

# Annual Corporate Governance Report

# Sustainability at the heart of all we do



**Javier Ferrán**  
Chairman

“Our increased focus on sustainability demonstrates our commitment to delivering long-term value for our people, customers, shareholders and our society.”

**I am delighted to present this year’s Corporate Governance report for IAG. The aim of this report is to explain IAG’s governance framework and outline how it was applied on a practical basis in the year under review – a year that has continued to be hugely challenging as we emerge from the COVID-19 pandemic and one that has still required great adaptability, resourcefulness, and governance strength in depth.**

The Board continues to look to the future, and our increased focus on sustainability demonstrates our commitment to delivering long-term value for our people, customers, shareholders and our society.

We are proud of the endeavours that have been made to boost our ESG endeavours, and the work of the Safety, Environment and Corporate Responsibility Committee has allowed us to understand the interests of all our stakeholders and oversee the important work being carried out by our management team. During the year, we were the first major airline group in Europe to host a dedicated ESG event for

investors. This commitment to sustainability can also be seen through our strategic decision to renew our fleet with the latest generation of more fuel-efficient aircraft to support our ambition of achieving net zero carbon emissions by 2050.

In the last year, the Board has met 12 times, including two separate strategy sessions. We were also delighted to start the return of site visits and in May we spent time with the Vueling management team in Barcelona.

#### **Board composition**

There was only one change to the Board during the year, with Alberto Terol departing the Group after nine years. I would like to thank Alberto for his tireless commitment and dedication to IAG, and the support he gave to me in his role as Senior Independent Director.

Heather Ann McSharry has now taken on the role of Senior Independent Director.

#### **Management changes**

As reported last year, Nicholas Cadbury joined the Group in March 2022 as Group Chief Financial Officer. He also took on the role of Interim Chair of IAG Cargo in November 2022 following the departure of David Podolsky, with Julio Rodriguez appointed as Interim Strategy Director.

In November, Sarah Clements joined IAG as General Counsel to replace Chris Haynes. The Board wants to recognise Chris's great contribution to British Airways and IAG over a career spanning almost 24 years and would like to thank him for his support and advice during these years. Sarah joins from GSK. She began her career in private practice before moving to senior corporate legal roles with Dupont, Schering Plough, Novartis, and Alexion, prior to joining GSK where she has held several senior leadership roles.

#### **Culture and diversity**

The Board's role in setting the Group's culture and core values is a significant one and engaging with our workforce throughout the year has been vital to the delivery of our purpose. During 2022 a comprehensive workforce engagement programme was completed which included five non-executive directors meeting with employees across the different operating companies, and covering different areas including above wing, below wing, customer engagement, engineering and corporate functions. We intend to build on this plan and incorporate new areas and functions into this programme to ensure that we continue to consider the views of our workforce as we transform for the future.

Creating a diverse and inclusive culture remains important to us, and we are proud to have 45 per cent female representation on the Board, a woman as Senior Independent Director, and three of our Board advisory committees being chaired by female directors. The make-up of our Board ensures we meet the targets set by the FTSE Women Leaders Review and the Parker Review in the UK, and complies with the Spanish Corporate Governance Code.

Succession planning and overseeing the implementation of our refreshed Diversity, Equity and Inclusion Policy will be a priority for us in the coming years, particularly at a management level where we have set a target of 40 per cent female representation by 2025.

#### **Board evaluation**

Reflecting our commitment to good governance, the Nominations Committee oversaw the external evaluation of the Board and all our committees' performance. The outcome of this review and details of the process are provided later in this report.

Our robust and efficient governance processes underpin our ability to live our values and deliver our strategy. The Board is committed to ensuring that we continue to adhere to high standards of corporate governance so that we can create long-term sustainable value for our shareholders and perform in the interests of all our stakeholders.

As I have said before, our people are at the heart of our business and I would like to express once again our deep appreciation for the efforts and commitment shown during this transitional year. I would also like to thank my Board colleagues for their continued support and dedication throughout this period.

