 2009–2015. Member, Advisory Committee for the Chancellor of the Exchequer on the competitiveness of the UK financial services sector 2009–2010. Member, President's committee of the Confederation of British Industry 2000–2008. UK Chairman and Senior Partner, PricewaterhouseCoopers 2000–2008. UK Managing Partner and other executive positions, PricewaterhouseCoopers 1982–2000.

Emilio Saracho (N) (R)

Key areas of experience:
Corporate finance, investment banking, corporate transactions

Current external appointments:
Director, Altamar Capital Partners. Director, Inditex.

Previous relevant experience:
Chairman, Banco Popular Español 2017. Vice Chairman and Member Investment Banking Management Committee, JP Morgan 2015–2016. Deputy CEO 2012–2015, CEO Investment Banking for EMEA 2012–2014 and member Executive Committee 2009–2013, JP Morgan. CEO, JP Morgan Private Banking for EMEA 2006–2012. Director, Cintra 2008. Director, ONO 2008. Chairman, JP Morgan Spain & Portugal 1998–2006. Global Investment Banking Head, Santander Investment (UK) 1995–1998. Spanish Market Manager, Goldman Sachs International 1990–1995.

Nicola Shaw (R) (S)

Key areas of experience:
Transport sector, public policy and regulatory affairs, consumer, general management

Current external appointments:
Executive Director, National Grid plc. Director, Major Projects Association. Director, Energy Networks Association and Energy UK.

Previous relevant experience:
Member of the Audit and Risk Committee, English Heritage 2015–2018. Non-Executive Director, Ellevio AB 2015–2017. CEO, HS1 Ltd 2011–2016. Member of the Department for Transport's Rail Franchising Advisory Panel 2013–2016. Non-Executive Director, Aer Lingus Plc 2010–2015. Charity Trustee, Transaid 2011–2013. Director and previously Managing Director, Bus Division at FirstGroup plc 2005–2010. Director of Operations and other management positions at the Strategic Rail Authority 2002–2005. Deputy Director and Deputy Chief Economist, Office of the Rail Regulator (ORR) 1999–2002. Associate, Halcrow Fox 1997–1999. Transport specialist, The World Bank 1995–1997. Corporate planner, London Transport 1990–1993.

● Committee Chair
(A) Audit and Compliance Committee
(N) Nominations Committee
(S) Safety Committee
(R) Remuneration Committee

Governance framework: structure and responsibilities

IAG, as the Group's parent company, is responsible for the Group's strategy and business plan. It centralises the Group's corporate functions, including the development of its global platform.

IAG sets the long-term vision for the Group, defines portfolio attractiveness and makes capital allocation decisions, exerting vertical and horizontal influence across the Group.

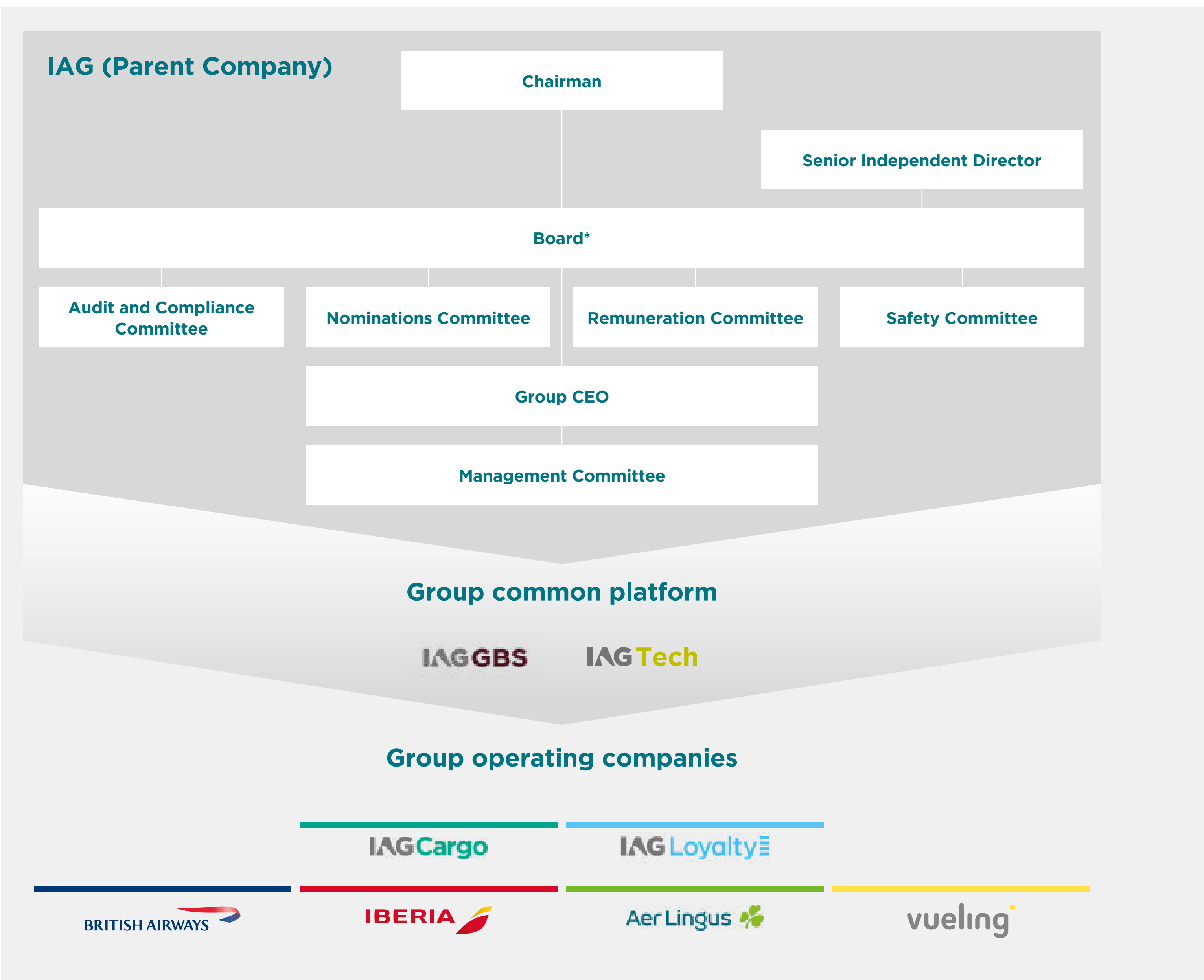
Each operating company is responsible for the management of their respective businesses and accountable for the implementation of the joint business and synergy plans. In particular, each operating company focus is:

- deep and real-time understanding of customer and competitive environment
- define product strategy for target customer segments
- stand alone profit centres and independent credit identities
- individual brand, cultural identity and management teams

Each company has its own board of directors and its own executive committee, led by the top executive of each company.

There is a clear separation of the roles of the Chairman and the Chief Executive. The Chairman is responsible for the operation of the Board and is responsible for its overall effectiveness in directing the company.

The Chief Executive is responsible for the day-to-day management and performance of the Group and for the implementation of the strategy approved by the Board. All the powers of the Board have been permanently delegated to the IAG Chief Executive save for those which cannot be delegated pursuant to the Bylaws, the Board Regulations or the applicable legislation.



* List of Board's reserved matters can be found in Article 3 of the Board Regulations, available on the Company's website.

Board

Comprises ten non-executive directors and two executive directors (IAG CEO and CFO) and is responsible for:

- the supervision of the management of the Company
- the approval of the strategy and general policies of the Company and the Group
- the determination of the policy on shareholders' remuneration
- ensuring the effectiveness of the Company's corporate governance system
- approval of any significant contractual commitment, asset acquisition or disposal or equity investment or divestment
- the definition of the Group structure
- the approval of major alliances
- the definition of the shareholders disclosure policy
- approval of the risk management and control policy, including the Group's risk appetite

Chairman

Antonio Vázquez

- chairs the shareholders' meetings
- leads the Board's work
- sets the Board's agenda and directs its discussions and deliberations
- ensures that directors receive accurate, timely and clear information, including the Company's performance, its strategy, challenges and opportunities
- ensures that there is an effective communication with shareholders and that directors and executives understand and address the concerns of investors
- offers support and advice to the Chief Executive
- promotes the highest standards of corporate governance

Group CEO

Willie Walsh

- is responsible and accountable to the Board for the management and profitable operation of the Company
- leads the Company's management team
- oversees the preparation of operational and commercial plans
- develops an effective management strategy
- puts in place effective controls
- coordinates the activities of the Group

Senior Independent Director

Alberto Terol

- provides a sounding board for the Chairman
- serves as intermediary for the other directors when necessary
- is available to shareholders, should they have any concerns they cannot resolve through the normal channels
- leads the evaluation of the Chairman's performance annually

Audit and Compliance Committee

- reviews the effectiveness of the external auditor process, preserving their independence
- supervises the effectiveness of the internal control of the Company, the internal audit and the risk management systems
- supervises the process for the preparation of the Group's financial results, reviewing the Company's accounts and the correct application of the accounting principles
- assesses and oversees the Company's compliance system
- reviews the Company's CSR and sustainability policy

Nominations Committee

- evaluates and makes recommendations regarding the Board and committee composition
- submits to the Board the proposed appointment of independent directors
- puts in place plans for the succession of directors, the Chairman and the Chief Executive
- oversees and establishes guidelines relating to the recruitment, appointment, career, promotion and dismissal of senior executives
- reports on the proposed appointment of senior executives
- monitors compliance with the company's director selection and diversity policy

Remuneration Committee

- reviews and recommends to the Board the directors and senior executive remuneration policy
- reports to the Board on incentive plans and pension arrangements
- monitors compliance with the Company's remuneration policy
- ensures compliance with disclosure requirements regarding directors' remuneration matters
- review workforce remuneration and related policies

Safety Committee

- receives material safety information about any subsidiary or franchise, codeshare or wet lease provider
- exercises a high level overview of the safety activities and resources
- follows up on any safety related measures as determined by the Board

Application of governance codes

As a company incorporated and listed in Spain, IAG is subject to applicable Spanish legislation and to the Spanish corporate governance framework. In accordance with Spanish legal requirements, this Corporate Governance report includes information regarding compliance with the Spanish Good Governance Code of Listed Companies as well as other information related to IAG's corporate governance. This report is part of the IAG Management Report.

At the same time, as IAG has a listing on the London Stock Exchange, it is also subject to the UK Listing Rules, including the requirement to explain whether it complies with the UK Corporate Governance Code published by the UK Financial Reporting Council ("FRC") as amended from time to time. A copy of the current version of the UK Corporate Governance Code applicable to this reporting period (updated and published in July 2018) is available at the website of the FRC (www.frc.org.uk). This Corporate Governance Report includes an explanation regarding the Company's application of the main principles of the UK Corporate Governance Code.

IAG has prepared a consolidated Corporate Governance Report responding to both Spanish and UK reporting requirements. This Corporate Governance Report is available on the Company's website (www.iairgroup.com), and it is also available on the Spanish Comisión Nacional del Mercado de Valores (CNMV) website (www.cnmv.es). Pursuant to the CNMV regulations, this report has been filed with the CNMV accompanied by a statistical annex covering some legally required data.

During 2019, IAG complied with all the applicable recommendations of the Spanish Corporate Governance Code, with the sole exception of the rules on the composition and operation of non-mandatory Board committees, which is partially non-compliant in relation to IAG's Safety Committee which is chaired by an executive director, the Group Chief Executive, and not by an independent director as recommended by the Code. The Board believes this is appropriate, taking into consideration that IAG is not an airline but the Group parent company, and its Safety Committee exercises a high-level supervisory role within the Group. Consistent with legal requirements, responsibility for safety matters remains with each Group airline, and the technical nature of the safety issues and the fact that each Group airline has its own particular characteristics makes it advisable that the Group's top executive leads this committee and coordinates the reporting of the different airlines.

As far as the 2018 UK Corporate Governance Code is concerned, the Company considers that it has complied with all of the provisions, although recognising that compliance with some of the more recent changes requires further development both in relation to the provisions and the application of the Code principles.

Board composition

As set out in the Company's Bylaws the Board shall comprise a minimum of nine and a maximum of 14 members. As of December 31, 2019, the Board composition was:

Name of Board Member	Position/Category	First appointed
Antonio Vázquez	Chairman	May 25, 2010[1]
Willie Walsh	Chief Executive	May 25, 2010[1]
Alberto Terol	Senior Independent Director	June 20, 2013
Marc Bolland	Director (independent)	June 16, 2016
Margaret Ewing	Director (independent)	June 20, 2019
Javier Ferrán	Director (independent)	June 20, 2019
Steve Gunning	Chief Financial Officer	June 20, 2019
Deborah Kerr	Director (independent)	June 14, 2018
Maria Fernanda Mejia	Director (independent)	February 27, 2014
Kieran Poynter	Director (independent)	September 27, 2010[2]
Emilio Saracho	Director (independent)	June 16, 2016
Nicola Shaw	Director (independent)	January 1, 2018[3]

1 Antonio Vázquez and Willie Walsh were formally appointed as directors for the first time on May 25, 2010, although IAG initiated its activities as the holding company resulting from the merger between British Airways and Iberia in January 2011.
2 Kieran Poynter was formally appointed as a director for the first time on September 27, 2010, although IAG initiated its activities as the holding company resulting from the merger between British Airways and Iberia in January 2011.
3 The appointment of Nicola Shaw as a non-executive director was approved by the Shareholders' Meeting on June 15, 2017 but did not become effective until January 1, 2018.

The IAG Board currently comprises ten non-executive directors and two executive directors, IAG's Chief Executive and Chief Financial Officer. The biographies of each member of the Board are set out in the Board of Directors section.

At the Shareholders' Meeting on June 20, 2019, Steve Gunning was appointed as an executive director following the retirement of Enrique Dupuy. Margaret Ewing and Javier Ferrán were also appointed as non-executive directors following the retirement of Patrick Cescau and Dame Marjorie Scardino. Further details of their appointment are set out in the Nominations Committee report. In addition, Alberto Terol was appointed as Senior Independent Director to replace Patrick Cescau.

On January 9, 2020, it was announced that Willie Walsh had decided to retire as Group Chief Executive and would step down at the Board meeting to be held on March 26, 2020 and retire on June 30, 2020. Luis Gallego, Chairman and CEO of Iberia will succeed him as Group Chief Executive.

The Board Secretary is Álvaro López-Jorrín, partner of the Spanish law firm J&A Garrigues, S.L.P, and the Deputy Secretary is Lucila Rodríguez.

Appointment, re-election, resignation and removal of directors

The selection and appointment process is described in detail in the Nominations Committee report.

IAG directors are appointed for a period of one year, as set out in the Company's Bylaws. At the end of their mandate, directors may be re-elected one or more times for periods of equal duration to that established in the Bylaws. In this way, the Company complies with the UK Code recommendation that directors should be subject to annual re-election.

Re-election proposals are subject to a formal process, based on the Nominations Committee proposal in the case of non-executive directors, or its recommendation report for executive directors. This proposal or report is prepared having due regard to the performance, commitment, capacity, ability and availability of the director to continue to contribute to the Board with the knowledge, skills and experience required.

Directors cease to hold office when the term of office for which they were appointed expires.

Notwithstanding the above, a director must resign in the cases established in article 16.2 of the Board Regulations, among other things when the director ceases to have the good standing, suitability, reliability, competence, availability or commitment to office necessary to be a director of the Company

Board diversity

Nationality

- Spain
- Netherlands
- Ireland
- US
- UK
- Colombia

Gender

4 females	8 males
33%	67%

Tenure[1]

0-3 years	4-6 years	7-9 years
40%	30%	30%

Core areas of expertise[1]

Industry	40%
General management	100%
Consumer Brands B2C	50%
Corporate transactions	60%
CEO/Chair experience in a listed company	50%
International	50%
Accounting/Audit	40%
Technology	25%

1 Non-executive directors only

or when his or her remaining on the Board might affect the Company's credit or reputation or otherwise jeopardises its interests.

According to article 23.2 of the Board Regulations, directors have a number of disclosure obligations, including the duty to inform the Company of circumstances that might harm the Group's name or reputation. In particular, if they become subject to any judicial, administrative or other proceedings. In such circumstances, the Board would consider the case as soon as practicable and adopt the decisions it deems fit, taking into account the corporate interest. As stated previously, if remaining on the Board would affect the Company's reputation, or otherwise jeopardise its interest, a director must place their position at the disposal of the Board and, at its request, formally resign.

The Board may only propose the removal of a non-executive director before the end of the mandate when it considers there is just cause, following a report by the Nominations Committee. For these purposes, just cause is deemed to exist when the director takes up new positions or enters into new obligations that prevent them from dedicating the necessary time to the performance of his or her duties as a director, otherwise breaches his or her duties as a director or unexpectedly becomes subject to any of the circumstances provided for in article 16.2 of the Board Regulations. The removal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that determine a material change of control.

A director who stands down before the end of their term of office must state his or her reasons in a letter to be sent to all the directors. In addition, these explanations need to be included in the Company's Annual Corporate Governance Report.

A copy of the Board Regulations is available on the Company's website (www.iairgroup.com), as well as on the website of the Spanish Comisión Nacional del Mercado de Valores (wwww.cnmv.es).

Board and committee meetings

The Board met 10 times during the reporting period. The Board also held its annual two-day strategy meeting in September 2019. During the reporting period, the Chairman and the non-executive directors met on two occasions without the executives present.

As stated in the Board Regulations, directors shall make their best efforts to attend Board meetings. If this is not possible, they may grant a proxy to another director, although non-executive directors may only grant their proxy to another non-executive director. These proxies need to be in writing and specifically granted for each meeting. No director may hold more than three proxies, with the exception of the Chairman, who cannot represent more than half of the Board members. As far as possible, proxies should be granted including voting instructions.

Meetings attended by each director of the Board and the different committees during the reporting period are shown in the table below:

Director	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Safety Committee
Total in the period	**10**	**7**	**7**	**7**	**2**
Antonio Vázquez	100%	–	100%	–	100%
Willie Walsh	100%	–	–	–	100%
Marc Bolland[1]	75%	–	50%	100%	–
Patrick Cescau[2]	100%	100%	100%	–	–
Enrique Dupuy de Lôme[2, 3]	83%	–	–	–	–
Margaret Ewing[4]	100%	100%	–	–	–
Javier Ferrán[4, 5]	100%	–	–	50%	100%
Steve Gunning[4]	100%	–	–	–	–
Deborah Kerr[4]	100%	86%	100%	–	–
Maria Fernanda Mejia	100%	100%	–	100%	–
Kieran Poynter	100%	100%	–	–	100%
Emilio Saracho[3, 4, 6]	90%	–	86%	100%	–
Dame Marjorie Scardino[2]	100%	–	100%	100%	–
Nicola Shaw	90%	–	–	86%	50%
Alberto Terol	100%	100%	100%	100%	–

1 Marc Bolland was only able to attend the second day of the annual two-day strategy meeting in September. He was appointed as a member of the Nominations Committee on June 20, 2019 and could not attend one of the two Committee meetings due to a prior commitment. He was replaced as a member of the Safety Committee on June 20, 2019, prior to the two 2019 meetings of this Committee.
2 Enrique Dupuy, Patrick Cescau and Dame Marjorie Scardino retired from the Board on June 20, 2019.
3 Enrique Dupuy and Emilio Saracho could not attend the extraordinary Board meeting held on April 14, 2019 called at a short notice by the Board Secretary at the request of the Chairman.
4 On June 20, 2019 Steve Gunning was appointed as an executive director, Margaret Ewing was appointed as a non-executive director and member of the Audit and Compliance Committee, Javier Ferrán was appointed as a non-executive director and member of the Remuneration and Safety Committees, Deborah Kerr was appointed as a member of the Nominations Committee and Emilio Saracho as a member of the Remuneration Committee.
5 Javier Ferrán was appointed as a member of the Remuneration Committee on June 20, 2019, he could not attend one of the two Remuneration Committee meetings due to a prior commitment.
6 Emilio Saracho could not attend the extraordinary Nominations Committee meeting held on April 14, 2019 called at a short notice by the Board Secretary at the request of the Chairman.

The Board maintains a 12-month agenda planner that ensures that strategic, operational, financial, corporate governance and any other relevant matters are discussed at the appropriate time at Board meetings. This planner is updated and distributed to directors before each Board meeting, giving them the opportunity to suggest or recommend any specific topics of interest.

Each Board meeting starts with a report from each of the committee's chairs on the key discussions and decisions considered by the respective committees, providing an opportunity for directors to comment or ask questions on the matters dealt with by each committee. This is followed by a general update from the Group Chief Executive and subsequently, from the Chief Financial Officer.

The key areas of Board activity during 2019 are outlined below:

Board activities

Strategy and planning

- Joint Board/ Management Committee two-day strategy session, including:
  - review of the Group operating model
  - share price performance review and diagnosis
  - competitive landscape
  - market strategic positioning review (customer focus)
  - strategic investments beyond the core
  - distressed scenario planning
  - sustainability review
  - IT review
- Introductory session to the Group Business Plan
- 2020-2022 Group Business Plan and 2020 Financial Plan
- Group IT model
- Updates on corporate strategy and transactions

Performance and monitoring

- Reports from each of the operating companies, including customer and commercial review as well as HR updates
- Quarterly and full year financial reporting
- Monthly financial report (reviewed at the relevant meeting or distributed to all Board members)
- Customer metrics
- Review of different joint business agreements and franchise agreements.
- Level growth and development plans.
- British Airways pensions update

Significant transactions, investments and expenditures

- Norwegian potential deal
- Air Europa acquisition proposal
- Launch of new products and fleet reconfigurations
- Significant aircraft acquisitions, lease-backs and aircraft-related financing arrangements
- Significant maintenance, supply and inventory and engine agreements
- Financing arrangement for the acquisition or lease of aircrafts
- British Airways long-haul fleet
- British Airways litigation review

Risk management and Internal controls

- Risk appetite framework review
- Review risk map and risk appetite statements
- Group cyber security update
- British Airways data incident and possible ICO fine
- Approve going concern and viability statements
- Effectiveness review of the internal control and risk management systems
- Updates and review of the uncertainties arising from the Brexit process
- External auditor yearly report to the Board

Shareholders, stakeholders and governance

- Updates on the permitted maximum of non-EU shares
- Communication strategy
- Review feedback from institutional shareholders, roadshows as well as analyst reports
- IAG Code of Conduct – business standards and values
- Board and management succession planning
- Management Committee remuneration scheme and individual performance (salary review 2019 short and long-term plans, 2018 outcome of variable remuneration plans)
- Changes to Group company boards
- AGM call notice and proposed resolutions
- Review of the Board committee's composition
- Board and committees effectiveness evaluation, and agreed improvement priorities
- UK Corporate Governance Code implementation updates

Board information and training

All Board and committee meeting documents are available to all directors, including the minutes of each meeting. All directors have access to the advice of the Board Secretary and the Group General Counsel. Directors may take independent legal, accounting, technical, financial, commercial or other expert advice at the Company's expense when it is judged necessary in order to discharge their responsibilities effectively. No such independent advice was sought in the 2019 financial year.

In 2019 the Board received specific briefings on key developments, such as the ongoing negotiations regarding the UK's exit from the EU and the new UK Corporate Governance Code. In October, a specific training session was also held on cyber security.

In addition, an on-site session was organised at British Airways which gave directors the opportunity to hear first-hand about the events and activities organised by the airline to celebrate its centenary anniversary.

Directors are offered the possibility to update and refresh their knowledge of the business and any technical related matter on an ongoing basis to enable them to continue fulfilling their responsibilities effectively. Directors are consulted about their training and development needs and given the opportunity to discuss training and development matters as part of their annual individual performance evaluation.

Board induction

According to the induction guidelines, approved by the Nominations Committee, on joining the Board every newly appointed director has a thorough and appropriate induction. Each programme is based on the individual director's needs and include meetings with other directors, senior management and key external advisors. The induction is designed to provide a wide overview of the industry and the sector, including particulars of each of the markets in which the Group operates, as well as an understanding of the Group business model and its different businesses. The programme is also a useful tool to introduce the new director to the IAG Management Committee as well as to the different operating companies' teams. Once they have met all the relevant positions at the Company, directors then have the opportunity to visit the Group's key sites and to meet with each operating company's leadership team, as a deep dive in each of the Group businesses. In addition to individual relevant topics as applicable, the basic content of the programme is:

- origin of the Group. Business basics and strategy
- Spanish corporate legal framework. UK and Spanish corporate governance requirements
- Group governance structure
- IAG compliance programme and litigation status
- aviation regulation and Brexit
- M&A briefing and strategy
- IAG capital structure. Main shareholders and analyst coverage
- Sustainability programme
- IAG finance particulars and financial targets (including fleet acquisition, hedging policy and risk map)
- IAG brands portfolio
- IAG platform
- business model, competitive landscape, strategy and current position of each one of the operating companies

IAG and the airline industry has many complexities that are unique to it. The induction programme highlighted these complexities, as well as providing an excellent introduction to all aspects of the Group's strategy, operations, functions, and the Board and Committee agendas, including visits to observe aspects of the day to day operations of certain of the operating companies. Commencing the programme with a session with the Chairman, who provided extremely valuable insight to the history of the Group, its evolution, the key strategic challenges it faces and, very importantly, the priorities for the Board during the next 12 to 18 months, was extremely helpful and enabled me to put the subsequent induction meetings with senior management and other Board members in context. My induction programme was enhanced and tailored to my specific knowledge requirements as a member of the Audit and Compliance Committee. Throughout all aspects of the ongoing induction programme I have found every person I have met very open, willing to share insights and keen to ensure that I understand their 'chosen topic' but also wanting to understand my initial perceptions and own experience. This has meant that a working relationship with the management team and others has quickly and effectively developed.

Margaret Ewing

Being new to the airline industry I found the induction programme well thought out and comprehensive. One could feel that it was a well established procedure which was taken very seriously by all involved. This was the case both at IAG's Head Office, where I had the opportunity to meet all members of the Management Committee starting with its CEO, as well as other persons responsible for key central functions, as well as at the different operating companies that I had the opportunity to visit. With hindsight, even if the learning process should never end, it has allowed me to get up to speed in just a few months and exceeding all my expectations. I am very grateful to all involved.

Javier Ferrán

In relation to each committee newly appointed members are also provided with introductory sessions specific for each committee and designed in accordance with the directors' interests and needs.

Board and committee evaluation

Following the internal evaluations carried out in 2017 and 2018, an external evaluation was conducted this year by Independent Board Evaluation (IBE), who were selected following a competitive tender process under the supervision of the Nominations Committee. IBE has no other connection with the Company.

IBE undertook a formal and rigorous evaluation which included:

- a comprehensive brief given by the Chairman to the evaluation team, defining the main focus of the evaluation
- interviews held with all directors, as well as with the former SID who left the Board in June 2019
- interviews with key Board contributors including the Group General Counsel, the Board Secretary and Deputy Secretary, the IAG Head of Group Audit, as well as the external auditors and the Remuneration Committee independent advisor
- the evaluation team observed main board and committee meetings held on July 31 and August 1
- support materials for briefing purposes were provided by the Company
- discussion of the main conclusions with the Chairman and those of the committees with the different chairs

The report was presented to all Board members, together with the Group General Counsel and the Board Secretary and Deputy Secretary. The overall conclusions of the review were positive, confirming that the Board and the committees continue to adequately fulfil their responsibilities.

In response to the evaluation report an action plan was developed to address the improvement areas identified, and this plan was discussed and approved by the Board in its meeting held on January 30, 2020. The plan includes the following measures:

- agree key priorities which will inform the rolling Board planner, already used to organise the Board's work and which will be updated twice a year
- improve the follow-up of actions agreed by the Board or at the Committees' Meetings
- review the focus on sustainability matters and agree where this responsibility sits best in the governance structure
- reinforce the Board's focus and oversight with regards to culture and stakeholders' engagement in line with the UK Corporate Governance Code
- a number of improvements were agreed in relation to the organisation of the meetings' agendas, Board papers and presentations
- maintain the focus on board succession planning at Board and Management Committee level

In addition to the work performed by IBE, an assessment of the performance of the Chairman was conducted by the Senior Independent Director, taking into consideration the external evaluation and consultation with each non-executive director. The results were discussed at a meeting of the non-executive directors without the Chairman present. Additionally, the Chairman met each director individually to discuss their contribution and performance, as well as their development needs, and also shared the peer feedback provided to IBE as part of the evaluation process.

Culture

In 2019, the Board approved a new Code of Conduct that applies to all directors and employees of the Group. All directors and employees are expected to act with integrity and in accordance with the laws of the countries in which they operate.

Various training and communications activities were carried out in all operating companies to support awareness of the principles detailed in this Code. The Board itself completed the same training activity at its meeting held on May 9, 2019. A new e-learning training to support the new Code of Conduct, applicable to all employees, was also rolled out. In addition, resources are available across the Group for employees to get advice or report grievances into any alleged or actual wrongdoing.

Within this framework, each operating company develops its own people strategy in accordance with the company's culture and identity. Some companies have taken this opportunity to renew their corporate value such as British Airways, Iberia and Vueling, Aer Lingus have reviewed their engagement approach including clear initiatives to reinforce their desired culture and values.

Workforce engagement

The Board considered the 2018 UK Corporate Governance Code provision on workforce engagement and, as an initial proposal, agreed that three of its non-executive directors would take on the role of liaising on employee engagement in order to adequately cover the different operating companies' and business locations.

During this first reporting year, the employee engagement activities were limited to the four main Group airlines. These directors have participated in a wide range of activities covering a broad spectrum of employees from different areas of the business and discussed a wide range of topics, including some in which senior management were not present. The main activities completed during 2019 and during the first two months of 2020 were:

- IAG European Works Council meeting held in December 2019
- meeting in the Aer Lingus inflight training academy
- meetings with employees based in Dublin and London Heathrow airports
- British Airways "Passionate about service" training session
- British Airways uniform design workshop
- meeting with the British Airways Engineering team
- Iberia anniversary of "Plan Persona and employee of the month"
- Iberia session "Inspiring Woman"
- presentation of Iberia's employee values (with those employees who participated in the project workshops)
- Vueling annual leadership retreat – culture session
- Vueling Q4 townhall session

The Board was informed of the main outcomes and main issues considered during these engagement activities and a number of improvements were agreed to support and enhance this engagement.

In addition to these specific activities, the Board enjoyed other opportunities to engage with the Group employees including site visits, specific training activities and the annual two-day strategy meeting, which includes a formal dinner with all Board members and the different operating companies' leadership teams.

The Board is regularly updated in relation to each operating company's employee matters as part of the report that each of the operating companies presents to the Board, in addition to specific items that may be brought to its attention as required.

The Audit and Compliance Committee has also reviewed and reported to the Board on the effectiveness and functioning of the confidential Speak Up channels available throughout the Group, where concerns can be raised on a confidential basis.

Shareholders and investors

Shareholders' interests have always been present in the Board's considerations. The Board engages directly in active dialogue with shareholders and investors mainly through the Group Chief Executive, the Group Chief Financial Officer and the Chairman, who regularly meet with shareholders and investors. In addition, the Senior Independent Director has attended meetings at the request of certain shareholders. Non-executive directors had the opportunity to meet shareholders at the Shareholders' Meeting as well as during IAG's Capital Markets Day.

The Board is regularly appraised of shareholders' feedback and main issues discussed with shareholders and investors. During 2019, the Company's brokers and other financial advisors made presentations to the Board to report on specific topics as well as to discuss the macro economic environment. A specific session regarding IAG's share performance and investors' feedback was part of the 2019 Group strategy meeting.

IAG Key Stakeholders

Considering stakeholders' interests

As explained in the stakeholder section of the report, the Board undertook a key stakeholder review. The Board considered this information, the existing engagement mechanisms and how the Board is kept informed to ensure proper understanding of the Group's main stakeholders' views and concerns. The Board has satisfied itself that appropriate engagement with key stakeholders is taking place and has agreed to formalise this as a regular reporting matter to the Board to keep engagement mechanisms under review to ensure that they remain effective.

The Board engages directly with two of the main stakeholder groups, shareholders and investors and employees, in this latter case through the arrangements put in place in accordance with the 2018 UK Corporate Governance Code. Engagement with all the remaining stakeholders falls under management's responsibility.

IAG's stakeholder engagement framework is articulated in accordance with the Group's business model. In line with this, the relationship with certain stakeholders is managed at an operating company level, as in the case of customers, employees, governments and regulators and, to a certain extent in the case of airline partners and industry associations. This ensures that the relationship is established as closely as possible and within the relevant cultural and business context. This does not preclude that the Group coordinates certain activities, and sets minimum standards or guidance as far as this is deemed appropriate.

Understandably, the relationship with shareholders and investors is conducted at IAG level, mainly through IAG's investor relations department and the IAG Chairman and executive directors.

IAG GBS provides a centralised procurement function for the Group and generally manages supplier engagement.

As far as IAG's sustainability programmes are concerned, these are coordinated at IAG level, covering the Group policies and objectives, governance structure, risk management, strategy and targets on climate change and noise, sustainability performance indicators, communications and stakeholder engagement plans. Each individual operating company within the Group has a distinct sustainability programme that is aligned with the Group strategy. The Board and the Audit and Compliance Committee provide appropriate oversight and direction. Further details on IAG's sustainability governance and engagement with stakeholders on sustainability can be found on the 'Sustainability' section.

The following table details how the Board is kept informed in relation to IAG's key stakeholders, excluding employees and shareholders and investors.

Customers	The Board has always paid special attention to issues related to customers and brands, and the focus on customer issues has always been present in Board discussions. During 2019, the Board has been regularly provided with customer metrics as part of its performance and monitoring activities. A session devoted to market strategic positioning, including customer focus was included in the Company's 2019 annual strategy meeting. Finally, several proposals related to customer experience and product offerings have been discussed by the Board, including the launch of new products and fleet renewals and reconfigurations.
Suppliers	The Board receives regular updates regarding key supplier relationships, relevant developments and engagement activities, including updates received through internal audit and risk management reporting. During 2019, agreements with major aircraft providers, leasing companies, caterers, as well other key service providers have been reviewed by the Board in the context of the relevant transactions and investment decisions
Governments and regulators	The Board is kept duly informed of any relevant issues within the regulatory and political context. In 2019, the Board was regularly informed about Brexit developments and the engagement with the relevant authorities at EU and Member State level. In addition to this, the Board received reports about engagement with the European Commission, EU Member States and authorities in relation to key policy matters, particularly regarding the European air traffic management system. The Board was also updated during the year on the engagement with the UK Civil Aviation Authority and the Department of Transport on the ongoing debate on Heathrow expansion.
Airline partners and industry associations	During 2019, the Board reviewed several of the Group existing partnerships and joint business agreements. Similarly, the Board has been regularly informed of the most relevant matters affecting the industry, particularly in the context of environmental matters.

Other statutory information

Directors' disclosure duties, conflicts of interests, and related party transactions

Directors must inform the Company of any participation or interest they may hold or acquire in any company that is a competitor of the Group, or any activities that could place them in conflict with the corporate interest.

Directors have an obligation under the Board Regulations to adopt the measures necessary to avoid conflict of interest situations. These include any situation where the interest of the director, either directly or through third parties, may conflict with the corporate interest or with his duties to the Company. In the event of conflict, the affected director must inform the Company and abstain from participating in the discussion of the transaction referred to by the conflict. For the purposes of calculating the quorum and voting majorities, the affected director would be excluded from the number of members in attendance.

In accordance with article 3.4 of the Board Regulations, the Board of Directors has the exclusive authority to approve transactions with the directors, with shareholders that have a significant holding or with any persons related to them.

The execution of these type of transactions or any transaction which may entail a conflict of interest need to be reported to the Audit and Compliance Committee to ensure that they are carried out at arm's length and with due observance of the principle of equal treatment of shareholders. In the case of transactions that fall within the ordinary course of business and are customary or recurring in nature and following a report by the Audit and Compliance Committee, the Board may grant a general authorisation as long as they are executed under certain terms and conditions. This authorisation needs to be endorsed by the Shareholders' Meeting in those cases established in the Spanish companies' legislation and, in particular, in any transaction with a director valued at more than 10 per cent of corporate assets.

In addition to this, and prior to the Audit and Compliance Committee consideration, shareholder related party transactions are also reviewed by the IAG Management Committee and are reported to the IAG Head of Group Audit.

IAG maintains commercial relationships with Qatar Airways, including cargo capacity agreements, passenger codeshares, wet leases and interline agreements. As a significant shareholder, these transactions have been reviewed by the Audit and Compliance Committee and approved by the Board.

Directors' and Officers' liability insurance

The Company has purchased insurance against Directors' and Officers' liability for the benefit of the directors and officers of the Company and its subsidiaries.

Share issues, buy-backs and treasury shares

The Annual General Meeting held on June 20, 2019 authorised the Board, with the express power of substitution, for a term ending at the 2020 Annual General Meeting (or, if earlier, 15 months from June 20, 2019), to:

i increase the share capital pursuant to the provisions of Article 297.1.b) of the Spanish Companies Law, by up to one-third of the aggregate nominal amount of the Company's issued share capital as at the date of passing such resolution (such amount to be reduced by the amount that the share capital has been increased by and the maximum amount that the share capital may need to be increased by on the conversion or exchange of any securities issued by the Board under the relevant authorisation), through the issuance and placement into circulation of new shares (with or without a premium) the consideration for which shall be cash contributions;

ii issue securities (including warrants) convertible into and/or exchangeable for shares of the Company, up to a maximum limit of 1,500,000,000 euros or the equivalent thereof in another currency, provided that the aggregate share capital that may need to be increased on the conversion or exchange of all such securities may not be higher than one-third of the aggregate nominal amount of the Company's issued share capital as at the date of passing such resolution (such amount to be reduced by the amount that the share capital has been increased by the Board under the relevant authorisation);

iii exclude pre-emptive rights in connection with the capital increases and the issuance of convertible or exchangeable securities that the Board may approve under the previous authorities for the purposes of allotting shares or convertible or exchangeable securities in connection with a rights issue or in any other circumstances subject to an aggregate maximum nominal amount of the shares so allotted or that may be allotted on conversion or exchange of such securities of five per cent of the aggregate nominal amount of the Company's issued share capital as at June 20, 2019.

iv carry out the acquisition of its own shares directly by the Company or indirectly through its subsidiaries, subject to the following conditions:

a the maximum aggregate number of shares which is authorised to be purchased shall be the lower of the maximum amount permitted by the law and such number as represents 10 per cent of the aggregate nominal amount of the Company's issued share capital on June 20, 2019, the date of passing the resolution;

b the minimum price which may be paid for an ordinary share is zero;

c the maximum price which may be paid for an ordinary share is the highest of:

i an amount equal to five per cent above the average of the middle market quotations for the shares as taken from the relevant stock exchange for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and

ii the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the transaction is carried out at the relevant time; in each case, exclusive of expenses.

The shares acquired pursuant to this authorisation may be delivered directly to the employees or directors of the Company or its subsidiaries or as a result of the exercise of option rights held thereby. For further details see note 27 to the Group financial statements.

The IAG Securities Code of Conduct regulates the Company's dealings in its treasury shares. This can be accessed on the Company's website (www.iairgroup.com).

Capital structure and shareholder rights

As of December 31, 2019, the share capital of the Company amounted to 996,016,317 euros (2018: 996,016,317 euros), divided into 1,992,032,634 shares (2018: 1,992,032,634 shares) of the same class and series and with a nominal value of 0.50 euros each, fully subscribed and paid.

As of December 31, 2019, the Company owned 7,702,495 shares as treasury shares.

Company's share capital

	Share capital (euros)	Number of shares/voting rights
December 31, 2019	996,016,317	1,992,032,634

Each share in the Company confers on its legitimate holder the status of shareholder and the rights recognised by applicable law and the Company's Bylaws which can be accessed on the Company's website (www.iairgroup.com).

The Company has a Sponsored Level 1 American Depositary Receipt (ADR) facility that trades on the over-the-counter market in the US. Each ADR is equivalent to two ordinary shares and each ADR holder is entitled to the financial rights attaching to such shares, although the ADR depositary, Deutsche Bank, is the registered holder. As at December 31, 2019

The significant shareholders of the Company at December 31, 2019, calculated according to the Company's share capital as at the date of this report and excluding positions in financial instruments, were:

Name of shareholder	Number of direct shares	Number of indirect shares	Name of direct holder	Total shares	**Percentage of capital**
Qatar Airways (Q.C.S.C)[1]	426,811,047	–		426,811,047	**21.426%**
Capital Research and Management Company	–	213,580,659	Collective investment institutions managed by Capital Research and Management Company	213,580,659	**10.722%**
Europacific Growth Fund	107,329,400		–	107,329,400	**5.388%**
Invesco Limited	–	40,845,381	Various mutual pension funds managed by Invesco Ltd	40,845,381	**2.050%**
Lansdowne Partners International Limited	–	34,047,907	Funds and accounts managed by Lansdowne Partners (UK) LLP	34,047,907	**1.709%**

1 As reported to the Spanish CNMV on February 18, 2020, Qatar Airways' shareholding increased to 500,000,000 shares, representing 25.10% of the Company's share capital.

the equivalent of 6,616,691 shares was held in ADR form (2018: 21 million IAG shares).