**Javier Ferrán**  
Chairman

BOARD LEADERSHIP

# Our Board of Directors



Giles Agutter



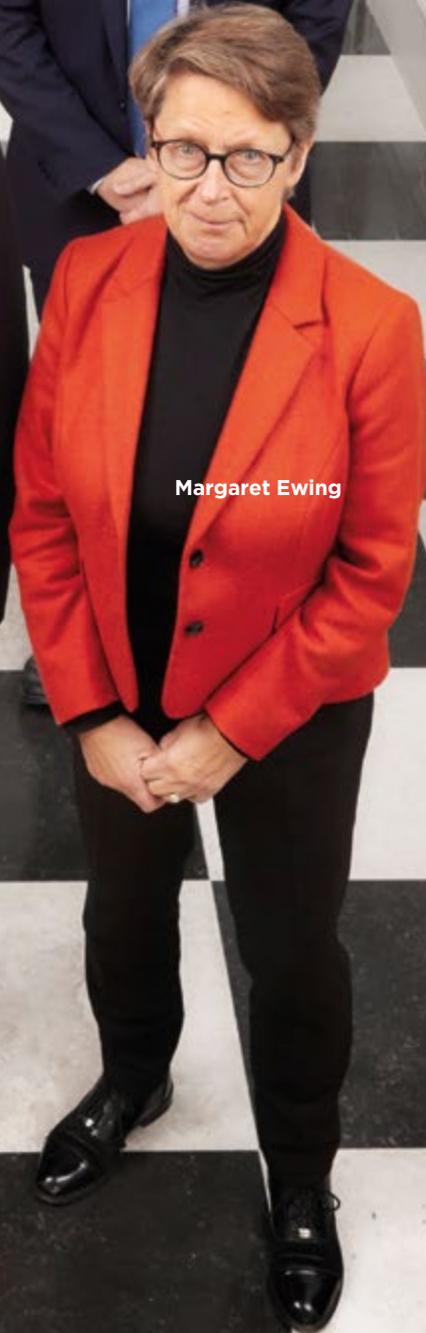
Luis Gallego



Eva Castillo



Maurice Lam



Margaret Ewing

## Key

- Committee Chair
- Ⓐ Audit and Compliance Committee

- Ⓔ Nominations Committee
- Ⓓ Remuneration Committee

- Ⓔ Safety, Environment and Corporate Responsibility Committee

### Giles Agutter Ⓔ Ⓔ

#### Key areas of experience:

Airline industry

#### Current external appointments:

CEO, Southern Sky Ltd. Director, JSX Airlines.

#### Previous relevant experience:

Non-executive director, LATAM Airlines Group 2017-2020. Non-executive director, Air Italy 2017-2020.

### Luis Gallego

#### Key areas of experience:

Airline industry, general management

#### Current external appointments:

Member of the Board of Governors and Member of the Chair Committee, IATA.

#### Previous relevant experience:

Chairman and CEO, Iberia 2013-2020. CEO, Iberia Express 2012-2013. Chief Operating Officer, Vueling 2009-2012. Founder of Clickair 2006-2009.

### Eva Castillo Ⓐ Ⓓ

#### Key areas of experience:

Financial sector, telecoms sector

#### Current external appointments:

Non-executive director, Caixabank. Trustee of the Council for Economy of the Holy See (Vatican), Trustee of the Board of the Comillas ICAI Foundation. Member of Entreculturas Foundation. Member of Advantere School of Management.

#### Previous relevant experience:

Non-executive director, Zardoya Otis 2019-2022. Non-executive director, Bankia 2012-2021. Chair Telefónica Deutschland AG. 2012-2018. Non-executive director, Telefónica, S.A. 2008-2018. Non-executive director VISA Europe Plc 2014-2017. President and CEO, Telefónica Europe 2012-2014. Non-executive director, Old Mutual Plc 2011-2013. President and CEO Merrill Lynch Capital Markets, Spain 1999-2006. President and CEO, Merrill Lynch, Wealth Management EMEA 2006-2009.

### Maurice Lam Ⓐ Ⓔ

#### Key areas of experience:

Professional services, financial accounting, audit and compliance in the banking industry

#### Current external appointments:

Independent Director, Chairman of the Audit Committee and Member of the Board Risk Committee, Bank of China (Europe) S.A.

Independent director and Chairman of the Audit & Compliance Committee of Banque Internationale à Luxembourg S.A.