Shareholder's Meeting

The quorum required for the constitution of the shareholder's meeting, the system of adopting corporate resolutions, the procedure for amending the Bylaws and the applicable rules for protecting shareholders' rights when changing the Bylaws are governed by the provisions established in the Spanish Companies Law.

The Company corporate governance information is available on the Company's website (www.iairgroup.com) in the "Corporate Governance" section under "Shareholders' Meeting".

Disclosure obligations

The Company's Bylaws establish a series of special obligations concerning disclosure of share ownership as well as certain limits on shareholdings, taking into account the ownership and control restrictions provided for in applicable legislation and bilateral air transport treaties signed by Spain and the UK.

In accordance with article 7.2 b) of the Bylaws, shareholders must notify the Company of any acquisition or disposal of shares or of any interest in the shares of the Company that directly or indirectly entails the acquisition or disposal of a stake of over 0.25 per cent of the Company's share capital, or of the voting rights corresponding thereto, expressly indicating the nationality of the transferor and/or the transferee obliged to notify, as well as the creation of any charges on shares (or interests in shares) or other encumbrances whatsoever, for the purposes of the exercise of the rights conferred by them.

In addition, pursuant to article 10 of the Bylaws, the Company may require any shareholder or any other person with a confirmed or apparent interest in shares of the Company to disclose to the Company in writing such information as the Company shall require relating to the beneficial ownership of or any interest in the shares in question, as lies within the knowledge of such shareholder or other person, including any information that the Company deems necessary or desirable in order to determine the nationality of the holders of said shares or other person with an interest in the Company's shares or whether it is necessary to take steps in order to protect the operating rights of the Company or its subsidiaries.

In the event of a breach of these obligations by a shareholder or any other person with a confirmed or apparent interest in the Company's shares, the Board may suspend the voting or other political rights of the relevant person. If the shares with respect to which the aforementioned obligations have been breached represent at least 0.25 per cent of the Company's share capital in nominal value, the Board may also direct that no transfer of any such shares shall be registered.

Limitations on ownership of shares

In the event that the Board deems it necessary or appropriate to adopt measures to protect an operating right of the Company or of its subsidiaries, in light of the nationality of its shareholders or any persons with an interest in the Company's shares, it may adopt any of the measures provided for such purpose in article 11 of the Bylaws, including the determination of a maximum number of shares that may be held by non-EU shareholders provided that such maximum may not be lower than 40 per cent of the Company's share capital. If such a determination is made and notified to the stock market, no further acquisitions of shares by non-EU persons can be made.

In such circumstances, if non-EU persons acquire shares in breach of such restriction, the Board may also (i) agree on the suspension of voting and other political rights of the holder of the relevant shares, and (ii) request that the holders dispose of the corresponding shares so that no non-EU person may directly or indirectly own such shares or have an interest in the same. If such transfer is not performed on the terms provided for in the Bylaws, the Company may acquire the corresponding shares (for their subsequent redemption) pursuant to applicable legislation. This acquisition must be performed at the lower of the following prices: (a) the book value of the corresponding shares according to the latest published audited balance sheet of the Company; and (b) the middle market quotation for an ordinary share of the Company as derived from the London Stock Exchange's Daily Official List for the business day on which they were acquired by the relevant non-EU person.

On February 11, 2019, IAG notified the relevant stock markets that, due to the level of share ownership by non-EU shareholders, the Board established the maximum number of shares that may be held by non-EU shareholders at 47.5% of the Company's issued share capital. As a consequence, and in accordance with IAG's Bylaws, IAG prohibited further acquisitions of IAG shares by non-EU persons until further notice. On January 17, 2020, IAG notified the relevant stock markets that the level of ownership of IAG's issued shares by relevant non-EU shareholders had fallen to 39.5%. As a result, IAG removed the ownership restriction which had been introduced in February 2019 with immediate effect. The IAG Board continues to monitor the ownership level of non-EU shareholders, and in accordance with IAG's Bylaws, the Board is authorised at any time to re-impose a maximum number of shares that may be held by non-EU shareholders if necessary.

Impact of change of control

The following significant agreements contain provisions entitling the counterparties to exercise termination in the event of a change of control of the Company:

- the brand alliance agreement in respect of British Airways and Iberia's membership of oneworld, the globally-branded airline alliance, could be terminated by a majority vote of the parties in the event of a change of control of the Company;
- the joint business agreement between British Airways, Iberia, American Airlines and Finnair and the joint business agreement between British Airways, Japan Airlines and Finnair can be terminated by the other parties to those agreements in the event of a change of control of the Company by either a third-party airline, or the parent of a third-party airline; and
- certain IAG, Aer Lingus, British Airways, Iberia and Vueling exchange and interest rate hedging contracts allow for early termination if, after a change of control of the Company, their credit worthiness was materially weaker.

In addition, the Company's share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plans.

Report of the Audit and Compliance Committee

Kieran Poynter
Audit and Compliance Committee Chairman

Committee members

Date appointed	Meetings attended
Kieran Poynter (Chair) September 27, 2010	100%
Margaret Ewing June 20, 2019	100%
Deborah Kerr June 14, 2018	86%
Maria Fernanda Mejia June 16, 2016	100%
Alberto Terol August 2, 2013	100%

Dear Shareholder

The Audit and Compliance Committee continues to provide independent and robust challenge to management and our auditors to ensure there are effective and high-quality controls in place and appropriate judgements taken. During 2019, we have considered the requirements of the 2018 UK Corporate Governance Code as well as the impact of various regulatory reviews into the audit sector as we completed our Group tender for the 2021 external audit.

Patrick Cescau stepped down from the Board and the Committee in June 2019 as part of the Board succession planning. During his time on the Committee Patrick made a significant contribution to the Committee in playing a key role in advocating strong internal control, risk management and compliance practices across the Group.

In order to maintain a strong and diverse Committee membership we welcomed Margaret Ewing as a member from June 20, 2019. Margaret brings recent and relevant financial acumen and governance experience to the Committee as well as experience from a range of industries, including airports.

I believe we have the right mix of skills and experience on the Committee to provide constructive and robust challenge and support to management. During 2020 we will continue to consider the changing corporate governance landscape and the impact of various regulatory reviews (Business, Energy and Industrial Strategy Committee, Kingman, Competition and Markets Authority and Brydon) into the audit sector on the Group.

Kieran Poynter
Audit and Compliance Committee Chairman

The Committee's responsibilities

The Committee's principal responsibility was to oversee and give reassurance to the Board with regards to the integrity and quality of financial reporting, audit arrangements and internal controls. The Committee's activities include:

- reviewing the financial statements and announcements of the Group to ensure integrity;
- reviewing and challenging significant accounting estimates and judgements made in the representation of financial statements of the Group;
- reviewing and challenging management's assessment of the viability of the Group, including whether there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities when they fall due;
- reviewing the effectiveness of the internal control system, provision of assurance on the risk management process, overseeing the tax and treasury risk management and reviewing the principal risks facing the Group;
- reviewing and agreeing the internal audit programme, resourcing, effectiveness and resolution of issues raised;
- monitoring the internal controls manuals and procedures adopted by the Company, to verify compliance with them and review the designation and replacement of the persons responsible for them;
- discussing with the external auditors any significant weaknesses in the internal control environment detected in the course of the audit; and
- recommending the appointment of external auditors where appropriate and reviewing their effectiveness, fees, terms of reference and independence.

An evaluation of the Committee's performance was completed as part of the external evaluation process carried out in 2019. The Committee was found to be operating effectively during the year and will be implementing recommendations to enhance how the Committee supports the Board in its assessment of the risks facing the Group.

The Audit and Compliance Committee

The composition, competencies and operating rules of the Audit and Compliance Committee are regulated by article 29 of the Board Regulations. A copy of these Regulations can be found on IAG's website.

The Committee's activities during the year

The Committee met seven times during 2019 and continues to plan management attendance at Committee meetings in advance including a review of the agenda of each meeting to ensure the attendees of each item are appropriate, the inclusion of private sessions of the Committee members and with both the external and internal auditors as appropriate.

In addition to the Secretary and Deputy Secretary, regular attendees at Committee meetings included the Chairman, the Head of Group Audit and representatives from the external auditors. The Head of Group Audit reports functionally to the Chairman of the Committee.

Members of the management team including the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller were invited to attend specific agenda items as required and when relevant.

During 2019, the Committee reviewed the effectiveness of the Group's risk management through internal audit, external audit and a series of deep dives into the areas below. After robust challenge and debate, there were no topics where there was significant disagreement between management, the external auditor and the Committee, or unresolved issues that needed to be referred to the Board.

Other items reviewed

Business, operational and financial risks

Treasury and financial risk management

The Committee continued to review the Group's fuel, foreign exchange hedging positions and financial counterparty exposure on a quarterly basis, including that the approved hedging profile was being adhered to and continued to be appropriate to manage these risks in line with the Group risk appetite. The Committee also continued to review the Group's financial debt funding strategy, correspondent instruments and go-to-market strategy of the financing transactions performed by the Group in 2019.

Union withdrawal agreement and transition period

The Committee considered management's evaluation and risk assessment of the arrangements around the UK's exit from the European Union as part of the review of the principal risks and uncertainties of the Group. While there will continue to be uncertainty until negotiations for the future EU-UK relationship are reached, the Committee agrees with management's current assessment that, even in the event of no-deal after the transition period, Brexit will have no significant long-term impact on the Group.

The Committee will continue to engage with management and take steps to protect the interests of IAG in a no-deal scenario.

Cyber security

The Committee continues to receive regular updates on the Group's cyber security programme following the data breach reported by British Airways in September/October 2018.

Compliance and regulatory

Anti-bribery, sanctions, competition law, privacy and General Data Protection Regulation (GDPR) compliance

The Committee reviewed the Group's anti-bribery, sanctions, competition and privacy compliance programmes including the latest risk maps, regulatory developments, the key programme activities for 2019 and priorities for 2020. The Committee also received an update on the implementation of the IAG Code of Conduct and the planned awareness and communication activities to support the Group in 2020.

Sustainability

The Committee reviewed the progress made in the implementation of the sustainability strategy and the performance against targets in key areas such as carbon footprint and noise performance including the 2050 net zero carbon emissions goal. This also included a review of the new carbon targets to 2025, 2030, and 2050, progress relating to sustainable alternative fuels, fuel efficiency and improvements in carbon disclosure including work with the Carbon Disclosure Project and the Task Force on Climate related financial disclosure.

Whistleblowing

The Committee reviewed procedures whereby staff across the Group can raise confidential concern regarding any matter including but not limited to accounting, internal control and auditing. There are whistleblowing channels provided by third-party providers, Safecall and Ethicspoint, where all staff across the Group can report concerns to senior management in their company. The Committee also reviewed the volume of reports by category and nature; timeliness of follow-up; responsibility for follow-up and noted that there were no significant financial or compliance issues raised. The annual review is coordinated by the Head of Group Audit.

Financial reporting

Internal Control over Financial Reporting (ICFR)

As part of the Group's internal control framework it complies with the Spanish corporate governance requirement (ICFR), which is an analysis of risks in financial reporting, the documentation of accounting processes, and audit of internal controls. In 2019 the Committee reviewed the results of the audits and no material weaknesses were identified. The Committee also tracked the progress of internal audit recommendations.

Enterprise risk management

The Committee was updated on the principal risks of the Group. The Committee reviewed the process by which risk strategy and appetite had been assessed to confirm that the statements were still relevant and appropriate. They also reviewed the performance of the Group against each of its risk appetite statements and the Committee agreed with management's assessment that the Group has operated within its risk appetite framework.

Viability statement

In February 2020, the Committee reviewed the Group's viability assessment which covered a three-year time horizon in line with the Group's Business Plan period. The analysis evaluated the impact of combinations of risks under severe but plausible downturn scenarios (refer to Risk management and principal risk factors section). The Committee considered the impact on liquidity, solvency and the ability to raise financing over the period to 2022. The Committee considered how solvency and headroom were determined and confirmed the period over which viability is considered. The Committee has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 2022.

Litigation

The Committee received regular litigation status reports from the General Counsel including one about the status of the remaining civil claims against British Airways following the 2017 European Commission decision on alleged cartel activity with respect to air cargo charges.

A number of the civil claims have been concluded during 2019. The Committee agreed with management's view that, given the status of proceedings, it is not possible at this stage to predict the final outcome and no financial provision should be made for the remaining open civil claims. More detailed information relating to the cargo litigation is available in note 31 to the Group financial statements.

Distributable reserves/dividend capacity

The Committee reviewed in detail the technical considerations, including cash and distributable reserves, supporting dividend decisions taken by the Board.

Key performance indicators

In October 2019 the Committee reviewed the amendments to the Group's key performance indicators (see Alternative performance measures section for further information).

Accounting matters

Company accounting policies are maintained by the Group Finance Department, which updates and issues the Group Accounting Policy manual. Throughout the year, the Committee considers the implications of new accounting standards, reviews complex accounting transactions, and considers the key estimates and judgements used in the preparation of the Group financial statements. In 2019, this included the review of exceptional items associated with pension costs at British Airways. In addition the Committee considered the implementation of the new accounting standard IFRS 16 'Leases' in 2019, and judgements and estimates surrounding the pension transactions, the carrying value of goodwill and indefinite-lived intangibles, revenue recognition in relation to loyalty programmes, income tax provisions, and changes to the estimated useful lives and residual values of certain aircraft.

The exceptional item arose from the settlement between British Airways and the Trustee of the Airways Pension Scheme that permits the Trustee to make discretionary funding increases up to the level of RPI. The settlement has been treated as a plan amendment. The Committee has reviewed and agreed with management's rationale for recognising these costs and disclosing them as exceptional items by virtue of their size or non-cash incidence.

The Committee considers whether the Annual Report and Accounts are fair, balanced and understandable. The Committee also reviews disclosure during the year through a half-yearly report from the IAG Disclosure Committee outlining all the matters they discuss. The Committee is satisfied that the Annual Report and Accounts are fair, balanced and understandable and has recommended their adoption by the Board.

External audit

The Committee continues to work closely with EY, with the engagement partners attending seven meetings during the year. The Committee reviewed the engagement letter, fees and considered the audit plan which included EY's assessment of risk areas within the financial statements and key audit matters. The Committee asked for additional information on the scope of the external audit including additional information and analysis on out of scope areas of the business and the impact of reporting and audit developments on the Group.

Reports from the external auditor were reviewed during the meetings, covering the conclusions of the review of the Group's results for the half year, interim audit findings, early warning report for year end matters, and for the final report for year-end matters. No significant control weaknesses were identified or reported to the Committee by the external auditors in 2019, however the Committee requested additional information to understand EY's choice of a controls or substantive-based audit approach as well as the impact of the implementation of a new common finance system in British Airways and Iberia.

In assessing the effectiveness and independence of the external auditors, the Committee considered relevant professional and regulatory requirements and the relationship with the auditors. The Committee monitored the auditors' compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, and assessed the audit team's qualifications, expertise, resources and the effectiveness of the audit process, including a report from the external auditor on its own internal quality procedures. The Committee's assessment included a detailed questionnaire completed by key directors, managers and a sample of accounting staff throughout the Group. The questionnaire results demonstrated that management regarded EY's overall performance as good. This aligned with the Committee's independent assessment of performance. Having reviewed EY's performance during 2019, the Committee concluded that EY were independent and that it was in the Group's and shareholders' interests not to tender the audit in relation to their re-appointment for 2020. The Board of Directors refrain from engaging any audit firm entitled to be paid by the Company for all services rendered fees in excess of 10 per cent of such firm's total revenue for the previous year. The current EY partner is Hildur Eir Jónsdóttir who has held her role since 2016.

To comply with the Spanish Act 22/2015 on the requirement to tender the external audit at least every ten years, the Company has completed a process designed to satisfy the requirements for the selection and appointment of a new external auditor for the years 2021, 2022 and 2023. The Committee recommended two external audit firms to the Board and the Board will be recommending the appointment of KPMG at the Company's AGM to be held in June 2020.

Non-audit services provided by the external auditors are subject to a Board-approved policy that prohibits certain categories of work and controls the overall level of expenditure. It is the Company's intention to comply voluntarily with the revised UK standards in relation to non-audit services.

The Committee reviews the nature and volume of projects undertaken by the external auditors on a quarterly basis and all projects are either pre-approved or approved by the Committee Chairman for projects over €100,000 or of an unusual nature. The overall volume of work is addressed by a target annual maximum of €1.6 million with an additional allowance of up to €1.2 million for large projects where EY are uniquely placed to carry out the work.

Average spend across the last three years was within the total target maximum. Spend in 2019 was €1,504,000 with an additional €1,383,000 relating to work performed on a working capital review for the proposed fleet acquisition. 39 per cent of the €1,504,000 spend related to recurring work on the audit of accounts required by our Joint Business arrangements. Details of the fees paid to the external auditors during the year can be found in note 6 to the Group financial statements.

Report of the Nominations Committee

Antonio Vázquez
Nominations Committee Chairman

Committee members

Date appointed	Meetings attended
Antonio Vázquez (Chair) December 19, 2013	100%
Marc Bolland June 20, 2019	50%
Deborah Kerr June 20, 2019	100%
Emilio Saracho June 16, 2016	86%
Alberto Terol June 20, 2019	100%

Dear Shareholder

On behalf of the Board, I am pleased to present the Nominations Committee's Report, which summarises our work over the past year.

As already anticipated in my last letter as Committee Chairman, succession was the main focus for the Committee in 2019 both for executive and non-executive directors. Recently, we announced the retirement of our Group Chief Executive, Willie Walsh and the appointment of his successor, Luis Gallego, current Chairman and Chief Executive of Iberia. On April 15, 2019 we announced the appointment of Steve Gunning as the Group Chief Financial Officer, succeeding Enrique Dupuy, who stepped down in June 2019 at the Shareholders' Meeting. I am pleased that both appointments have been made from within the Group, which is evidence of the strength and depth of IAG's leadership and senior management teams.

At the same time, the Committee continued its regular consideration of the composition of, and succession plans for, the IAG Board in order to ensure the right balance of diversity, experience and skills to provide the oversight needed to sustain our business over the long term. In this respect, this year saw the retirement of Patrick Cescau, our Senior Independent Director, and Dame Marjorie Scardino. To fill these vacancies, and following a suitable search process, the Committee recommended the appointment of Margaret Ewing and Javier Ferrán.

As a consequence of these changes, the Committee reviewed the composition of the Board committees and also recommended to the Board the appointment of Alberto Terol as Senior Independent Director.

As customary, we also reviewed and discussed management succession planning and talent development arrangements, including board appointments in our main operating companies, which has proven to be a very useful development tool. At a senior management level, this year we saw the retirement of Robert Boyle, Director of Strategy, after 26 years with the Group, succeeded by Alistair Hartley, who joined the Group in 2015 as Head of Strategy. As a new addition to the Management Committee, we oversaw the appointment of John Gibbs in the new role of Group Chief Information Officer. Lastly, on January 30, 2020 the Committee considered and recommended to the Board the appointment of Javier Sánchez-Prieto, as Chairman and Chief Executive of Iberia, and of Marco Sansavini as Chairman and Chief Executive of Vueling, both appointments will be effective on March 26, 2020. The number of internal appointments prove once again the privilege of having a strong and committed internal pipeline.

Our main objectives and areas of focus for 2020, are the completion of Luis Gallego's transition into the role of Group Chief Executive, as well as a closer oversight of our management talent pipeline ensuring that appropriate opportunities are in place to develop high-performing individuals, while ensuring we build on diversity and inclusivity across senior roles in the business. Having completed nine years as a non-executive director my succession arrangement is another priority for 2020. This process is being led by the Senior Independent Director, involving all non-executive directors.

Antonio Vázquez
Nominations Committee Chairman

The Nominations Committee

The composition, competencies and operating rules of the Nominations Committee are regulated by article 30 of the Board Regulations. A copy of these Regulations can be found on the Company's website.

The Nominations Committee has overall responsibility for leading the process for appointments to the Board and to ensure that these appointments bring the necessary skills, experience and competencies to the Board, aligning its composition to the business strategy and needs.

These Regulations state that the Nominations 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 its function. A majority of the members of the Nominations Committee must be independent directors.

The Committee's responsibilities

The Nominations Committee's responsibilities are contained in the Board Regulations. These can be summarised as:

- evaluating the competencies, knowledge and experience necessary on the Board and reviewing the criteria for the Board composition and the selection of candidates
- submitting the appointment of directors to the Board for approval, and reporting on the proposed designations of the members of the Board committees and their chairmen
- succession planning for Board members making proposals to the Board so that such succession occurs in a planned and orderly manner
- establishing guidelines for the appointment, recruitment, career, promotion and dismissal of senior executives
- reporting to the Board on the appointment and removal of senior executives
- ensuring that non-executive directors receive appropriate induction programmes
- establishing a target for female representation on the Board which should adhere to the Company's Directors Selection and Diversity Policy
- submitting to the Board a report on the annual evaluation of the Board's performance

The Committee's activities in 2019

The Committee met seven times during 2019. Directors' attendance at these meetings is shown over and further detailed in the Corporate Governance report. The Group Chief Executive was invited to attend the Committee's meetings as and when necessary.

In accordance with its responsibilities, the Committee focused on the following activities during the year:

- the composition of the Board and the combined capabilities and experience of the non-executive directors
- formulating a refreshment and succession plan for the Board, covering key positions
- non-executive director search and appointment of Margaret Ewing and Javier Ferrán
- reviewing the Board committees' membership
- executive directors and management succession plans
- Chairman and Group Chief Executive annual appraisals
- talent management, pipeline and diversity
- review of the Board annual evaluation process and conclusions, as well as that of the Nominations Committee
- changes to Group company boards

Executive directors and management appointments and succession planning

Each year the Committee scrutinises the strength of succession planning arrangements for the executive directors and senior management, with particular emphasis during the last two or three years. The annual review of succession planning for the top 50 leadership positions has been a key and regular item of Committee discussion and oversight.

In the normal performance of its obligations, the Nominations Committee had compiled a Group Chief Executive role profile in accordance with the future strategic direction and needs of the Company. This profile was again circulated and discussed by all non-executive directors this year. This profile contained a brief of the requirements and the desired skill-set that a potential successor to Willie Walsh would need.

To support this process, the Nominations Committee appointed Spencer Stuart as the search consultant to review the external market and to conduct the executive assessment of the already identified internal candidate. The Nominations Committee discussed the conclusions of Spencer Stuart's reports on the mapping exercise and the executive assessment. Following this, each of the Committee members interviewed the internal candidate. The Nominations Committee shared the conclusions of its assessment with the Board, but considering the relevance of the decision, asked the remaining non-executive directors to consider all the information made available to the Committee and to complete their own individual assessments. Additionally, a special meeting of non-executive directors was held with the internal candidate. Following this, it was agreed by all directors that Luis Gallego was the right candidate to succeed Willie Walsh following his decision to retire.

In January 2020, the Committee met to agree the timeframe of the succession of the Group Chief Executive and the proposal to nominate Luis Gallego to this

IAG has an agreed process in place for the recruitment and appointment of new non-executive directors to the Board, which principles are included in the Director Selection and Diversity Policy. This process was followed in relation to the appointments of both Margaret Ewing and Javier Ferrán. Details regarding compliance with diversity principles are included below.

The appointment of Margaret Ewing and Javier Ferrán

October 2018
Search initiated in accordance with Board succession plans and specifications discussed and agreed

November 2018
Executive Search Firm engaged to assist with the search

November 2018
Longlist of potential candidates considered

December 2018
Shortlist agreed and shared with the Board

role with effect from March 26, 2020, which appointment was unanimously approved by the Board.

In 2019, the Committee also considered succession arrangements for IAG's executive director and Chief Financial Officer, Enrique Dupuy, who stepped down from the Board at the Shareholders' Meeting in June 2019. In accordance with the internal succession planning arrangements, Steve Gunning, at the time Chief Financial Officer at British Airways, was appointed as Group Chief Financial Officer and as a executive director at the Shareholders' Meeting.

In terms of senior executive appointments, in June 2019, Alistair Hartley was appointed as a member of the Management Committee following Robert Boyle's retirement in May 2019, and John Gibbs was appointed as IAG's first Chief Information Officer in September 2019. John's previous role was chief information officer for Rolls-Royce.

In January 2020, Javier Sánchez-Prieto, currently Chairman and CEO of Vueling, was appointed Chairman and CEO of Iberia, with Marco Sansavini, currently Commercial Director of Iberia being appointed Chairman and CEO of Vueling. Both appointments, together with that of Luis Gallego as Group Chief Executive, will be effective on March 26, 2020.

Non executive directors appointments and Board succession planning

The Committee regularly reviews the formal succession plan for the Board, including analysis of non-executive directors' length of tenure, skills and experience. The Committee discussed the Board skills matrix and experience needed in the context of the Group strategy and challenges, including any areas requiring strengthening from a skills and succession perspective. The conclusions of this exercise helped to inform the search for new directors and the profile and skills required.

The ongoing refreshment of the Board has led to the appointment of Margaret Ewing and Javier Ferrán as non-executive directors on June 20, 2019, filling the vacancies left by Patrick Cescau and Dame Marjorie Scardino, who did not stand for re-election at the 2019 Shareholders' Meeting.

Spencer Stuart was engaged to support this recruitment process. Spencer Stuart has no other connection with the Company other than providing recruitment services. Spencer Stuart is an accredited firm under the Enhanced UK Code of Conduct for Executive Search Firms.

Board positions and committee memberships

Following the 2019 Shareholders' Meeting, Alberto Terol became the Senior Independent Director. At the Nominations Committee meeting held on the same day, the Committee reviewed the composition of the committees and proposed to the Board the appointment of Javier Ferrán and Emilio Saracho as members of the Remuneration Committee, Javier Ferrán as a member of the Safety Committee, Marc Bolland, Deborah Kerr and Alberto Terol as members of the Nominations Committee, and Margaret Ewing as a member of the Audit and Compliance Committee.

Directors independence, performance and re-election

The Nominations Committee, having considered the matter carefully, is of the opinion that all of the current non-executive directors remain independent, both in line with the definition set out by the Spanish Companies Act and with that of the UK Corporate Governance Code, and are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement.

In accordance with UK Corporate Governance recommendations, the Committee believes that non-executive directors should generally stay in the role no longer than nine years. However, the Committee and the Board may determine that it is in the Company's best interest for a director with a particular profile and in particular circumstances to stay beyond the nine-year term, and appropriate explanations in dialogue with shareholders and investors will be provided in such a case.

Regarding the length of tenure recommendations included in the 2018 UK Corporate Governance Code, the Committee is mindful that, as of January 2020, both the Chairman of the Board and the Chairman of the Audit and Compliance Committee have completed nine years as non-executive directors. The Committee and the Board have carefully planned the overall Board succession process and will continue with its renewal plan to facilitate effective succession and the development of a diverse board. As far as the chair succession arrangements are concerned the Senior Independent Director is leading this process including all non-executive directors and in consultation with the executive directors.

All proposals for the appointment or re-election of directors presented to the 2019 Shareholders' Meeting were accompanied by an explanatory report issued by the Board of Directors with the support of the Nominations Committee assessing the competence, experience and merits of each candidate. Following this review, the Committee was of the opinion that each non-executive director submitting him or herself for re-election continued to demonstrate commitment to the role as a member of the Board and its committees, discharged his or her duties effectively and that each was making a valuable contribution to the leadership of the Company for the benefit of all shareholders.

January and February 2019
Interviews completed and feedback discussed (other directors invited to meet short-listed candidates)

May 2019
Nominations Committee considered final candidates and made recommendation to the Board

May 2019
Appointment announced by the Board, and published report for submission to the Shareholders' Meeting

June 2019
Appointment approved by the Shareholders' Meeting

According to article 17.5 of the Board Regulations, unless otherwise authorised by the Nominations Committee, a non-executive director cannot hold more than six other directorships, including only four in a listed company. Executive directors can only hold one directorship in another public listed company. Each director is required to advise the Committee and seek its authorisation before accepting any external directorship or other significant appointment that might affect the time they are able to devote to the role as a director of the Company.

The Committee also reviews the time commitment of each non-executive director on at least an annual basis.

Diversity

The Nominations Committee and the Board are committed to achieving diversity in its broadest sense in the composition of the Board and senior management, and fully support all initiatives in this regard. A combination of opinions, skills, experiences, backgrounds and orientations on the Board and the Management Committee is important in providing the range of perspectives, insights and challenge needed to facilitate their respective roles.

IAG's approach to inclusion and diversity on the Board is set out in the Company's Director Selection and Diversity Policy. The procedure for the appointment of directors follows the principles established in this Policy, and, as recommended by the Spanish Good Governance Code, the Nominations Committee reviews compliance with this policy on a yearly basis.

When considering director appointments, the Committee follows a formal, rigorous and transparent procedure, designed to preserve this diversity value while ensuring that any appointment is made on merit, and taking into account the specific skills and experience needed at any point in time to ensure continuing Board balance and relevant knowledge. Gender diversity principles are followed throughout the process, while preserving the general diversity and merit based appointment principles established in the policy. The Board's policy is to consider candidates from a wide variety of backgrounds, without discrimination based on gender, race, colour, age, social class, beliefs, religion, sexual orientation, disability or other factors.

The basic principles and steps followed in every appointment process are:

- each search is based on a prior analysis of the needs of the Board. This evaluation is made alongside succession plans for directors and taking into consideration the conclusions from the annual review of Board performance.
- searches are conducted by selected executive search firms, only engaging with those who are signatories to the UK Voluntary Code of Conduct for Executive Search Firms.
- the long-list of potential candidates needs to include adequate representation of female candidates, and candidates, as far as possible, from the widest possible pool.
- this long-list of candidates is reviewed and discussed by the Nominations Committee to produce a short list which is then circulated to the whole Board for relevant comments or possible objections.
- the short listed candidatures are analysed to ensure compliance with the applicable independence tests
- following this, interviews are conducted with those preselected with the participation of different Committee members.
- availability and commitment expectations are discussed with each of the candidates, and a rigorous assessment of each potential candidate is completed before the Committee reaches a final decision.

The process led by the Committee to identify, select and make the Board recommendation in relation to the appointments of both Margaret Ewing and Javier Ferrán is set out above.

IAG's Board aspiration to have 33 per cent female representation on the Board by the end of 2020 is formally reflected in the Directors Selection and Diversity Policy. This target was met in 2018 following the appointment of Deborah Kerr as a non-executive director and this remained the case following the appointment of Margaret Ewing after the retirement of Dame Marjorie Scardino.

This policy also sets out IAG's commitment to strengthen the gender balance on IAG's leadership and senior management teams. IAG's Management Committee is responsible for improving diversity within management and generally across the Group. The Nominations Committee is committed to improving diversity, and gender diversity in particular, within the Group, and encourages and supports Group initiatives in this respect. Relevant details on diversity can be found on the Sustainability section.

Induction of directors

A comprehensive induction programme was initiated for Margaret Ewing and Javier Ferrán in July 2019 and has been arranged following IAG's induction guidelines as approved by the Nominations Committee. This is described in more detail previously in this report.

The Committee annual evaluation

The annual performance evaluation was externally conducted by Board Independent Evaluation as part of the overall Board evaluation process. The Committee supervised the process for the selection of the external provider, and considered the results of this exercise regarding both the Board and the Committee itself at the Nominations Committee meeting held in September 2019. The evaluation concluded that the Committee operated effectively during 2019.

In 2020, the Committee has agreed to prioritise its focus on the review of the Group's framework for management succession and talent development, as well as on the initiatives to improve gender diversity and inclusivity within the Group, in addition to its work regarding Board succession planning.

Report of the Safety Committee

Willie Walsh
Safety Committee Chairman

Committee members

Date appointed	Meetings attended
Willie Walsh (Chair) October 19, 2010	100%
Antonio Vázquez October, 19 2010	100%
Javier Ferrán June 20, 2019	100%
Kieran Poynter October 19, 2010	100%
Nicola Shaw June 14, 2018	50%

Dear Shareholder

In 2019, the Safety Committee continued its routine work monitoring the safety performance of IAG's airline companies, as well as the systems and resources dedicated to safety activities across the Group. In June 2020 we were pleased to welcome Javier Ferrán as a new member to the Committee following the Board Committees composition review.

As I do every year, I like to highlight the role that this Committee plays within our Group, partly to be clear about our remit as a committee and partly to emphasize its uniqueness and its value in the Group context. Safety and security responsibility lie with each Group airline in accordance with its applicable standards, its own culture and the circumstances and particularities of each business. IAG's Safety Committee exercises a high-level overview of safety activities to ensure a minimum Group standard, but more importantly it fosters the Group homogenisation effort in safety reporting, the discussion of common issues and the sharing of best practices between Group airlines.

Willie Walsh
Safety Committee Chairman

The Safety Committee

The Committee composition, competencies and operating rules are regulated by article 32 of the Board Regulations. The Committee is made up of no fewer than three and no more than five directors appointed by the Board, with the dedication, capacity and experience necessary to carry out their function.

In addition to Committee members, senior managers with responsibility for safety matters are invited to attend and report at Committee meetings as and when required. During 2019, representatives of the British Airways, Iberia, Aer Lingus and Vueling safety teams attended meetings.

The Committee's responsibilities

Responsibility for safety matters belongs to the Group's airlines. IAG, through its Safety Committee, has an overall view of each airline's safety performance and of any important issues that may affect the industry. The Committee also has visibility of the Group airlines' resources and procedures. Responsibility for performing detailed and technical assessments remains with each airline, overseen by their respective safety committees.

The Committee's duties include:

- to receive significant safety information about IAG's subsidiaries, franchise, codeshare or wet-lease providers used by any member of the Group
- to exercise a high-level overview of safety activities and resources
- to inform the Board and to follow up on any safety-related matters as determined by the Board
- to carry out any other safety-related functions assigned by the Board

The Committee's activities during the year

During 2019 the Committee held two meetings. Directors' attendance at these meetings is shown opposite and further detailed in the Corporate Governance report.

Key topics discussed for each airline under their regular safety risk management, safety culture, operational risks, as well as reported data on aircraft damage. In addition to this, the Committee considered the Group annual report on dangerous goods, as well as specific reports. British Airways' Head of Quality and Technical Engineering reported to the July meeting as requested by the Committee on the 787 Trent 1000 engines' durability issues and their operational implications.

Report of the Remuneration Committee

Marc Bolland
Remuneration Committee Chairman

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 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.

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 CO_2 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 CO_2 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

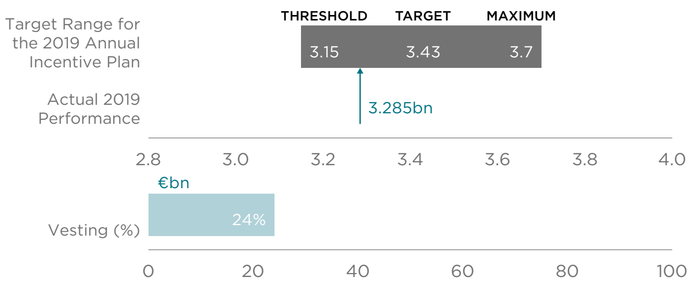
At a Glance

Implementation of remuneration policy in 2019

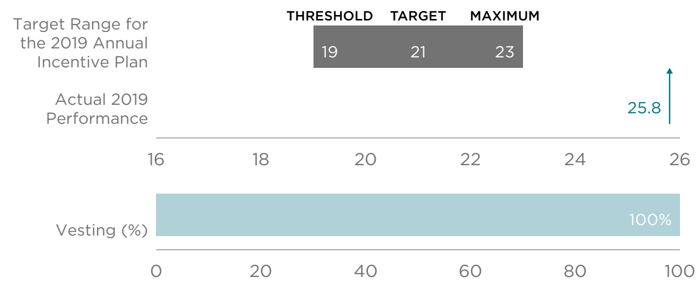
The following two charts show Company performance for the two corporate measures in the 2019 annual incentive plan.

Financial performance and customer performance has resulted in 24 per cent and 100 per cent vesting respectively:

IAG Operating Profit (before exceptional items)

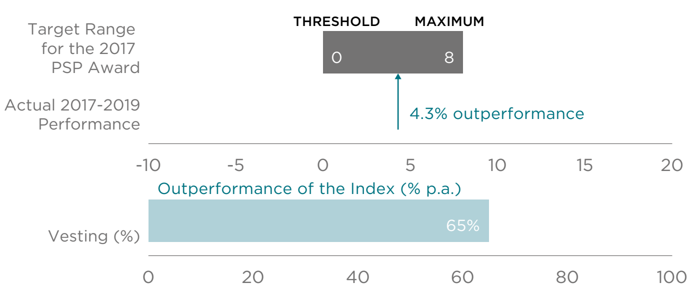


Net Promoter Score

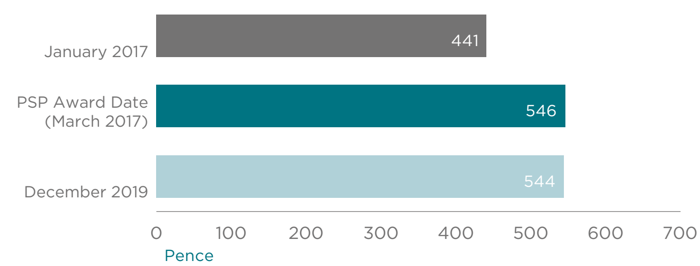


The following four charts show Company performance for the three performance measures in the 2017 PSP award, and share price performance:

Total Shareholder Return

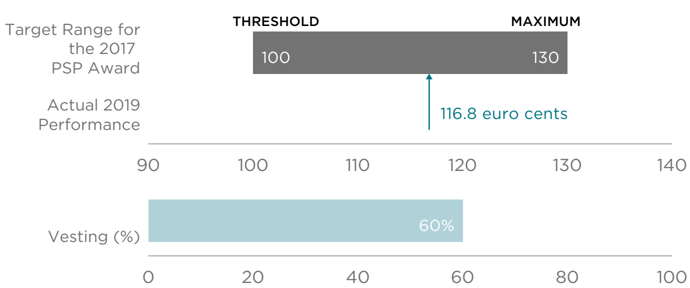


Share Price

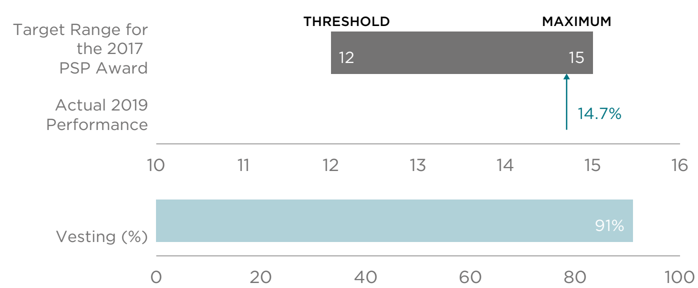


Strong EPS and RoIC performance in 2019 has resulted in good vesting levels for the following two measures in the 2017 PSP award:

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.

	Salary		Benefits		Pension		Total Fixed		Annual incentive		Long-term incentive		Total Variable		Total	
Director ('000)	**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	£285,672	£216,894
		€1,004,540	€324,837	€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 CO_2 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-ration 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-ration 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:

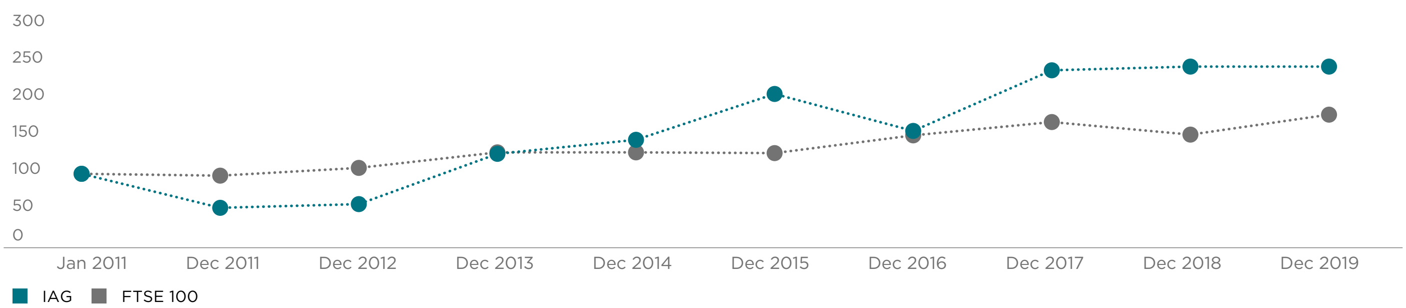
At December 31, 2019	625p
Highest in the period	668p
Lowest in the period	414p

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.	No change in benefits policy.
	Actual payments increased to £30,000 in 2019 from £27,000 in 2018.	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
25th (Lower quartile)	109:1	£20,092	£29,360
50th (Median)	72:1	£32,290	£44,208
75th (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**

	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.