#### Previous relevant experience:

Independent Director, Chairman of the Audit Committee and Member of the Board Risk Committee of Quintet Private Bank (Europe) S.A. 2015-2020. Member of the Board of Directors of LuxConnect S.A., a Luxembourg State owned Company, acting as a business enabler in the ICT market 2013-2016. Independent Director, Generali Fund Management S.A. 2013. Deloitte Luxembourg, Managing Partner and CEO, 2000-2010, Head of Audit 1993-2000, Audit Partner, Financial Services 1988-1993; Deloitte & Touche UK 1979-1985.

### 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 Director and Chair of the Audit and Risk Committee, ConvaTec Group Plc. Non-executive director and Chair of the Audit and Risk Committee, ITV Plc.

#### Previous relevant experience:

Trustee and Chairman of the Finance and Audit Committee, Great Ormond Street Hospital Children's Charity 2015-2020. Non-executive director, Standard Chartered Plc 2012-2014. Independent external member of the Audit and Risk 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.



Nicola Shaw

Javier Ferrán

Robin Phillips

Emilio Saracho

Peggy Bruzelius

Heather Ann McSharry

## Key

- Committee Chair
- Ⓐ Audit and Compliance Committee

- Ⓔ Nominations Committee
- Ⓓ Remuneration Committee

- Ⓔ Safety, Environment and Corporate Responsibility Committee

### Nicola Shaw Ⓓ Ⓔ

#### Key areas of experience:

Transport sector, public policy and regulatory affairs, consumer, safety and environment operational management

#### Current external appointments:

Chief Executive, Yorkshire Water.

#### Previous relevant experience:

Executive Director, National Grid plc 2016-2021. Non-Executive Director Ellevio AB 2015-2017. CEO, HSI Ltd 2011-2016. Non-Executive Director, Aer Lingus Plc 2010-2015. Director and previously other senior positions FirstGroup plc 2005-2010. Director of Operations and other management positions Strategic Rail Authority 2002-2005. Deputy Director and Deputy Chief Economist, Office of the Rail Regulator (ORR) 1999-2002.

### Javier Ferrán Ⓔ

#### Key areas of experience:

Consumer, finance, sales/marketing, governance

#### Current external appointments:

Chairman, Diageo Plc. Senior advisor to BlackRock Long Term Private Capital and director of investee company.

#### Previous relevant experience:

Non-executive director, Coca Cola European Partners Plc 2016-2020. Chairman of Supervisory Board, Picard Surgelés 2010-2020. Member, International Advisory Board ESADE 2005-2019. Non-executive director, Associated British Foods plc 2005-2018. Non-executive director, Desigual SA, 2014-2017. Non-executive director, SABMiller plc 2015-2016. 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, Chupa Chups SA 2000-2003. Partner, Lion Capital LLC 2005-2018. President EMEA, President and CEO, Bacardi Group 1992-2004.

### Robin Phillips Ⓔ

#### Key areas of experience:

Finance, airline industry and transportation

#### Current external appointments:

Chairman, Development Funding Board, Pancreatic Cancer UK. Senior Advisor, Circadence Corporation (US). Board member, IR – Scientific (Canada).

#### Previous relevant experience:

Global Head/Co-Head of Corporate and Investment Banking, Head of Global Banking and Markets (Hong Kong), Group Head Climate committee, Head of Global Industries Group, Head of Transport, Services and Infrastructure, HSBC 2003-2019. Global Co-Head of Transport & Infrastructure Group, Citigroup 1999-2003. Executive Director, Transportation and Aviation Investment Banking, UBS Warburg 1992-1999. Assistant Director, Capital Markets, Kleinwort Benson 1985-1991.

### Emilio Saracho Ⓓ Ⓔ

#### Key areas of experience:

Banking, corporate finance, investment management

#### Current external appointments:

Senior Advisor, Altamar Capital Partners. Non-executive director, Inditex.

#### Previous relevant experience:

Chairman, Banco Popular Español 2017. Vice Chairman and Member Investment Banking Management Committee, JP Morgan 2015-2016. Deputy CEO EMEA 2012-2015, Co-CEO Investment Banking for EMEA 2009-2014, JP Morgan. CEO, JP Morgan Private Banking for EMEA 2006-2008. Director, Cintra 2008. Director, ONO 2008. Chairman, JP Morgan Spain & Portugal 1998-2006. Global Investment Banking Head, Santander Investment (UK) 1995-1998. Head Corporate Finance Iberia, Goldman Sachs International 1990-1995.