Sustaining the risk management culture

The Board of Directors has overall responsibility for ensuring that IAG has an appropriate risk management framework, including the determination of the nature and extent of risk it is willing to take to achieve its strategic objectives. The Board has oversight of the Group's operations to ensure that internal controls are in place and operate effectively. Management is responsible for the execution of the agreed plans.

The Group has an Enterprise Risk Management (ERM) policy which has been approved by the Board. This policy sets the framework for a comprehensive risk management process and methodology, ensuring a robust assessment of the risks facing the Group, including emerging risks. This process is led by the Management Committee and best practices are shared across the Group.

Risk owners are responsible for identifying and managing risks in their area of responsibility within the key underlying business processes. All risks are assessed for likelihood and impact against the Group Business Plan and strategy. Key controls and mitigations are documented including appropriate response plans. Every risk has clear Management Committee oversight.

As part of the risk management framework, potential emerging risks and longer-term threats are considered to identify new trends, regulations or business disruptors that could impact the Group's business strategy and plans. These emerging risks are monitored within the overall risk framework until they are re-assessed to be no longer a potential threat to the business or where an assessment of the risk impact can be made, and appropriate mitigations can be put in place.

IAG considers risks to the strategic business plan over the short-term up to two years, medium-term from three to five years and in the longer-term beyond five years.

Risk management professionals ensure that the framework is embedded across the Group. They maintain risk maps for each operating company and at the Group level, and ensure consistency over the risk management process.

Risk maps are reviewed by each operating company's management committee, which considers the accuracy and completeness of the map, significant movements in risk and any changes required to the response plans addressing those risks. Each operating company's management committee confirms to its operating company board as to the identification, quantification and management of risks within its operating company as a whole annually.

The management committee of each operating company escalates risks that have a Group impact or require Group consideration in line with the Group ERM framework.

At the Group level, key risks from the operating companies, together with Group-wide risks, are maintained in a Group risk map. The IAG Management Committee reviews risk during the year including the Group risk map semi-annually in advance of reviews by the Audit and Compliance Committee in accordance with the 2018 UK Corporate Governance Code and the Spanish Good Governance Code for Listed Companies.

The IAG Board of Directors discusses risk at a number of meetings in addition to the risk map review, including a review of the assessment of IAG's performance against its risk appetite.

IAG has a risk appetite framework which includes statements informing the business, either qualitatively or quantitatively, on the Board's appetite for certain risks. Each risk appetite statement formalises how performance is monitored either on a Group-wide basis or within major projects. These statements were reviewed for relevance and appropriateness of tolerances at the year end and it was confirmed to the Board that the Group continued to operate within each of the risk appetite statements.

The highly regulated and commercially competitive environment, together with the businesses' operational complexity, exposes the Group to a number of risks. IAG remains focused on mitigating these risks at all levels in the business although many remain outside our control; for example, changes in political and economic environment, government regulation, external events causing operational disruption including civil unrest, adverse weather or pandemic, fuel price and foreign exchange volatility and changes in the competitive landscape.

Risks are grouped into four categories: strategic, business and operational, financial including tax, compliance and regulatory risks.

Guidance is provided below on the key risks that may threaten the Group's business model, future performance, solvency and liquidity.

Where there are particular circumstances that mean that the risk is more likely to materialise, those circumstances are described below.

The list is not intended to be exhaustive.

Strategic risks

Open competition and markets are in the long-term best interests of the airline industry and consumers. IAG has a high appetite for continued deregulation and consolidation. The Group seeks to mitigate the risk from government intervention or changes to the regulations that can have a significant impact on operations.

In general, the Group's strategic risks were stable during the year with competitor capacity being monitored and assessed within the Group. IAG continues to support deregulation, manage its supplier base and explore opportunities for consolidation.

Business and operational risks

The safety and security of customers and employees is a fundamental value. The Group balances the resources devoted to building resilience into operations and the impact of disruption on customers. The Group airlines are still highly exposed to the significant level of Air Traffic Control (ATC) airspace restrictions in Europe, requiring additional resilience to be built into the networks.

Strike action impacted British Airways, Iberia and Vueling operations this year. IAG continues to engage with the trade unions representing our workforces to agree collective bargaining agreements and minimise disruption.

The cyber threat environment remains challenging for all organisations including the airline industry. The Group continues to prioritise investment in the security controls framework, to mitigate and control these risks.

The political and economic environment remained volatile across the year, with the risk of demand impact from changes in trade relationships which could drive the imposition of tariffs, increasing costs.

Financial risks

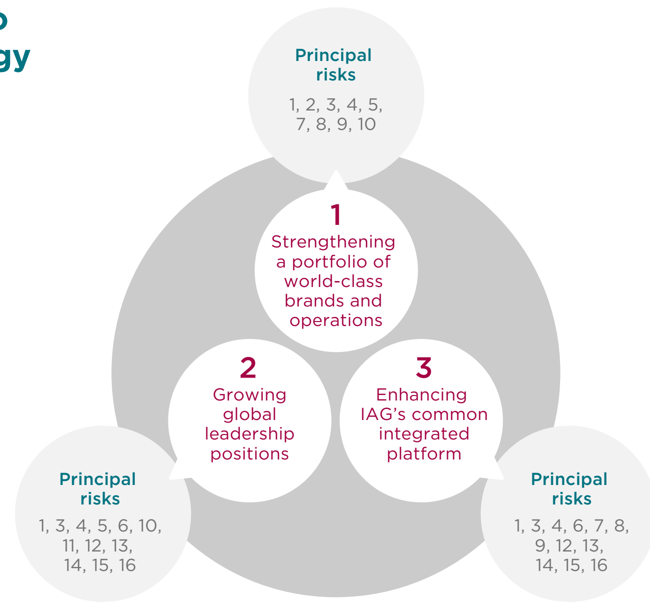
IAG balances the relatively high business and operational risks inherent in its business through adopting a low appetite for financial risk. This conservative approach involves maintaining adequate cash balances and substantial committed financing facilities. There are clear hedging policies for fuel price and currency risk exposure which explicitly consider appetite for fluctuations in cash and profitability resulting from market movements.

However, the Group is also careful to understand its hedging positions compared to competitors to ensure that it is not commercially disadvantaged by being over-hedged in a favourable market.

Compliance and regulatory

The Group has no tolerance for breaches of legal or regulatory requirements.

Link to strategy



See our Business model and strategic priorities sections

See our Sustainability section

Key: Risk trend

Increase | Stable | Decrease

Strategic

1. Airports, infrastructure and critical third parties

Risk trend: Stable. Link to strategy: 1, 2, 3

Status The Group has been impacted by ongoing issues with Rolls-Royce Trent engines in the year, as well as the impact of the new aircraft delivery delays from Airbus. The Group continues to lobby and raise awareness of the negative impacts of ATC airspace restrictions and performance issues on the aviation sector and economies across Europe. In October 2016, the UK Government confirmed a third runway expansion proposal at London Heathrow and IAG continues to promote an efficient, cost-effective, ready-to-use and fit-for-purpose solution. The Group is also dependent on the timely delivery of appropriate facilities by the Dublin Airport Authority.

Risk description

IAG is dependent on the timely entry of new aircraft and the engine performance of aircraft to improve operational efficiency and resilience and support the delivery of the Group sustainability programme.

IAG is dependent on the timely, on-budget delivery of infrastructure changes, particularly at key airports.

IAG is dependent on resilience within the operations of ATC services to ensure that our flight operations are delivered as scheduled.

IAG is dependent on the performance and costs of critical third party suppliers that provide services to our customers and the Group such as airport operators, border control and caterers.

Strategic relevance

Any sub-optimal service delivery or asset supplied by a critical supplier can impact on the Group airlines' operational and financial performance as well as disrupting our customers.

Infrastructure decisions or changes in policy by governments, regulators or other entities could impact operations but are outside of the Group's control.

London Heathrow has no spare runway capacity.

An uncontrolled increase in the planned cost of expansion could result in increased landing charges.

Airport charges represent a significant operating cost to the airlines and have an impact on operations.

Mitigations

- The Group mitigates engine and fleet performance risks to the extent possible by working closely with the engine and fleet manufacturers, as well as retaining flexibility with existing aircraft return requirements.
- The Group engages in regulatory reviews of supplier pricing, such as the UK Civil Aviation Authority's periodic review of charges at London Heathrow and London Gatwick airports.
- The Group is active at an EU policy level and in consultations with airports covered by the EU Airport Changes Directive.
- There is active supplier management including contingency plans and the Group also enters into long-term contracts with fuel suppliers.

Strategic continued

2. Brand reputation

Status IAG remains focused on strengthening its customer-centricity to ensure that its operating companies continue to adapt and focus their business models to meet changing customer expectations. Customer product improvements were launched throughout the year and there was an ongoing focus on systems underpinning the customer journey.

Risk description	Strategic relevance	Mitigations
Erosion of the brands, through either a single event or a series of events, may adversely impact the Group's leadership position with customers and ultimately affect future revenue and profitability. If the Group is unable to meet the expectations of its customers and does not engage effectively to maintain their emotional attachment, then the Group may face brand erosion and loss of market share.	The Group's brands are well positioned in their respective markets and have significant commercial value. Customers will choose to fly because of the brand proposition. Any change in engagement could impact the financial performance of the Group. IAG will continue to strengthen its customer propositions to ensure competitiveness in its chosen priority customer demand spaces. The Group is clear on the key levers to improve brand perception and satisfaction and has specific initiatives in place to achieve leadership for each of its operating company brands.	• All IAG airlines are considered within the brand portfolio review. • Brand initiatives for each operating company have been identified and are aligned to the Strategic Business plan. • Product investment to enhance the customer experience supports the brand propositions. • All airlines track and report internally on their Net Promoter Score (NPS) to measure customer satisfaction. • The Group's global loyalty strategy builds customer loyalty within IAG airlines. • The Group's focus on sustainability and sustainable aviation including the IAG Climate Change strategy to meet the target of net zero carbon emissions by 2050.

3. Competition, consolidation and government regulation

Status The Group announced plans in 2019 to acquire Air Europa, subject to regulatory approvals. In May 2019, Chile's Supreme Court rejected an appeal for the proposed South American joint business between IAG and LATAM. IAG and LATAM subsequently confirmed the termination of plans to develop a joint business agreement. LATAM has announced its intention to leave the **one**world alliance. The Group continues to monitor and discuss the negative impacts of government policies such as the imposition of Air Passenger Duty (APD).

Risk description	Strategic relevance	Mitigations
Competitor capacity growth in excess of demand growth could materially impact margins. Any failure of a joint business or a joint business partner could adversely impact our business operations and financial performance. Some of the markets in which the Group operates remain regulated by governments, in some instances controlling capacity and/or restricting market entry. Changes in such restrictions may have a negative impact on margins.	The markets in which the Group operates are highly competitive. The Group faces direct competition on its routes, as well as from indirect flights, charter services and other modes of transport. Some competitors have other competitive advantages such as government support or benefits from insolvency protection. Regulation of the airline industry covers many of our activities including route flying rights, airport landing rights, departure taxes, security and environmental controls. The Group's ability to comply with and influence changes to regulations is key to maintaining operational and financial performance.	• The IAG Management Committee devotes one weekly meeting per month to strategic issues. • The Board of Directors discusses strategy throughout the year and dedicates two days per year to review the Group's strategic plans. • The Group strategy team supports the Management Committee by identifying where resources can be devoted to exploit profitable opportunities. • The airlines' revenue management departments and systems optimise market share and yield through pricing and inventory management activity. • The Group maintains rigorous cost control and targeted investment to remain competitive. • The Group has the flexibility to react to market opportunities. • The portfolio of brands provides flexibility as capacity can be deployed at short notice as needed. • The IAG Management Committee regularly reviews the commercial performance of joint business agreements. • The Group's government affairs department monitors government initiatives, represents the Group's interest and forecasts likely changes to laws and regulations.

4. Digital disruption

Status The Group's focus on the customer experience, together with the Group's exploitation of technology, reduces the impact digital disruptors can have.

In the year, IAG Loyalty launched its Global Loyalty Platform first phase.

Risk description	Strategic relevance	Mitigations
Technology disruptors may use tools to position themselves between our brands and our customers.	Competitors and new entrants to the travel market may use technology more effectively and disrupt the Group's business model.	• The Group continues to develop platforms such as the New Distribution Capability, changing distribution arrangements and moving from indirect to direct channels • The Hangar 51 programme continues to create early engagement and leverages new opportunities with start-ups and technology disruptors

5. Sustainable aviation

NEW

Status Aviation represents 2.4 per cent of carbon emissions. IAG is the first airline group to commit to a target of net zero carbon emissions by 2050, including adding management targets. There is an emerging trend of aviation "eco taxes" in Europe and governments are also targeting net zero emissions by 2050 including the UK and France.

Risk description	Strategic relevance	Mitigations
Increasing global concern about climate change and the impact of carbon affect Group airlines' performance as customers seek alternative methods of transport or reduce their levels of travel. New taxes and increasing price of carbon costs impact on demand for air travel. Customers may choose to reduce the amount they fly.	IAG is committed to be the leading airline group in sustainability. This means that environmental considerations are integrated into the business strategy at every level and the Group uses its influence to drive progress across the industry.	• IAG Climate Change strategy to meet target of net zero carbon emissions by 2050. • British Airways plans to offset UK domestic flight carbon emissions from 2020. • Fleet replacement plan introducing aircraft into the fleet that are up to 40 per cent more carbon efficient. • IAG investment in sustainable aviation fuels of $400 million in the next 20 years, including British Airways' partnership with Velocys. • Management incentives under development to align to IAG's new targets. • Partnering with Mosaic Materials to explore carbon capture technology. • Participating in CORSIA, the ICAO global aviation carbon offsetting scheme.

Business and operational

6. Cyber attack and data security

Status The risks from cyber threats remain high and the regulatory regimes associated with those risks are becoming more complex. In addition to privacy legislation such as GDPR, some Group airlines are subject to the requirements of the National Information Security Directive (NISD) with varied approaches taken by the different member states as they apply those requirements.

In relation to the theft of customer data in 2018, on July 4, 2019, the UK Information Commissioner's Office (ICO) notified British Airways that it proposed to impose a penalty. British Airways continues to make representations and as at the date of this report, the ICO had not issued a final penalty notice. See note 31.

Risk description	Strategic relevance	Mitigations
The Group could face financial loss, disruption or damage to brand reputation arising from an attack on the Group's systems by criminals, foreign governments or hacktivists. If the Group does not adequately protect customer and employee data, it could breach regulation and face penalties and loss of customer trust.	The cyber threat environment remains challenging for all organisations, including the airline industry. Cyber threat actors, criminals, foreign governments and hacktivists are capable of and are motivated to attack the airline industry for financial gain and other political or social reasons. The fast-moving nature of this risk means that the Group will always retain a level of vulnerability.	• The Group has a Board approved Cyber Strategy that drives investment and operational planning. This is regularly reviewed by the IAG Board, IAG Management Committee and the IAG Tech leadership. • There is oversight of critical systems and suppliers to ensure that the Group understands the data it holds, that it is secure and regulations are adhered to. • A cyber risk management framework reviews the risk across all operating companies. • The Group Cyber Governance Board assesses the portfolio of cyber projects quarterly and each operating company reviews their own cyber projects. • Threat Intelligence is used to analyse cyber risks to the Group. • Data Protection Officers are in place where required in all operating companies.

Business and operational continued

7. Event causing significant network disruption

1 3

Status The significant level of ATC airspace restrictions imposed in Europe impacted the Group airlines' operational performance.

Many events remain outside of the Group's control such as civil unrest seen in cities served by the Group's airlines, terrorism, adverse weather or pandemic.

Risk description	Strategic relevance	Mitigations
An event causing significant network disruption may result in lost revenue and additional costs if customers or employees are unable to travel.	The Group's airlines may be disrupted by a number of different events. A single prolonged event, or a series of events in close succession, impact on our airlines' operational capability and brand strength.	• Management has business continuity plans to mitigate this risk to the extent feasible with focus on operational resilience and customer and colleague safety and recovery. • Additional resilience to minimise the impact of ATC airspace restrictions and strike action on the Group's customers and operations are in place.

8. IT systems and IT infrastructure

1 3

Status The Group is increasing resilience by implementing agreed plans which include investing in new technology, data centres and a robust operating platform. The Group has recognised the importance of technology across the business and has brought all of its digital and IT resources together under a new team, IAG Tech, which reports into the new Chief Information Officer on the IAG Management Committee.

Risk description	Strategic relevance	Mitigations
The failure of a critical system may cause significant disruption to the operation and lost revenue.	IAG is dependent on IT systems for most key business processes. Increasingly, the integration within IAG's supply chain means that the Group is also dependent on the performance of suppliers' IT infrastructure e.g. airport baggage operators.	• IAG Tech works with the Group operating companies to deliver digital and IT change initiatives to enhance security and stability. • Operating companies' IT Boards are in place to review delivery timelines. • IAG Tech refresh of professional development framework. • Reversion plans are developed for migrations on critical IT infrastructure. • System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.

9. People, culture and employee relations

1 3

Status IAG is a major employer with 72,268 employees worldwide. IAG invests in high-quality talent to support and grow its businesses, with a strong focus on customer and financial performance.

Across the Group, collective bargaining is in place with various unions. IAG airline operations were disrupted by strike action in 2019. British Airways pilots represented by the BALPA union took strike action in September and Iberia ground handling staff took strike action on dates across July through to September. Agreement has now been reached with the British Airways pilots represented by BALPA and a pre-agreement reached with the Ground Handling unions in Iberia.

Risk description	Strategic relevance	Mitigations
Any breakdowns in the bargaining process with the unionised workforces may result in subsequent strike action which may disrupt operations and adversely affect business performance. The failure to attract, motivate or develop our people to deliver service and brand excellence.	The Group has a large unionised workforce represented by a number of different trades unions. IAG relies on the successful agreement of collective bargaining arrangements across its operating companies to operate its airlines. If our people are not engaged or they do not display the required leadership behaviours then we cannot evolve or grow our business at the pace that we would like to.	• Collective bargaining takes place on a regular basis with the operating companies' human resources specialists with a strong skillset in industrial relations. • Operating companies' People Strategies. • Succession planning within and across operating companies. • IAG Tech refresh of professional development framework. • Operating companies' engagement surveys. • IAG Code of Conduct.

10. Political and economic environment

Status Wider macro-economic trends are being monitored such as tensions between the US and China, US and Iran, currency devaluation in Argentina and the changing political landscape. Following the referendum decision in 2016, the UK left the EU on January 31, 2020 under the terms of the Withdrawal Agreement. The completion of the agreement preserves current aviation arrangements until the end of the transition period in December 2020. The UK/EU political declaration envisages that the future relationship would be set out in a comprehensive air transport agreement. The EU Council's negotiating mandate of February 3, 2020 summary sets out the aspiration to agree a reciprocal partnership in aviation.

See the Regulatory environments section.

Risk description	Strategic relevance	Mitigations
Deterioration in either a domestic market or the global economy may have a material impact on the Group's financial position, while foreign exchange, fuel price and interest rate movements create volatility. Uncertainty or failure to plan and respond to economic change or downturn impacts the operations of the Group, including Brexit.	IAG remains sensitive to political and economic conditions in the markets globally.	• The Board of Directors and the Management Committee review the financial outlook and business performance of the Group through the financial planning process and regular reforecasts. • Reviews are used to drive the Group's financial performance through the management of capacity, together with cost control, including management of capital expenditure and the reduction of operation and financial leverage. External economic outlook, fuel prices and exchange rates are carefully considered when developing strategy and plans and are regularly reviewed by the Board of Directors and IAG Management Committee as part of business performance monitoring. • The Group's engagement with national regulators under the auspices of the EU Basic Air Connectivity Regulation. All the relevant national authorities (Austria, France, Ireland and Spain) confirmed that the Group's individual airlines would comply with the relevant EU ownership rules if the relevant remedial plans were implemented. • The Group has an established Brexit Working Group represented by all Group businesses to understand, plan and mitigate risks that could impact operations, including mechanisms to permit flights between the UK and the EU and how to ensure that arrangements are in place for the mutual recognition of safety certification, approvals and security regimes.

11. Safety or security incident

Status See the Safety Committee report.

Risk description	Strategic relevance	Mitigations
A failure to prevent or respond effectively to a major safety or security incident may adversely impact the Group's brands, operations and financial performance.	The safety and security of our customers and employees are fundamental values for the Group.	• The corresponding safety committees of each of the airlines of the Group satisfy themselves that they have the appropriate resources and procedures which include compliance with Air Operator Certificate requirements. • Incident centres respond in a structured way in the event of a safety or security incident.

Financial

12. Debt funding

Status The Group continues to have good access to a range of financing solutions.

Risk description	Strategic relevance	Mitigations
Failure to finance ongoing operations, committed aircraft orders and future fleet growth plans.	The Group has substantial debt that will need to be repaid or refinanced. The Group's ability to finance ongoing operations, committed aircraft orders and future fleet growth plans is vulnerable to various factors including financial market conditions and financial institutions' appetite for secured aircraft financing.	• The IAG Management Committee regularly reviews the Group's financial position and financing strategy. • The Group's high cash balances and committed financing facilities mitigate the risk of short-term interruptions to the aircraft financing market.

Financial continued

13. Financial risk

2 3

Status In 2019, events in the political and economic landscape continued to create uncertainty, increasing the volatility of the fuel price and foreign exchange. The approach to fuel risk management, financial risk management, interest rate risk management, proportions of fixed and floating debt management and financial counterparty credit risk management and the Group's exposure by geography is set out in note 25 to the Group financial statements.

Risk description	Strategic relevance	Mitigations
Failure to manage and respond to volatility in the price of oil and petroleum products. Failure to manage currency risk on revenue, purchases and borrowings in foreign currencies or identify devaluation risk of cash held in currencies other than the airlines' local currencies of euro and sterling. Failure to manage interest rate risk. Failure of financial counterparties may result in financial losses.	Volatility in the price of oil and petroleum products can have a material impact on the Group's operating results. The Group is exposed to currency risk on revenue, purchases and borrowings in foreign currencies and the devaluation of cash held in currencies other than the airlines' local currencies of euro and sterling. Interest rate risk arises on floating rate debt and floating rate leases. The Group is exposed to non-performance of financial contracts by counterparties for activities such as money market deposits, fuel and currency hedging.	• Fuel price risk is partially hedged through the purchase of oil derivatives in forward markets. • All airlines hedge in line with the IAG hedging policy with Group Treasury oversight. • The IAG Management Committee regularly reviews its fuel and currency positions. • The Group seeks to reduce foreign exchange exposures arising from transactions in various currencies through a policy of matching and actively managing the surplus or shortfall through treasury hedging operations. • Commercial policy review of routes when there are delays in the repatriation of cash coupled with the risk of devaluation. • The impact of rising interest rates is mitigated through structuring selected new debt and lease deals at fixed rates throughout their term.

14. Tax

2 3

Status Tax is managed in accordance with the Tax Strategy, found in the Corporate Policies section of the IAG website. Further information about taxes paid and collected by IAG is set out in note 9 of the Group financial statements.

Risk description	Strategic relevance	Mitigations
The Group is exposed to systemic tax risks arising from either changes to tax legislation or a challenge by tax authorities on interpretation of tax legislation. There is a reputational risk that the Group's tax affairs are questioned by the media or other representative bodies.	Payment of tax is a legal obligation. Tax is one of Group's positive contributions to the economies and wider societies of the countries in which IAG operates. Tax issues could be a potential source of reputational damage.	• The Group adheres to the Tax Policy approved by the IAG Board and is committed to complying with all tax laws, to acting with integrity in all tax matters and to working openly with tax authorities. • Tax risk is managed by the operating companies with oversight from the IAG Tax Department. • Tax risk is overseen by the Board through the Audit and Compliance Committee.

Compliance and regulatory

15. Group governance structure

2 3

Status The UK's exit from the EU on January 31, 2020 may have certain implications for the regulatory environment in which the Group operates, including the structure of the Group. See section 10 for more details.

Risk description	Strategic relevance	Mitigations
The governance structure the Group put in place at the time of the merger had a number of complex features, including nationality structures to protect British Airways' and Iberia's route and operating licences. IAG could face a challenge to its ownership and control structure.	Airlines are subject to a significant degree of regulatory control. In order for air carriers to hold EU operating licences and therefore comply with aviation regulations, the airline must be majority owned and effectively controlled by EU members and/or member states under the Group structure, British Airways remains a UK carrier.	• IAG will continue to engage with the relevant regulatory bodies as appropriate regarding the Group structure.

16. Non-compliance with key regulation and laws

2 3

Status A new Group-wide Code of Conduct was launched in 2019, supported by employee e-learning and additional management training.

Risk description	Strategic relevance	Mitigations
The Group is exposed to the risk of individual employees' or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses to the Group.	Carrying out business in a compliant manner and with integrity is fundamental to the values of the Group, as well as the expectation of the Group's customers and stakeholders.	• The Group has clear frameworks in place including comprehensive Group-wide policies designed to ensure compliance. • There are mandatory training programmes in place to educate employees as required for their roles in these matters. • Compliance professionals specialising in competition law and anti-bribery legislation support and advise the Group's businesses. • IAG Code of Conduct framework and training. • Data Protection Officers are in place where required in all operating companies.

Long-term viability assessment

Key trends defining the industry, emerging risks and risks that are longer-term in nature (including changes in regulation and infrastructure developments that impact our operations) are considered by the IAG Management Committee as part of the annual Strategic Business planning process. The Board also conducts an annual strategy session where these longer-term considerations are assessed, opportunities are identified and action agreed.

More detail see the Investment case section.

When considering the viability of the Group, the directors evaluated the impact of severe but plausible downside scenarios (as described below) on the three year Group Business Plan and assessed the likely effectiveness of the mitigations that management reasonably believes would be available over this period. Each scenario considered the impact on liquidity, solvency and the ability to raise financing. In addition, the directors reviewed the results of reverse stress testing, which demonstrated the level of margin decline (before mitigations) that would result in the Group using all available cash balances. The directors therefore believe that the Group could withstand further stresses beyond those modelled under the severe but plausible assumptions.

IAG has assessed the longer-term sustainability and climate related risks, applying scenario analysis techniques as set out by the Task Force on Climate related Financial Disclosures (TCFD) process. For more details of the Group's sustainability risks and opportunities, see Sustainability section.

Scenarios modelled

No.	Title	Link to principal risks
1	A multi-year global economic downturn impacting all regions starting with margin decline from the first year. This scenario assumes a downturn that stressed all of the Group airlines with the greatest margin decline experienced by any of them during the Global Financial Crisis. This scenario was considered to be the most impactful scenario that could threaten the Group.	3, 10, 12, 13
2	A fuel price shock resulting in sustained fuel price increase in a weak economic environment, across the duration of the Group Strategic three-year plan, with a material increase above the fuel price assumption within the plan.	13
3	A fuel price increase combined with different and multiple disruptive events within the Group airlines, occurring across the three-year period impacting their results. As none of these individual events would materially threaten the viability of the Group, the combined impact of these and the consequent impact to the Group Strategic plan and targets has been evaluated.	1, 2, 3, 7, 8, 9, 10, 12, 13

Viability Statement

The directors have assessed the viability of the Group over three years to December 2022 considering the external environment, strategy of the Group and the Board's risk appetite. Although the prospects of the Group are considered over a longer period, the directors have determined that a three-year period is an appropriate time frame for assessment as it is in line with the Group Business Plan strategic planning period and recognises the pace of change in the competitive landscape and the Group's flexibility to adjust fleet plans to market conditions.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation, meet its liabilities as they fall due and raise financing as required over the period to December 2022.

Internal Control Over Financial Reporting (ICFR)

Governance over ICFR

As stated in article 3.4 letter a) of the Board Regulations, the IAG Board has exclusive authority to approve the Company's financial information, namely the consolidated annual accounts and the management report, acting for this purpose with the advice and support of the Audit and Compliance Committee.

In addition, and in accordance with article 35.4 of the Board Regulations, the Board needs to ensure that the Company's financial statements do not result in any restrictions or qualifications of opinion by the external auditors. However, if a restricted or qualified opinion on the financial statements is given by the external auditors, the Board must clearly explain to shareholders the scope of such restrictions or qualifications and provide the relevant explanations.

The Audit and Compliance Committee reviews the Company's periodic financial information, and significant financial reporting judgements made in the Company's annual accounts, monitoring compliance with legal requirements, and generally accepted accounting principles and that the consolidation scope is appropriate.

With regards to internal control over financial reporting, the IAG Board Regulations determine that the Board is responsible for the internal control policy and periodic monitoring of internal information and internal control systems.

This internal control policy and monitoring is designed to produce reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorised use or disposition, the maintenance of proper accounting records and the reliability of financial information used throughout the business or for publication. These internal controls are designed to manage, rather than, eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable, but not absolute, assurance against material misstatement, errors, losses or fraud.

The Board of Directors is ultimately responsible for the supervision of the existence and effectiveness of Internal Control over Financial Reporting ("ICFR"). The Board has delegated the responsibility for the development of effective controls to the Chief Executive and the supervision of the effectiveness of these controls to the Audit and Compliance Committee. The Chief Executive has issued an ICFR policy which requires the IAG Finance Committee to oversee ICFR throughout the Group and delegates responsibility to the relevant Group Operating Company Chief Financial Officers.

Refer to Corporate Governance section of the Annual Report and the Report of the Audit and Compliance Committee for further details about the responsibilities of the Board of Directors and the Audit and Compliance Committee in relation to ICFR.

The IAG Finance Committee sits quarterly and is chaired by the IAG Chief Financial Officer and comprises the IAG Group Financial Controller and the Aer Lingus, Avios, British Airways, Iberia, Vueling, IAG GBS and IAG Cargo Chief Financial Officers. The Committee supports senior management and the Audit and Compliance Committee by carrying out the following duties related to ICFR:

a Maintain and approve the IAG ICFR policy including delegation of ICFR process ownership to subsidiary Chief Financial Officers and, where appropriate, to process owners;

b Review complex or judgemental accounting issues in the quarterly reports, emerging accounting issues, preparation for implementation of new accounting standards in addition to the review of issues raised by the external auditors;

c Own the Group Accounting Policies and approve any changes thereto; and

d Coordinate and monitor ICFR framework implementation and maintenance.

Organisational structure

The Board is responsible for designating the Company's Chief Executive, approval of the appointment or removal of individuals to or from the boards of directors of the principal subsidiaries of the Group and the appointment of their Chairmen and Chief Executives. The Board is also responsible for decisions concerning the appointment and removal of the Company's senior executives. Significant changes to the organisation structure are reviewed and approved by the IAG Management Committee.

The authorised structure, including job descriptions defining staff responsibilities, is ultimately controlled by the Chief Executive and delegated to the Chief Executive Officers of Aer Lingus, Avios, British Airways, IAG GBS, Iberia, IAG Cargo and Vueling. The organisation structure of the Company, Aer Lingus, British Airways, Iberia and Vueling is updated and reviewed on an ad hoc basis. In British Airways, IAG GBS, Iberia and Vueling it is published on the respective intranet of each company. In Aer Lingus it is available from the Company Secretary.

Under the IAG ICFR policy, the IAG Chief Executive delegates responsibility for ICFR to the IAG Chief Financial Officer and the Chief Executive Officers of Aer Lingus, Avios, British Airways, Iberia and Vueling. Whilst maintaining responsibility for ICFR, the Chief Executive Officers of Aer Lingus, Avios, British Airways, Iberia and Vueling delegate day-to-day responsibilities to their Chief Financial Officers. The Chief Financial Officers are expected to delegate responsibility for ICFR for defined processes to named senior managers within their own organisations. The Group Accounting Manual provides guidance on financial reporting.

Code of conduct

The IAG Code of Conduct sets out standards and behaviours expected from everyone who works within the Group. The Code provides guidance on decision making and how to report concerns, as well as setting out additional responsibilities for management across the Group to ensure the Code is available, understood and followed by staff. The Code is approved by the Board and is cascaded down into all IAG operating companies and is available on the intranet of each operating company.

Minor breaches of the standards of conduct are investigated by line managers, and disciplinary action is in accordance with the employment policies and standards applicable to the individual. Major breaches are investigated by the responsible business area within each operating company.

Training for personnel involved in preparing and reviewing financial information or evaluating ICFR

IAG staff have individual development discussions which identify their technical and/or professional training needs. Basic finance training is delivered through eLearning modules or classroom based, depending on the Operating Company. Specific training on airline finance basics and interpreting the Company accounts is also available.

IAG and British Airways offer study leave, financial support and appropriate work experience to staff studying for accounting qualifications, including the Institute of Chartered Accountants, in England and Wales, the Chartered Institute of Management Accountants, and the Association of Chartered Certified Accountants.

Company finance staff received an average of two days training in 2019. Members of the IAG Internal Audit team have received on average two hours of ICFR training in 2019.

Financial statement risk assessment and scoping

The Group's Enterprise Risk Management (ERM) process assesses and identifies key risks and controls. The key risks are categorised into strategic, business and operational, financial, compliance and regulatory, and tax. Refer to Risk Management and Principal Risk Factors Report of the Annual Report for further details.

The financial statement risk assessment process identifies the key underlying business processes and covers the financial reporting objectives.

The financial reporting risk assessment is the responsibility of the IAG Finance Committee and is updated and documented annually. The assessment provides management with a mechanism for the identification of risks and associated controls relevant to the preparation of the financial report. The risk assessment has three main elements which are reviewed annually by the IAG Finance Committee:

a A high-level assessment of key risks to the financial statements focusing on judgemental areas and those susceptible to error;
b Identification of the key underlying business processes through a quantitative and qualitative risk assessment of the financial statements of material subsidiaries; and
c Fraud risk at the Company level is most significant in individual projects, acquisitions and disposals. This fraud risk is managed through the individual projects which are staffed with senior professionals from appropriate departments, including finance, and third party advisors from leading law firms.

The Internal Control team reports to IAG Group Financial Controller and reviews financial process and control documentation across the Group and supports process owners to ensure they have designed effective controls. The Board has ultimate responsibility for risk management and internal control, including determination of the nature and extent of the principal risks it is willing to take to achieve its strategic objectives.

Scope of consolidation

A consolidation process is used at the Company and changes are determined based on developments in the corporate structure during the year. The Company, Aer Lingus, Avios, British Airways, IAG Cargo, IAG GBS, Iberia and Vueling maintain consolidation hierarchies in their respective systems. These hierarchies are subject to access and change controls to ensure their continued integrity. The finance function is informed by the legal department of new or acquired entities.

The scope of the consolidation is addressed in two ways. Firstly, the establishment of any Special Purpose Vehicles (SPVs) will be approved by the Audit and Compliance Committee. This committee will confirm the requirement for the SPV and its governance. The determination of which entities will be consolidated is considered at the Company, Aer Lingus, British Airways, Iberia and Vueling group levels. The consolidation hierarchy is reviewed when changes in ownership structure arise, and new entities are incorporated or acquired. Any changes to the consolidation scope are presented and discussed at the Management Committee and the Audit and Compliance Committee meetings.

Control activities

Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets for each type of transaction that may materially affect the financial statements

The IAG Management Committee reviews the financial performance of the Group on a monthly basis comparing performance with the prior year and the most recent forecast. Each quarter, the performance for the quarter and the forecast for the financial year are analysed including a comparison with the prior year and previous forecast. Movements in key performance indicators such as unit revenue and unit cost are analysed together with the impact of foreign exchange and fuel costs. The analysis is carried out on the Group's main operating companies, Aer Lingus, Avios, British Airways, Iberia, Level, and Vueling. Consistency of these management accounts with the published quarterly Group accounts leads to a high degree of confidence in the integrity of the published accounts.

The quarterly consolidation process is managed to a pre-agreed timetable and includes reviews and sign offs at key stages in the process. Within each entity, the finance and accounting departments consolidate, review and approve the financial information. The consolidated financial information is reviewed by the Chief Financial Officer of each operating company, prior to submission to IAG. These reviews will ensure that all material business risks have been properly recorded in the financial statements, confirm the accounting treatment of judgemental areas and ensure the proper application of new accounting standards and guidance notes.

The Company consolidation process involves a critical review of Aer Lingus, Avios, British Airways, Iberia and Vueling group submissions. For specialist areas, such as treasury, consolidated information is reviewed by subject specialists to identify anomalies, inconsistencies with management accounting information, and any inconsistent interpretation of instructions within the Group. The final accounts are reviewed by the Group Financial Controller together with the Chief Financial Officer. A peer review is also carried out by an experienced finance manager who has not been involved in the latter stages of the consolidation process.

Critical judgements, estimates, evaluations and projections are, as far as possible reviewed in advance of the year-end close process. Where appropriate, management obtains the support of internal or external specialists to conclude on any of these matters.

The scope of ICFR in the Group has been based on the material subsidiaries being Aer Lingus, Avios, British Airways, Iberia and Vueling and processes performed by IAG GBS and IAG Cargo on behalf of the material subsidiaries. The scope of ICFR also includes the Company for Entity Level Controls and the Financial Statement Consolidation Process. The Group ICFR model contains a Finance Risk & Control Matrix that includes entity level controls, IT general controls and 19 main business processes considered relevant to the preparation of the financial statements. The processes are listed below.

a Financial Statement Closing Process
b Passenger Sales – Ticket Sales
c Passenger Sales – Travel
d Passenger Sales – Billing/Interline Billing
e Cargo Sales
f Alliance Partner Arrangements
g Other Revenue
h Buying Goods and Services
i Buying Goods and Services - User charges
j Payroll
k Fixed Assets – Aircraft
l Fixed Assets – Ground Assets
m Fixed Assets – Engines and Engine Parts
n Fixed & Current Asset Inventory – Engineering
o Debtors & Invoicing
p Fuel
q Avios
r Treasury
s Tax

The design, implementation and maintenance of appropriate systems of ICFR is primarily the responsibility of management with process ownership identified and communicated to the operating companies via the IAG ICFR Policy. Business process owners are also responsible for the documentation of processes and sub-processes and can call on the support of the Internal Control Team where required.

ICFR controls including 549 key controls have been defined across the 19 business processes and IT general controls in order to provide reasonable assurance as to the reliability of the financial information disclosed to the markets. Such controls can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. As a result of differences in business processes across the material subsidiaries not all controls are required in all material subsidiaries.

Internal control policies and procedures for IT systems giving support to key company processes regarding the preparation and publication of financial information

The Company has established the Baseline Information Security Standard which applies to all operating companies across the Group. IAG Tech Cyber Security Office is responsible for leading, managing and coordinating the dissemination and implementation of information security practice within IAG. Information is protected based on its value, confidentiality, criticality to the company, and the risk of loss or compromise.

The Standard requires that all personnel working for the Group shall be organised in such a way as to minimise the risk of unauthorised changes to information, error, theft or fraud.

IAG Tech manages and supports all IT systems under the IAG Group CIO whether these are based close to the business or are managed centrally on a Group basis. These systems are managed in accordance with the IAG Information Security Standard which is grouped under the following areas:

a Organisation of Information Security
b Information Security Awareness and Training
c Risk Management
d Segregation of Duties
e Access Control and Privilege Management
f Physical Security
g Password Management
h Logging and Monitoring
i Network and Infrastructure
j Security Patching and Virus Protection
k System Developments and Change Management
l Systems and Security Operations
m Compliance

The Group IT General Controls (ITGCs) are aligned with the IAG Information Security Standard. There are 18 key ITGCs supporting the financial reporting processes. All systems used by the Group including those related to financial reporting must comply with the IAG Information Security Standard as it provides clear direction concerning expectations for internal controls that are required to cover the inherent risks over the following four IT system management areas:

- a IT environment
  - i The IT organisational structure and description of responsibilities
  - ii IT systems architecture and infrastructure
- b Secure access
  - i Access to system is managed via clear segregation of duties
  - ii Application owners are responsible to keep their systems free of unauthorised and inappropriate users and access
  - iii Users will only have access to data and functionality required to carry out the tasks assigned to them by the Group
  - iv Logical access controls include procedures for adding, changing and deleting users
  - v Restriction of privileged access rights to application support teams
  - vi Requirement to have personalised credentials for each user accessing the application
  - vii Password settings are configured appropriate to prevent unauthorised access to systems
  - viii Physical access control including restricting access to computer facilities to authorised individuals
- c System Development and Change Management
  - i Control of changes
  - ii Approval and authorisation of changes
  - iii Testing of changes
  - iv Release management
- d Systems Operations
  - i Management of back-up files
  - ii Incident management
  - iii Management of job scheduling
  - iv Management of external partners and third parties
  - v Disaster contingency and recovery plans for IT systems

Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements

For outsourced processes, Service Level Agreements (SLA) are defined, agreed and signed in the contract with the vendor. British Airways, Iberia, Avios, Vueling and IAG Cargo have outsourced financial process support to Accenture and Aer Lingus to Capita. The IAG GBS finance services team manage the outsourced processes on a day to day basis. Finance staff maintain a quarterly or half yearly review of outsourced accounts and reconciliations as well as ongoing monitoring of the operational status of outsourced processes.