### Peggy Bruzelius Ⓐ Ⓔ

#### Key areas of experience:

Financial services, corporate finance

#### Current external appointments:

Chair, Lancelot Holding AB. Member, the Royal Academy of Engineering Sciences.

#### Previous relevant experience:

Non-executive director, Skandia Mutual Life Insurance 2012-2022. Non-executive director, Lundin Energy AB 2012-2022. Chair, Swedish National Agency for Higher Education 2008-2011. Member Board of Trustees, Stockholm School of Economics 2000-2011. Various Corporate Boards, Trygg Hansa Liv AB, Celsius AB, AB Ratos, Scania AB, The Body Shop Plc, Axel Johnson AB, Axfood AB, Husqvarna AB 1992-2019. Senior Independent Director, AB Electrolux 1996-2012. Non-executive director, Syngenta AG 2001-2014. Non-executive director, Diageo plc 2009-2018. Non-executive director, Akzo Nobel nv 2007-2019. Executive Vice President, Head of Asset Management Skandinaviska Enskilda Banken 1997-1998. CEO, ABB Financial Services AB 1991-1997.

### Heather Ann McSharry Ⓔ Ⓓ

#### Key areas of experience:

General management, pharmaceuticals/health care, financial services, consumer products, food and construction industry sectors, governance

#### Current external appointments:

Non-executive director, Chair of Nominations and Governance Committee, Jazz Pharmaceuticals Plc.

#### Previous relevant experience:

Non-executive director, CRH plc 2012-2021. Non-executive director, Greencore plc 2013-2021. Non-executive director, Unipharm Plc 2019-2020. Non-executive director, Bank of Ireland Plc 2007-2011. Chairman, Bank of Ireland Pension Fund Trustee Board 2011-2017. Managing Director, Reckitt Benckiser Ireland 2004-2009. Managing Director, Boots Healthcare Ireland 1998-2004.

## Statement of compliance with applicable corporate governance codes

As a company incorporated and listed in Spain, IAG is subject to applicable Spanish legislation and the associated corporate governance framework. In accordance with this, this Corporate Governance Report details its compliance with the Spanish Good Governance Code of Listed Companies, last updated and published by the Spanish Comisión Nacional del Mercado de Valores (“CNMV”) in June 2020, and available on its website ([www.cnmv.es](http://www.cnmv.es)).

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”). 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](http://www.frc.org.uk)).

IAG has prepared a consolidated Corporate Governance Report responding to both Spanish and UK reporting requirements, which is available on the Company’s website ([www.iairgroup.com](http://www.iairgroup.com)), as well as on the CNMV website ([www.cnmv.es](http://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. This Corporate Governance Report is part of the IAG Management Report for the year 2022.

In addition, and as required by the LSE Listing Rules, this Report includes an explanation regarding the Company’s application of the principles of the UK Corporate Governance Code and how it has complied with its supporting provisions during the year. Details of where key information can be found is provided below.

During 2022, IAG fully complied with all applicable recommendations of the Spanish Corporate Governance Code; even though the Company acknowledges that, due to applicable legal and regulatory requirements of the aviation sector,

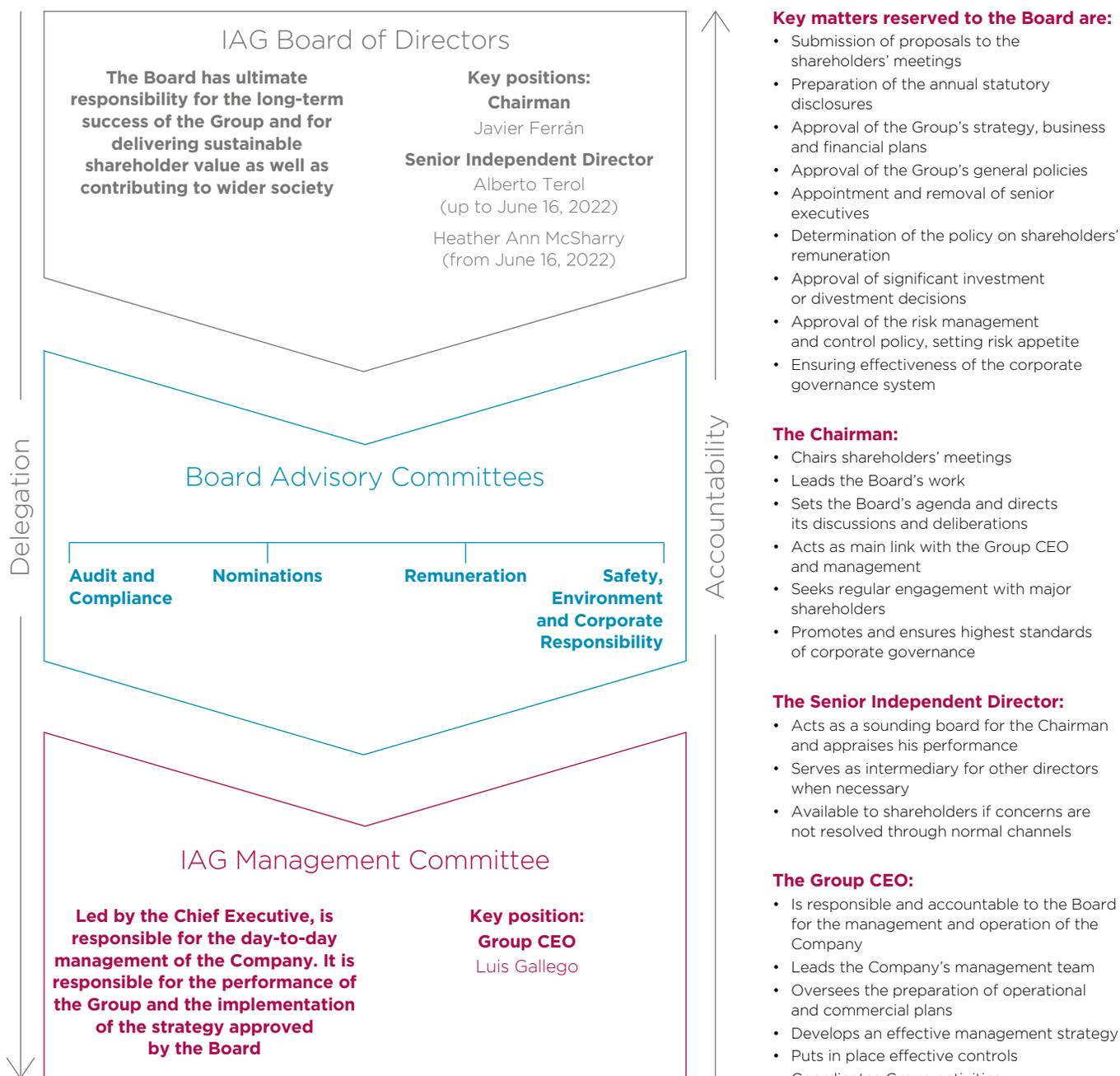
the Company’s bylaws contain certain share ownership restrictions which are contrary to the provisions of the first recommendation of the Spanish Code.

As far as the 2018 UK Corporate Governance Code is concerned, the Company confirms that it applied the principles and complied with all the provisions of the Code in the reporting period.

### Applying the principles of the UK Corporate Governance Code

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# IAG governance framework and division of responsibilities



The corporate governance framework was last approved by the Board on February 25, 2021

## Group structure

IAG, as the Group's parent company, is responsible for defining the Group's long-term strategy, as well as setting performance targets, monitoring their progress and allocating capital within the Group. With a light structure, IAG oversees intragroup coordination and manages central functions, including the development of its common integrated platform.

Each operating company has an individual brand and cultural identity and is responsible for executing its strategy and accountable for its results. Each company has its own board of directors and its own management committee, led by the top executive of each company.

Further details on the Group structure can be found in the Business Model section within the Strategic Report.