When the Group outsources relevant processes for the preparation of financial information to an independent expert, it ensures the professional's technical and legal competence. The Group has identified six processes outsourced to independent experts relevant to financial reporting.

- a British Airways outsources the derivation of pension scheme valuation and accounting, the proposed accounting treatment is subject to review and challenge by an in-house qualified accountant and pension risk management expert;
- b Iberia values the obligations to employees and restructuring plan costs by actuarial studies made by independent experts;
- c The Group outsources the valuation of assets and liabilities as a part of business combinations;
- d IAG outsources the calculation of the fair values of share-based payment plans; and
- e Aer Lingus outsources the valuation of pension scheme assets and liabilities.
- f Avios places reliance on modelling from actuaries to determine assumptions used to calculate the deferred loyalty scheme balances.

Mechanisms for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR

The Group Financial Reporting department issues reporting instructions at each quarter end. These instructions establish a timetable for key closing activities such as agreeing intragroup balances, submitting the main accounting results and detailed disclosures. Assumptions to be used for accounting tests such as Weighted Average Cost of Capital and percentage sensitivities on derivative transactions are determined centrally and included in the instructions. The format of information to be submitted and the entities expected to submit the information is determined within the consolidation system which includes validation tests for completeness and internal consistency.

Disclosures relating to ICFR are validated by senior accounting professionals identified by the Chief Financial Officers of IAG, Aer Lingus, Avios, British Airways, Iberia, and Vueling.

ICFR Monitoring

The IAG Audit and Compliance Committee reviews all disclosures relating to ICFR and validates the Group's approach to complying with the CNMV's ICFR recommendations. In this respect the Audit and Compliance Committee has been careful to achieve an appropriate balance between the CNMV's ICFR recommendations and the UK Corporate Governance Code approach.

The Group's ICFR includes the Company, Aer Lingus, Avios, British Airways, IAG GBS, Iberia, and Vueling and covers processes performed by IAG GBS and IAG Cargo on behalf of the operating companies. The Audit and Compliance Committee is supported by the Internal Audit department.

The Internal Audit Department adopts a risk-based approach to planning which incorporates financial risk factors.

The results of audits are discussed at the Aer Lingus, Avios, British Airways, Iberia and Vueling Boards of Directors or Management Committees, and the IAG Audit and Compliance Committee. The implementation of actions to address weaknesses identified by Internal Audit are tracked and follow up audits carried out whenever the overall rating of the original audit was judged to be "deficient" or "seriously deficient" or a "material weakness" in an internal control over financial reporting.

ICFR 2019 Scope and Results

Entity Level Controls, ITGCs and 19 business processes have been identified as having a major impact on financial reporting for 2019. There are 10 processes in scope for Aer Lingus, two processes in scope for Avios, 18 processes in scope for British Airways, 16 processes in scope for Iberia, and seven processes in scope for Vueling.

Across the entities and business processes identified, the 549 key controls are made up of 459 business process key controls and 90 key IT general controls.

All in scope processes and key ITGCs have been tested. No material weaknesses were detected. A total of 3 substantial weaknesses and 151 weaknesses were detected. Action plans were put in place with process owners to address each of these internal control weaknesses and will be tracked by Internal Audit

Relationship with Financial Analysts, Investment Banks and Credit Rating Agencies

The Board of Directors approved in January 2016 a Shareholder Communication Policy regarding communication and contact with shareholders, institutional investors and proxy advisors that regulates the relationship and channels of communication of the Company with shareholders, institutional investors and proxy advisors. This policy complies in full with the market abuse regulations and provides an equitable treatment to shareholders in the same position.

In addition, the Company has a Group Standing Instruction on business integrity in order to ensure compliance with competition and anti-bribery legislation. As stated in this Instruction, IAG and its staff are bound by values of integrity and responsibility; the Company is firmly committed to maintaining the highest standards of ethics, honesty, openness and accountability.

This Instruction applies to all staff of IAG and its subsidiary companies and to suppliers and their representatives when working for IAG. A breach of these principles will be managed in accordance with the Company's established disciplinary procedures or contract engagement terms. In accordance with this policy, staff should immediately report any actual of potential breaches of the Instruction to their line managers or, if not appropriate, for whatever reason, to the Chief of Staff of General Counsel. All matters will be dealt with in confidence. Timely, appropriate and thorough investigations will be carried out into all cases of actual of suspected breaches whether discovered or reported. There is also mandatory training providing specific guidance on how these policies apply to staff in their respective roles.

This Instruction also prevents the offering or making of payments or the offering or making or promising of gifts to dishonestly influence a decision or to induce or reward a person for improper performance of their functions or job activity.

The company has established whistleblowing procedures so that staff can report any malpractice. In addition to this, there is a whistle blower hotline as an alternative for those employees who, for whatever reason, do not feel comfortable using internal procedures. This hotline is an independent, confidential call bureau. All calls are referred to the highest level of management within IAG.

Finally, conflict of interest situations are covered within IAG's employees' regulations, establishing appropriate reporting obligations. If employees become aware of any potential conflicts of interest, these must be disclosed to the Company as soon as possible.

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Audit Report on the "Information related to Internal Control over Financial Reporting (ICFR)"
for the year ended December 31, 2019

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Building a better working world

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AUDIT REPORT ON THE "INFORMATION RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)"

To the Directors of International Consolidated Airlines Group, S.A.

In accordance with the request from the Board of Directors of International Consolidated Airlines Group, S.A. (hereinafter IAG) and our engagement letter dated February 7, 2020, we have performed certain procedures on the ICFR-related information of IAG, included in Appendix Internal Control over Financial Reporting (ICFR) of the 2019 Corporate Governance Report, which summarizes the internal control procedures of IAG in relation to the annual financial information.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system as well as developing improvements to that system, and preparing and establishing the content of the accompanying ICFR-related information disclosed in Appendix Internal Control over Financial Reporting (ICFR).

It should be noted that irrespective of the quality of the design and operability of the internal control system adopted by IAG in relation to its annual financial information, it can only provide reasonable, rather than absolute assurance with respect to the objectives pursued, due to the inherent limitations to any internal control system.

In the course of our audit work on the financial statements and pursuant to the Technical Auditing Standards, the sole purpose of our assessment of IAG internal control was to enable us to establish the scope, nature, and timing of the audit procedures to be applied to the IAG financial statements. Therefore, our assessment of the internal control performed for the purposes of the audit of the financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of these procedures was limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or its design or operating effectiveness, in relation to IAG's annual financial information for 2019 described in the ICFR related information in Appendix Internal Control over Financial Reporting (ICFR) of the Corporate Governance Report. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters might have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for therein.

The procedures applied were as follows:

1. Read and understand the information prepared by IAG in relation to the ICFR - which is provided in the Annual Corporate Governance Report disclosure information included in the Directors 'Report - and assess whether such information addresses all the required information which will follow the minimum content detailed in Appendix Internal Control over Financial Reporting (ICFR), relating to the description of the ICFR, as per the model established by CNMV Circular nº 7/2015 dated December 22, 2015.

2. Make enquiries of personnel in charge of preparing the information described in point 1 above in order to:

   a. Obtain an understanding of the process followed in its preparation

   b. Obtain information which will allow us to assess whether the terminology used is adapted to the definitions provided in the reference framework

   c. Obtain information on whether the control procedures described are implemented and in use by IAG

3. Review the explanatory documentation supporting the information described in point 1 above, which should basically include that which is provided directly to those responsible for preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes related reports prepared by the Internal Audit Department, senior management, and other internal and external experts providing support to the Audit and Compliance Committee.

4. Compare the information described in point 1 above with our knowledge of IAG's ICFR obtained as a result of performing the external audit procedures within the framework of the audit of the financial statements.

5. Read the minutes of the meetings held by the Board of Directors, Audit and Compliance Committee and other IAG committees in order to assess the consistency between the ICFR issues addressed therein and the information provided in point 1 above.

6. Obtain the representation letter related to the work performed, duly signed by the personnel in charge of preparing the information discussed in point 1 above.

As a result of the procedures applied, no inconsistencies or issues were observed that might have an impact on ICFR related information.

This report was prepared exclusively within the framework of the requirements of the article 540 of the Consolidated Spanish Companies Law and by Circular nº 7/2015 dated December 22, 2015 of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

Hildur Eir Jónsdóttir

March 3, 2020

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES - STATISTICS

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

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES - STATISTICS

A CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
November 7, 2018	996,016,317	1,992,032,634	1,992,032,634

State whether there are different classes of shares with different associated rights:
No

Type	Number of shares	Nominal amount	Nominal amount of voting rights	Rights and obligations granted
-	-	-	-	-

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name or corporate name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Qatar Airways (Q.C.S.C)	21.43	0	0	0	21.43
Capital Research and Management Company	0	10.72	0	0	10.72
Europacific Growth Fund	5.39	0	0	0	5.39
Lansdowne Partners International Limited	0	1.71	0	2,25	3,96
Lansdowne Developed Markets Master Fund Ltd.	0	0	2,00	0	2,00
Invesco Limited	2.05	0	0	0	2.05
Citadel Multi-Strategy Equities Master Fund Ltd.	0	0	1.01	0	1.01

Breakdown of indirect holding:

Name or corporate name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
Capital Research and Management Company	Collective investment institutions managed by Capital Research and Management Company	10.722	0	10.722
Lansdowne Partners International Limited.	Funds and accounts managed by Lansdowne Partners (UK) LLP.	1.71	2,25	3,96
Invesco Limited	Mutual and pension funds managed by Invesco Limited and its subsidiaries	2.05	0	2.05

A.3 Complete the following tables on company directors holding voting rights through company shares:

Name or corporate name of director	% voting rights attributed to shares		% voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments
	Direct	Indirect	Direct	Indirect		
Antonio Vázquez	0.03	0	-	0	0.03	0
Willie Walsh	0.07	0	0.07	0	0.14	0
Marc Bolland	0.00	0	-	0	0.00	0
Margaret Ewing	0.00	0	-	0	0.00	0
Javier Ferran	0.00	0	-	0	0.00	0
Steve Gunning	0.01	0	0.02	0	0.03	0
Deborah Kerr	0.00	0	-	0	0.00	0
María Fernanda Mejía	0.00	0	-	0	0.00	0
Kieran Poynter	0.00	0	-	0	0.00	0
Emilio Saracho	0.00	0	-	0	0.00	0
Nicola Shaw	0.00	0	-	0	0.00	0
Alberto Terol	0.00	0	-	0	0.00	0
% of total voting rights held by the Board of Directors:				0.11		0

A.7 State whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Companies Law. Provide a brief description and list the shareholders bound by the agreement, as applicable:

No

Parties to the shareholder's agreement	% of affected shares	Brief description of agreement	Date of termination of agreement, if applicable
-	-	-	

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

No

Parties to the concerted action	% of affected shares	Brief description of agreement	Date of termination of agreement, if applicable
-	-	-	

A.8 State whether any individuals or legal entities currently exercise control or could exercise control over the company in accordance with article 5 of the Securities Market Law: If so, identify:

No

Name or corporate name
-

A.9 Complete the following table with details of the company's treasury shares:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
7,702,495	0	0.39

(*) Through:

Name or corporate name of direct stake	Number of shares held directly
-	-
Total	-

A.11 Estimated working capital

	%
Estimated floating capital	58,21

A.14 State whether the company has issued shares which are not traded in a regulated market of the European Union

No

B GENERAL SHAREHOLDERS' MEETING

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous years:

Attendance data					
			% remote voting		
Date of shareholders' meeting	% attending in person	% by proxy	Electronic means	Other	Total
June 15, 2017	0.06	63.72	0.01	2.75	66.54
Of which floating capital	0.04	43.71	0.01	2.75	46.51
June 14, 2018	0.09	68,40	0.00	2.64	71.13
Of which floating capital	0.03	47.66	0.00	2.64	50.33
June 20, 2019	0,11	59.70	0.01	2.61	62.43
Of which floating capital	0.05	59,70	0.01	2.61	62.37

B.5 State whether any points on the agenda of the General Shareholders' Meetings during the year have not been approved by shareholders.

Item 14 of the agenda of the General Shareholder's Meeting ("Approval, for a term ending at next year's annual shareholders' meeting, of the reduction to fifteen days of the notice period for calling extraordinary general meetings, in accordance with the provisions of article 515 of the Companies Law") was not approved due to the fact that, despite reaching more than 98% votes in favour of the share capital, duly represented in person or by proxy in such Shareholders Meeting, it did not reach the majority of two thirds of the total share capital required by Spanish law.

B.6 State if the Bylaws contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

No

Number of shares required to attend the shareholders' meetings	-
Number of shares required for remote voting	-

C GOVERNING STRUCTURE OF COMPANY

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors included in the Bylaws:

Maximum number of directors	14
Minimum number of directors	9
Number of directors set by the general meeting	12

C.1.2 Complete the following table with directors:

Name or corporate name of director	Representative	Category of director	Position on the board	Date of first appointment	Last re-election date	Method of selection to the Board
Antonio Vázquez	-	Independent	Chairman	May 25, 2010	June 20, 2019	Vote at the Shareholders' Meeting
Willie Walsh	-	Executive	Chief Executive	May 25, 2010	June 20, 2019	Vote at the Shareholders' Meeting
Marc Bolland	-	Independent	Director	June 16, 2016	June 20, 2019	Vote at the Shareholders' Meeting
Margaret Ewing	-	Independent	Director	June 20, 2019	June 20, 2019	Vote at the Shareholders' Meeting
Javier Ferran	-	Independent	Director	June 20, 2019	June 20, 2019	Vote at the Shareholder' Meeting
Steve Gunning	-	Executive	Director	June 20, 2019	June 20, 2019	Vote at the Shareholders' Meting
Deborah Kerr	-	Independent	Director	June 14, 2018	June 20, 2019	Vote at the Shareholder's Meeting
María Fernanda Mejía	-	Independent	Director	February 27, 2014	June 20, 2019	Vote at the Shareholders' Meeting
Kieran Poynter	-	Independent	Director	September 27, 2010	June 20, 2019	Vote at the Shareholders' Meeting
Emilio Saracho	-	Independent	Director	June 16, 2016	June 20, 2019	Vote at the Shareholders' Meeting
Nicola Shaw	-	Independent	Director	January 1, 2018	June 20, 2019	Vote at the Shareholders' Meeting
Alberto Terol	-	Independent	Director	June 20, 2013	June 20, 2019	Vote at the Shareholders' Meeting

Total number of directors:	**12**

Indicate any board members who left the board by resignation, dismissal or by other cause, during this information period:

Name or corporate name of director	Category of the director at the time of leaving	Date of last appointment	Leaving date	Committees of which he was a member	Indicate whether the Director left before the end of term
Patrick Cescau	Independent	June 14, 2018	June 20, 2019	Audit Committee, Nominations Committee	No
Enrique Dupuy de Lôme	Executive	June 14, 2018	June 20, 2019		No
Dame Marjorie Scardino	Independent	June 14, 2018	June 20, 2019	Nominations Committee, Remunerations Committee	No

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS

Name or corporate name of director	Position held in the company organization chart	Profile
Willie Walsh	Chief Executive	**Key areas of experience:** airline industry. **Other group appointments:** Chairman, Aer Lingus Board of Directors **Previous relevant experience:** Chairman, Airlines for Europe (A4E) 2016-2019. Chairman of the National Treasury Management Agency of Ireland, 2013 – 2018. Chairman, IATA Board of Governors 2016-2018. Chief Executive Officer, British Airways 2005-2011. Chief Executive Officer, Aer Lingus 2001-2005. Chief Operating Officer, Aer Lingus 2000-2001. Chief Executive Officer, Futura (Aer Lingus' Spanish Charter airline) 1998-2000. Joined Aer Lingus as cadet pilot in 1979.
Steve Gunning	Chief Financial Officer	**Key areas of experience:** finance, airline industry. **Current external appointments:** Non-Executive Director, FirstGroup Plc. **Previous relevant experience:** Chief Financial Officer, British Airways 2016–2019. Director, IAG Global Business Services 2017–2019. Chief Executive Officer, IAG Cargo 2012–2015. Pension Trustee, British Airways 2006–2011. Managing Director of World Cargo, British Airways 2007–2012. Head of Internal Control, British Airways 2006–2007. World Cargo Finance Director, British Airways 2004–2006.
Total number of executive directors		**2**
% of the total of the board		**16.67**

PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing appointment	Profile
-	-	-
Total number of proprietary directors	-	-
% of the total of the board	-	-

INDEPENDENT DIRECTORS

Individual or corporate name of director	Profile
Antonio Vázquez	**Key areas of experience:** Consumer, sales/marketing, finance, governance **Current external appointments:** Chairman,Cooperation Board of Loyala University. Trustee, Loyola University Foundation. Member, Advisory Board of the Franklin Institute. Trustee, Nantik Lum Foundation. **Previous relevant experience:** Chairman, Iberia 2012–2013. Chairman and CEO, Iberia 2009–2011. Chairman and CEO, Altadis Group 2005–2008. Chairman, Logista 2005–2008. Director, Iberia 2005–2007. Chief Operating Officer and other various positions, Cigar Division of Altadis Group 1993–2005. Various positions at Osborne 1978–1983 and Domecq 1983–1993. Began his professional career in consultancy at Arthur Andersen & Co.
Marc Bolland	**Key areas of experience**: general management, commercial management/marketing, retail, hospitality industry. **Current external appointments**: Head of European Portfolio Operations, The Blackstone Group. Chairman of Blackstone Europe. Director, Coca-Cola Company. Non-Executive Director, Exor S.p.A. Vice President, UNICEF UK. Non-Executive Chairman, Polymateria. **Previous relevant experience**: Chief Executive, Marks & Spencer 2010-2016. Chief Executive, WM Morrison Supermarkets PLC 2006-2010. Director, Manpower USA 2005-2015. Chief Operating Officer 2005-2006. Director 2001-2005 and other executive and non-executive positions, Heineken 1986-2001.
Margaret Ewing	**Key areas of experience:** Professional services, financial accounting, corporate finance, strategic and capital planning, corporate governance, risk management **Current external appointments:** Senior independent non-executive director and Chairman of the Audit and Risk Committee, ConvaTec Group Plc. Independent non-executive director and Chair of the Audit and Risk Committee, ITV Plc. Trustee and Chairman of the Finance and Audit Committee, Great Ormond Street Hospital Children’s Charity. **Previous relevant experience:** Non-executive director, Standard Chartered Plc 2012–2014. Member of the Audit

	Committee, John Lewis Partnership Plc 2012–2014. Non-executive director, Whitbread Plc 2005–2007. Vice Chairman, Managing Partner, Public Policy, Quality and Risk and London Practice Senior Partner, Deloitte LLP 2007–2012. Director, Finance, BAA Ltd 2006 and Chief Financial Officer, BAA PLC 2002–2006. Group Finance Director, Trinity Mirror PLC 2000–2002. Partner, Corporate Finance, Deloitte & Touche LLP 1987–1999.
Javier Ferran	**Key areas of experience:** Consumer, finance, sales/marketing, governance **Current external appointments:** Chairman, Diageo Plc. Non-executive director, Coca Cola European Partners Plc. Member, Supervisory Board Picard Surgeles. **Previous relevant experience:** Member, International Advisory Board ESADE 2005–2019. Non-executive director, Associated British Foods plc 2005–2018. Non-executive director, SABMiller plc 2015–2016. Member, Advisory Board Agrolimen SA 2005–2016. Vice Chairman, William Grants & Sons Limited 2005–2014. Non-executive director, Louis Dreyfus Holdings BV 2013–2014. Non-executive director, Abbott Group 2005–2008. Non-executive director, Desigual SA. Non-executive director, Chupa Chups SA. Partner, Lion Capital LLC 2005–2018. Management positions with Bacardi Group including tenures as Regional President EMEA and President and Chief Executive Officer.
Deborah Kerr	**Key areas of experience:** technology, digital, marketing, operations, software and services, general management. **Current external appointments**: Director, NetApp, Inc. Director, Chico's FAS, Inc. Director, ExlService Holdings, Inc. Managing Director, Warburg Pincus. **Previous relevant experience:** Executive Vice President, Chief Product and Technology Officer, SABRE Corporation 2013-2017. Director, DH Corporation 2013-2017. Director, Mitchell International, Inc. 2009-2013. Executive Vice President, Chief Product and Technology Officer, FICO, 2009-2012. Vice President and Chief Technology Officer, HP Enterprise Services 2007-2009. Vice President Business Technology Optimization, Hewlett-Packard Software 2005-2007. Senior Vice President Product Delivery, Peregrine Systems 1998-2005. Prior senior leadership roles with NASA's Jet Propulsion Laboratory, including Mission Operations Manager, US Space VLBI, Nasa Jet Propulsion Laboratory 1988-1998.