### **Board of Directors: division of responsibilities**

The IAG Board is responsible for establishing the Company's purpose, values and strategy, promoting its culture, overseeing the business and its performance, as well as for the Group's long-term sustainable success. As stated in its Regulations, the Board endeavours to reconcile the corporate interest with the legitimate interests, as applicable, of the employees, suppliers, customers and other stakeholders that might be affected, also taking into consideration the impact of its activities on the community as a whole and on the environment. Examples of this long-term focus and consideration of stakeholders' interest are discussed further on in this report and in the stakeholder engagement section.

Consistent with its governance role, the Board of Directors retains a schedule of matters reserved for its decision, as detailed in article 3.4 of the Board Regulations, which are available on the Company's corporate website ([www.iairgroup.com](http://www.iairgroup.com)).

The Board has four advisory committees that provide dedicated focus on a number of areas. Each Board committee comprises non-executive directors only and has an experienced non-executive independent chair. Copies of the minutes of all committees' meetings as well as the documents distributed ahead of each committee meeting are made available to all Board members.

The different Board positions and their respective responsibilities are detailed in the Board Regulations as amended on February 25, 2021 (available on the corporate website). The Board also approved new and separate regulations for each one of the Board committees as part of the governance review completed in February 2021. These regulations are available on the corporate website. The roles, memberships and activities of these committees during 2022 are described in their individual reports within this corporate governance report.

There is a clear separation of the roles of the Chairman and the Group Chief Executive, their main responsibilities are established in articles 5 and 6 of the Board Regulations. The Chairman is responsible for the operation of the Board and for its overall effectiveness in directing the Company. The Group Chief Executive and his management team are 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 Group Chief Executive save for those which cannot be delegated pursuant to applicable legislation, the Company Bylaws or the Board Regulations.

# Board composition

The IAG Board comprises eight independent non-executive directors, one of which is the Chairman, two proprietary non-executive directors and one executive director, IAG's Chief Executive. The biographies of each member of the Board are set out in the Board of Directors section.

At the 2022 Shareholders' Meeting, Alberto Terol, who held the role of Senior Independent Director, did not stand for re-election having served as an independent director for nine years. As a result, the Board appointed Heather Ann McSharry as Senior Independent Director.

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, 2022, the Board composition was:

Name of Board Member	Position/Category	First appointed
Javier Ferrán	Chairman	June 20, 2019
Luis Gallego	Chief Executive	September 8, 2020
Heather Ann McSharry <sup>1</sup>	Senior Independent Director	December 31, 2020
Giles Agutter	Director (proprietary)	September 8, 2020
Peggy Bruzelius	Director (independent)	December 31, 2020
Eva Castillo	Director (independent)	December 31, 2020
Margaret Ewing	Director (independent)	June 20, 2019
Maurice Lam	Director (independent)	June 17, 2021
Robin Phillips	Director (proprietary)	September 8, 2020
Emilio Saracho	Director (independent)	June 16, 2016
Nicola Shaw	Director (independent)	January 1, 2018

<sup>1</sup> Appointed as Senior Independent Director on June 16, 2022 following the retirement of Alberto Terol.

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. The Group Chief Financial Officer, Nicholas Cadbury, and the Group General Counsel, Sarah Clements, attend all Board meetings.

## Directors' independence

The Board, as reported by the Nominations Committee, reviewed directors' independence at its meeting held on January 19, 2023. It is satisfied that those directors classified as independent are free from any business or other relationship that could materially interfere with exercising an independent judgement, both as a question of character and judgement. Further details are provided on conflicts of interests and independence of directors later in this report and the Nominations Committee report.

The Chairman was considered independent on appointment and neither he nor any of the non-executive directors has exceeded the maximum nine-year recommended term of service set out in the UK Corporate Governance Code, with our longest serving director, Emilio Saracho, having served on the Board since 2016.

## 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 independent directors, or its recommendation report for all other categories of 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 17.2 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 or when his or her remaining on the Board might affect the Company's credibility or reputation or otherwise jeopardises its interests.

According to article 24.2 of the Board Regulations, directors have a number of disclosure obligations, including the duty to inform the Company of any situation in which they are involved and that may seriously affect the reputation of the Company, in particular if they are involved in any investigation in a criminal proceeding. 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, following a report by the Nominations Committee.

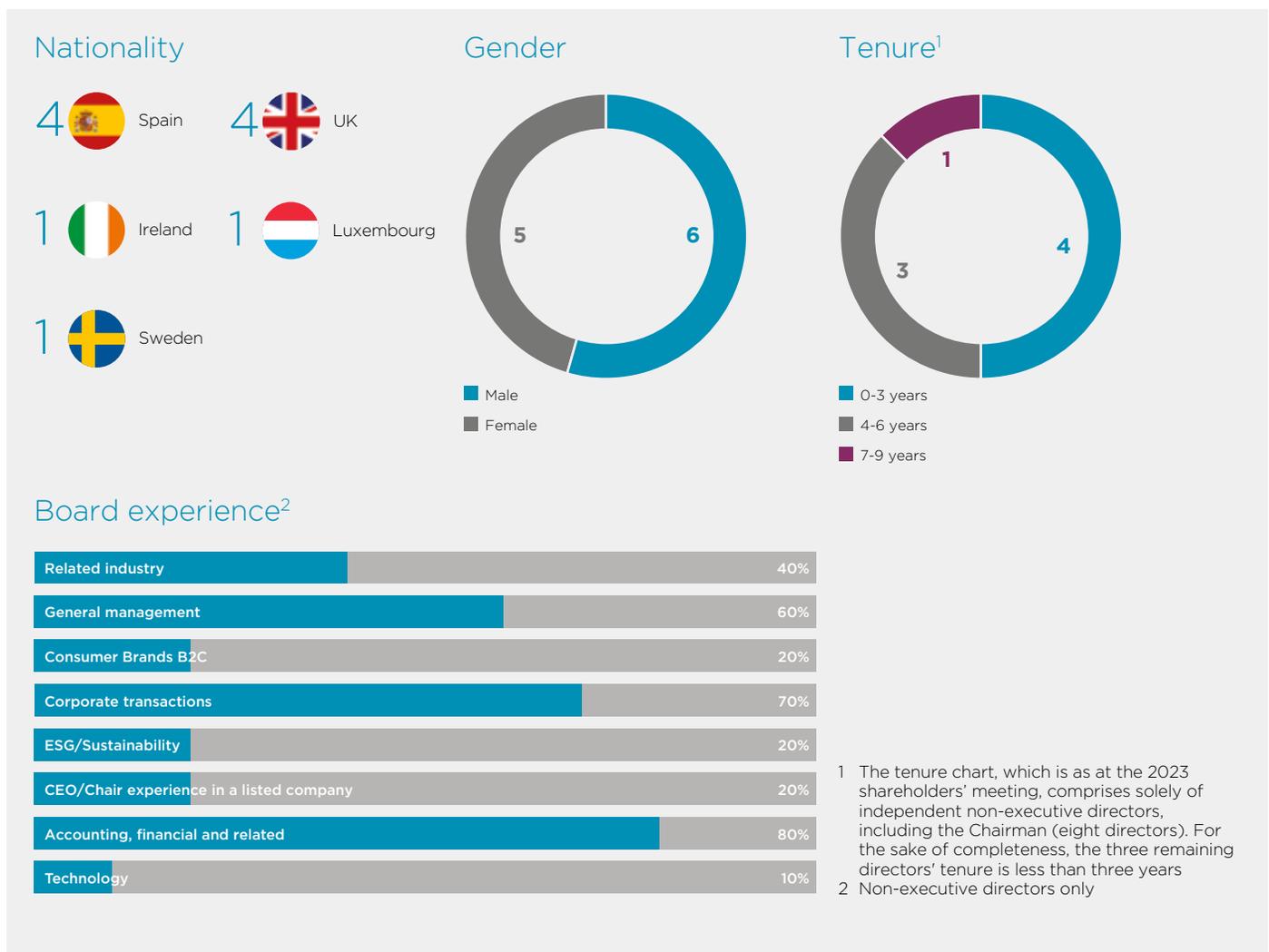
The Board may only propose the removal of a non-executive director before the end of the mandate when it considers there is just cause, following a report by the Nominations Committee. For these purposes, just cause is deemed to exist when the director takes up new positions or enters into new obligations that prevent them from dedicating the necessary time to the performance of their duties as a director, otherwise breaches their duties as a director or unexpectedly becomes subject to any of the circumstances provided for in article 17.2 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 adequately explain the reasons for this decision, or in the case of a non-executive director, their opinion on the reasons for the Shareholders' Meeting resolution, in a letter to be sent to all directors. In addition, these explanations need to be included in the Company's annual corporate governance report and if relevant for shareholders, the

Company should publish an announcement of the departure as soon as possible, with sufficient reference to the reasons or circumstances provided by the director.