María Fernanda Mejía	**Key areas of experience:** General management, marketing and sales, supply chain, strategic planning, corporate transactions **Current external appointments:** Board Member of the Council of the Americas. **Previous relevant experience:** Senior Vice President, The Kellogg Company (2011–2019). President, Kellogg Latin America (2011–2019). Corporate Officer and member of The Kellogg Company Executive Leadership Team (2011–2019). Vice-President and General Manager Global Personal Care and Corporate Fragrance Development, Colgate-Palmolive 2010–2011. Vice-President Marketing and Innovation Europe/South Pacific Division, Colgate-Palmolive 2005–2010. President and CEO Spain and Spain Holding Company 2003–2005, General Manager Hong Kong and Director, Greater China Management team 2002–2003, Marketing Director Venezuela 2000–2002, Marketing Director Ecuador 1998–2000.

Individual or corporate name of director	Profile
Kieran Poynter	**Key areas of experience**: professional services, finance services, corporate governance and corporate transactions. **Current external appointments**: Chairman, BMO Asset Management (Holdings) PLC. Senior Independent Director, British American Tobacco. **Previous relevant experience**: Chairman, Nomura International 2009-2015. Member, Advisory Committee for the Chancellor of the Exchequer on the competitiveness of the UK financial services sector 2009-2010. Member, President's committee of the Confederation of British Industry 2000-2008. UK Chairman and Senior Partner, PricewaterhouseCoopers 2000-2008. UK Managing Partner, and other executive positions, PricewaterhouseCoopers 1998-2000.
Emilio Saracho	**Key areas of experience**: corporate finance, investment banking, corporate transactions. **Current external appointments**: Director, Altamar Capital Partners. Director, Inditex. **Previous relevant experience**: Chairman of Banco Popular Español 2017. Vice Chairman and Member of the Investment Banking Management Committee, JP Morgan 2015-2016. Deputy CEO 2012-2015, CEO Investment Banking for EMEA 2012-2014 and member of the Executive Committee 2009-2013, JP Morgan. CEO, JP Morgan Private Banking EMEA 2006-2012. Director, Cintra 2008. Director, ONO 2008. Chairman, JP Morgan Spain and Portugal 1998-2006. Global Investment Banking Head, Santander Investment (UK) 1995-1998. Spanish Market Manager, Goldman Sachs International 1990-1995.

Nicola Shaw	**Key areas of experience:** transport sector, public policy and regulatory affairs, consumer, general management. **Current external appointments**: Executive Director, National Grid plc. Director for Major Projects Association. Director, Energy Networks Association and Energy UK. **Previous relevant experience**: Member of the Audit and Risk Committee, English Heritage 2015-2018. Non-Executive Director, Ellevio AB 2015-2017. CEO, HS1 Ltd 2011-2016. Member of the Department for Transport's Rail Franchising Advisory Panel 2013-2016. Non-Executive Director, Aer Lingus Plc 2010-2015. Charity Trustee, Transaid 2011-2013. Director and previously Managing Director, Bus Division at FirstGroup plc 2005-2010. Director of Operations and other management positions at the Strategic Rail Authority 2002-2005. Deputy Director and Deputy Chief Economist, Office of the Rail Regulator (ORR) 1999-2002. Associate, Halcrow Fox 1997-1999. Transport specialist, The World Bank 1995-1997. Corporate planner, London Transport 1990-1993
Alberto Terol	**Key areas of experience:** finance, professional services, information technology, hospitality industry **Current external appointments:** Vice Chairman, Leading Independent Director and Chairman of the Nominations, Remuneration and Corporate Governance Committee, Indra Sistemas. Director, Broseta Abogados. International Senior Advisor, Centerbridge. Independent Director, Schindler España. Patron of Fundación Telefonica. Executive Chairman of various family owned companies. **Previous relevant experience:** Chairman of the Supervisory Board, Senvion GmbH 2017–2019. Chairman of the Audit Committee, Senvion S.A. 2017–2019. Director, OHL 2010–2016. Director, Aktua 2013–2016. Director, N+1 2014–2015. International Senior Advisor, BNP Paribas 2011–2014. Member, Global Executive Committee Deloitte 2007–2009. Managing Partner: EMEA Deloitte 2007–2009, Managing Partner Global Tax & Legal Deloitte 2007–2009. Member, Global Management Committee Deloitte 2003–2007. Managing Partner, Latin America Deloitte 2003–2007. Integration Andersen Deloitte 2002–2003. Managing Partner EMEA Arthur Andersen 2001–2002. Managing Partner Global Tax & Legal Arthur Andersen 1997–2001. Managing Partner Garrigues-Andersen 1997–2000.

Total number of external independent directors	10
% of the board	83.33

List any external independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

No

If applicable, include a justified statement from the board detailing the reasons why the said director may carry on their duties as an external independent director.

Name or corporate name of director	Description of the relationship	Justified statement
–	–	–

OTHER NON-EXECUTIVE DIRECTORS

List the reasons why these cannot be considered proprietary or external independent directors and detail their relationships with the company, its executives or shareholders.

Name or corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Company, executive or shareholder with whom the relationship is maintained

Total number of other non-executive directors	0
% of the total of the board	0

List any changes in the category of each director which have occurred during the year in the category of each director.

Name or corporate name of director	Date of change	Previous category	Current category

C.1.4 Complete the following table on the number of female directors at the end of the last four years and their category.

	Number of female directors				% of total directors of each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
External independent	4	4	2	3	40.00	40.00	25.00	30.00
Other non-executive	0	0	0	0	0	0	0	0
Total	4	4	2	3	33.33	33.33	18.18	25.00

C.1.11 List any company board members or representatives of board members who are legal entities of the company who sit on the board of directors of other non-group companies that are listed on official securities markets, insofar as these have been disclosed to the company.

Name or corporate name of director	Name of listed company	Position
Marc Bolland	The Coca-Cola Company	Non-Executive Director
Marc Bolland	Exor S.p.A	Non-Executive Director
Kieran Poynter	British American Tobacco PLC	Non–Executive Director
Emilio Saracho	Industria de Diseño Textil, S.A. (Inditex)	Non-Executive Director
Alberto Terol	Indra Sistemas, S.A.	Non–Executive Director
Javier Ferran	Diageo Plc	Chairman
Javier Ferran	Coca Cola European Partners Plc.	Non–Executive Director
Margaret Ewing	ConvaTec Group Plc.	Non–Executive Director
Margaret Ewing	ITV Plc.	Non–Executive Director

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes

C.1.13 List the total remuneration of the board:

Board compensation in the financial year in favour of the Board of Directors (thousands of euros)	6,179
Amount of vested pension interests for current members (thousands of euros)	289
Amount of vested pension interests for former members (thousands of euros)	3,783

C.1.14 Identify senior management who are not executive directors and indicate their total remuneration accrued during the year:

Name or corporate name	**Position(s)**
Alex Cruz	Executive Chairman and Chief Executive of British Airways
Luis Gallego	Executive Chairman and Chief Executive of Iberia and IAG CEO designate
Alistair Hartley	Director of Strategy
Javier Sanchez-Prieto	Executive Chairman and Chief Executive of Vueling
Christopher Haynes	General Counsel
Julia Simpson	Chief of Staff
Andrew Crawley	Avios Chief Executive Officer
Sean Doyle	Aer Lingus Chief Executive Officer
Lynne Embleton	IAG Cargo Chief Executive Officer
John Gibbs	Chief Information Officer

Total remuneration received by senior management (thousands of euros)	9,618

C.1.15 State whether the Board rules were amended during the year:

No

Description of amendments

–

C.1.21 Explain whether there are any specific requirements, apart from those relating to the directors, to be appointed as chairman of the Board of Directors:

No

Description of requirements
–

C.1.23 State whether the bylaws or the board rules establish any term limits or other additional stricter requirements for independent directors other that those required by law:

No

Additional requirements and/or maximum number of years in office
–

C.1.25 State the number of board meetings held during the year and how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	10
Number of board meetings held without the Chairman's attendance	0

Indicate the number of meetings held under the chairmanship of the lead director with the rest of directors, without the presence of an executive director.

Number of meetings	–

Indicate the number of meetings of the various board committees held during the year	
Number of meetings of the Executive Committee	-
Number of meetings of the Audit and Compliance Committee	7
Number of meetings of the Appointments and Remuneration Committee	–
Number of meetings of the Nominations Committee	7
Number of meetings of the Remuneration Committee	7
Number of meetings of the Safety Committee	2

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, attendance will also include proxies appointed with specific instructions.

Number of meetings held with at least 80% of directors attendance	10
% of attendances of the total votes cast during the year	95.0
Number of meetings in situ or representations made with specific instructions of all directors	5
% of votes issued at in situ meetings or with representation made with specific instructions out of all votes cast during the financial year	95

C.1.27 State whether the consolidated and individual financial statements submitted for authorisation for issue by the board are certified previously:

Yes

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their approval by the board.

Name	**Position**
Willie Walsh	Chief Executive
Steve Gunning	Chief Financial Officer

C.1.29 Is the secretary of the board also a director?

No

If the secretary is not a director, complete the following table:

Name or corporate name of the secretary	**Representative**
Álvaro López-Jorrín	–

C.1.31 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor.

No

Outgoing auditor	**Incoming auditor**
–	–

Explain any disagreements with the outgoing auditor and the reasons for the same.

No

Explanation of the disagreements
–

C.1.32 State whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group.

Yes

	Company	Group	Total
Amount invoiced for non-audit services (in thousands euros)	30	2,263	2,293
Amount invoiced for non-audit services/ Amounts for audit work (in %)	3%	36%	32%

C.1.33 State whether the auditors' report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

No

Explanation of reasons
–

C.1.34 State the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Company	Group
Number of consecutive years	10	10
	Company	**Group**
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	100	100

C.1.35 Indicate and give details of any procedures through which directors may receive the necessary information for the correct preparation of the Board of Directors meetings with enough time:

Yes

Procedures

In accordance with article 26 of the Board Regulations, in order to be assisted in the performance of his or her duties, any director may request the hiring of legal, accounting, technical, financial, commercial or other expert advisors, whose services shall be paid for by the Company.

The assignment must deal with specific issues of certain significance and complexity arising during the performance of the director's duties.

The request for an expert to be hired shall be channelled through the Chairman or the Company Secretary, who may submit it to the prior approval of the Board of Directors. Such approval may be denied in well-founded instances, including the following circumstances:

(a) Where it is not necessary for the proper performance of the duties entrusted to the directors;

(b) Where the cost thereof is not reasonable in light of the significance of the issues and the assets and income of the Company;

(c) Where the technical assistance sought may be adequately provided by the Company's own experts and technical personnel; or

(d) Where it may entail a risk to the confidentiality of the information that must be made available to the expert.

C.1.39 Identify, individually when referred to directors and in general in the rest of cases, and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities, guarantee or "golden parachute" clauses for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of transaction.

Number of beneficiaries
12

Type of beneficiary	Description of the resolution
Executive Directors and IAG Management Committee	There are no express provisions in executive directors and senior executives service contracts with the Company for compensation payable upon termination of those contracts, other than for payments in lieu of notice. The period of notice required from the executive directors and senior executives is six months; the period of notice required from the Company is 12 months.
	Where the Company makes a payment in lieu of notice, a lump sum in lieu of six months' basic salary is payable within 28 days of the date of termination of employment. A payment in respect of basic salary for the second six months period only becomes payable if, in the Company's reasonable opinion, the executive directors and senior executives have taken reasonable steps to find alternative paid work and then only in six monthly instalments. The Company may reduce the sum payable in respect of any month by any amount earned by the executive directors and senior executives (including salary and benefits) referable to work done in that month.
Chairman	Antonio Vázquez has a specific agreement if his service contract is terminated for whatever reason. Additional information on this agreement has been provided in the Annual Report on the Remuneration of the Directors.

Indicate beyond the situations referred by law, whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, situations referred and the nature of the responsible bodies of its approval or report.

	Board of Directors	Shareholders' Meeting
Body authorising clauses	X	

	Yes	No
Is the Shareholders' Meeting informed of such clauses?	X	

C.2 Board committees

C.2.1 Give details of all board committees, their membership and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT COMMITTEE

Name	Position	Type
Kieran Poynter	Chairman	Independent
Margaret Ewing	Member	Independent
Deborah Kerr	Member	Independent
Maria Fernanda Mejia	Member	Independent
Alberto Terol	Member	Independent

% of proprietary directors	–
% of external independent directors	100
% of other non-executive directors	–

Identify the members of the Audit Committee that have been appointed taking into account their knowledge and experience in accounting and audit matters, or both, and inform the date in which the president of this Committee was appointed.

Name of director with experience	Kieran Poynter
Date of appointment of the Chairman	06/16/2016

NOMINATIONS COMMITTEE

Name	Position	Type
Antonio Vázquez	**Chairman**	**Independent**
Marc Bolland	**Member**	**Independent**
Deborah Kerr		
Emilio Saracho	**Member**	**Independent**
Alberto Terol	**Member**	**Independent**

% of proprietary directors	**–**
% of external independent directors	**100**
% of other non-executive directors	**–**

REMUNERATION COMMITTEE

Name	Position	Type
Marc Bolland	Chairman	Independent
Javier Ferrán	Member	Independent
María Fernanda Mejía	Member	Independent
Emilio Saracho	Member	Independent
Nicola Shaw	Member	Independent

% of proprietary directors	–
% of external independent directors	100
% of other non-executive directors	–

SAFETY COMMITTEE

Name	Position	Type
Willie Walsh	Chairman	Executive
Javier Ferrán	Member	Independent
Kieran Poynter	Member	Independent
Nicola Shaw	Member	Independent
Antonio Vázquez	Member	Independent

% of executive directors	20
% of proprietary directors	–
% of external independent directors	80
% of other non-executive directors	–

C.2.2 Complete the following table on the number of female directors on the various board committees at the end of the last four years.

	Number of female directors							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	%	Number	%	Number	%	Number	%
Audit and Compliance Committee	3	60	2	40	1	25	1	20
Nominations Committee	1	20	1	25	1	25	2	40
Remuneration Committee	2	40	3	60	2	50	3	60
Safety Committee	1	20	1	20	0	0	0	0

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.2 Describe any relevant transactions that are significant, either by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
Qatar Airways (Q.C.S.C.)	Qatar Airways (Q.C.S.C.)	Contractual	Service provision	31,914
Qatar Airways (Q.C.S.C.)	Qatar Airways (Q.C.S.C.)	Contractual	Service rendering	149,082

D.3 Describe any transactions that are significant, by virtue of their amount or importance, entered into between the company or its group of companies and the company's managers or directors.

Name or corporate name of director or senior manger	Name or corporate name of related party	Connection	Relationship	Amount (in thousands of euros)
–	–		–	–

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

Corporate name of the group company	Brief description of the transaction	Amount (in thousands of euros)
–	–	–

D.5 State any significate transactions conducted between the company or any group companies, with other related parties that have not been reported in the previous sections.

Corporate name of the group company	Brief description of the transaction	Amount (in thousands of euros)
Ibeca	Sales to associates (income)	75
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC S.A.	Sales to associates (income)	768
Multiservicios Aeroportuarios	Sales to associates (income)	720
Serpista	Sales to associates (income)	720
Viajes Ame	Sales to associates (income)	43
Aerohandling Ltd	Sales to associates (income)	53
Dunwoody	Sales to associates (income)	3,674
Multiservicios Aeroportuarios	Purchases from associates (expenses):	40,707
Serpista	Purchases from associates (expenses):	15,575
Multiservicios Aeroportuarios S.A.	Purchases from associates (expenses):	8,974
AEROHANDLING LTD	Purchases from associates (expenses):	571
Perez Llorca	Purchases from associates (expenses):	24
Dunwoody	Purchases from associates (expenses):	10,157
Ibeca	Sales to associates (income)	75
TOTAL		82,061

D.7 Is more than one group company listed in Spain?

No

Identify the listed subsidiaries in Spain and its relationship with the company.

Identity and relationship with other listed group companies
–

G EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

   Explain

   IAG considers that it does not comply with this recommendation because of the restrictions included in the Bylaws of the Company in relation to the ownership of shares. This is a partial non-compliance because these restrictions derive directly from the ownership and control restrictions set out in the applicable law or in the bilateral air transport treaties signed by Spain and the United Kingdom and are not simply determined discretionarily by the Company.

2. When a dominant and subsidiary company are both listed, they should provide detailed disclosure on:

   a) The type of activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;

   b) The mechanisms in place to resolve possible conflicts of interest.

   Not applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

   a) Changes taking place since the previous annual general meeting.

   b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

   Complies

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

   This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

   Complies

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20 per cent of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

   a) Report on auditor independence.

   b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

   c) Audit committee report on third-party transactions.

   d) Report on corporate social responsibility policy.

   Complies

7. The company should broadcast its general meetings live on the corporate website.

   Complies

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

   Complies

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

   Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non‑discriminatory manner.

   Complies

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

    a) Immediately circulate the supplementary items and new proposals.

    b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

    c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

    d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

    Not applicable

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

    Not applicable

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

    In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

    Complies

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

    Complies

14. The board of directors should approve a director selection policy that:

    a) Is concrete and verifiable;

    b) Ensures that appointment or reelection proposals are based on a prior analysis of the board's needs; and

    c) Favours a diversity of knowledge, experience and gender.

    The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

    The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

    The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

    Complies

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

    Complies

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

    This criterion can be relaxed:

    a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

    b) In companies with a plurality of shareholders represented on the board but not otherwise related.

    Complies

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Complies

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.

Complies

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

    When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

    The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

    Complies

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

    Complies

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

    The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

    Complies

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

    Complies

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

    Complies

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

    Complies

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

    Complies

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Not applicable

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

    Not applicable

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

    Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

    Complies

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

    Complies

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

    Complies

42. The audit committee should have the following functions over and above those legally assigned:

    1. With respect to internal control and reporting systems:

        a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

        b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other offbalance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and offbalance-sheet risks.

Complies

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

   a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

   b) Participate actively in the preparation of risk strategies and in key decisions about their management.

   c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

   Complies

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

   Complies

48. Large cap companies should operate separately constituted nomination and remuneration committees.

   Complies

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

   When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

   Complies

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

   a) Propose to the board the standard conditions for senior officer contracts.

   b) Monitor compliance with the remuneration policy set by the company.

   c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

   d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

   e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

   Complies

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

   Complies

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations.

They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Partially complies

The Board of Directors of IAG, under its powers of self-organisation, considers it appropriate to have a Safety Committee in order to exercise a high level overview of each airline's safety performance and of any important issues that may affect the industry, although responsibility for safety matters belongs to each of the Group's airlines. This Committee is governed by the same principles as all Board Committees and has a clear majority of non-executive directors.

However, the Committee's composition is not compliant with the Code's recommendation as an executive director, the Chief Executive, is a member of this Committee, being also its chairman. The Board believes this to be appropriate in the current circumstances for the following reasons:

a) IAG is a holding, non-operational company, exercising a supervisory role within the Group.

b) Consistent with the civil aviation regulatory framework, responsibility for safety matters remains with each operating airline.

c) The technical nature of safety issues and the fact that each operating airline has its own particular characteristics makes it advisable that the Group's top executive leads this Committee and coordinates the reporting of the different Group airlines.

Furthermore, the remaining Committee members are independent directors of IAG, including the Chairman of the Board and the Chairman of the Audit and Compliance Committee.

Finally, it has to be taken into consideration that safety is a highly regulated area that is subject to strict reporting requirements to the local regulatory authorities of each airline and to regular external audit reviews.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
f) Monitor and evaluate the company's interaction with its stakeholder groups.
g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:
a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
b) The corporate strategy with regard to sustainability, the environment and social issues.
c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
e) The mechanisms for supervising non-financial risk, ethics and business conduct.
f) Channels for stakeholder communication, participation and dialogue.
g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

    The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

    Complies

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

    In particular, variable remuneration items should meet the following conditions:

    a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

    b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

    c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

    Complies

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

    Complies

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

    Complies

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

    Complies

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

    The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

    Complies

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

    Complies

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

    Complies

List whether any directors voted against or abstained from voting on the approval of this Report.

No

Name or corporate name of director that did not vote in favour of approving this report	Reasons (voted against, abstention, non-attendance)	Explain the reasons

I hereby declare that the data included in this statistical annex match and are consistent with the descriptions and data included in the annual corporate governance report published by the company.