The rules above have been updated in accordance with the Spanish Corporate Governance Code Recommendations approved in June 2020 and are incorporated in the Board Regulations approved in February 2021, which are available on the Company's website ([www.iairgroup.com](http://www.iairgroup.com)), and on the website of the Spanish CNMV ([www.cnmv.es](http://www.cnmv.es)).



# Board leadership and company purpose

IAG's purpose - 'To connect people, businesses and countries' - underpins the Group's vision to be the world's leading airline group, maximising sustainable value creation for its shareholders. IAG will continue to use its unique business model to pursue this purpose and vision, and always aims to deliver sustainable value for its customers, its people, its shareholders and the communities it serves.

By connecting people, businesses and countries, the Group can provide the jobs, prosperity and cultural benefits that travel has always created. While a number of important new initiatives and projects have been launched during the year, there is more to be done to achieve the aspirations the Group has set for itself.

The Board believes that IAG can achieve its purpose and vision by promoting the Group's key values, which are innovation, commitment, care for people, responsibility, pragmatism, execution, ambition and resilience. In 2022, the Board reviewed how these values are embedded in the organisation and how this is linked to the ongoing work on corporate culture and on people. The Board considers the work and focus on corporate culture and values to be essential elements in the transformation and execution of the Group's strategy.

Further detail on IAG's purpose and values can be found throughout this annual report, and in particular on the first pages of the Strategic Report and the introductory letters of the Chairman and the Group Chief Executive.

## Corporate culture

The Board has reviewed with interest the work on culture that the Group started in 2020. The Board believe that the focus on corporate culture is a critical factor in ensuring the delivery and success of the Group's strategy. The Board is closely following and supporting management's endeavours to transform the culture of IAG and to create an inclusive, supportive, and healthy working environment. Specifically, during 2022, the Board has been briefed on the outcome of the organisational health survey completed for all employees in May and the follow-up Pulse survey undertaken in November, including the insights by operating companies and the agreed priorities for improvement.

Further, through the ongoing workforce engagement visits, representatives of the Board have heard first hand from employees across the Group on their experience of working within the IAG Group, the prevailing culture and things they would like to see change.

Finally, the Board strategy meeting held in September 2022 had a specific focus on people, leadership and culture, and individual operating company plans were also reviewed to understand the extent to which their people transformation priorities and plans supported the delivery of the operating company strategy. For example, the Board was updated on British Airways' investment in leadership and colleague centricity and how Iberia completed 360° feedback on all senior leaders aligned to the IAG leadership framework. Further, the Board was updated on the IAG senior leadership conference where the entire second day was devoted to supporting leaders in understanding their role in shaping IAG's culture.

## Investment in the workforce

In general terms, all Group companies invest in their employees through training and development programmes, as well as through healthcare and well-being programmes. Terms and conditions are set and managed within each operating company, enabling them to put in place appropriate rewards to reflect their specific operating model and local market conditions.

Across the Group we look to ensure that all rewards and benefits are simple, clear, competitive, and fair. Across the UK, Spain, and Ireland close to 90 per cent of IAG's workforce are part of collective bargaining agreements, with varying levels in other countries in which the Group operates. We work closely with employee representatives to consult on reward matters. For those outside of collective agreements, we benchmark roles and rewards against local markets to ensure they remain attractive and competitive.

# How the Board considers stakeholders' interests

## How the Board considers stakeholders' interests

Day-to-day stewardship of all stakeholder relationships is delegated to management, with the Board having a supervisory role based on the information provided and discussions held with management teams. In addition to this, the Board has direct engagement with the Company's shareholders and with the workforce as recommended by the UK Corporate Governance Code.

Information on the Board's engagement with the workforce is provided in the workforce engagement section of this Governance report.

More information on our stakeholders, how they fit in our strategy and business model, their main interests, and our engagement with them can be found in the stakeholder engagement section of this annual report.

## 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 and the Chairman, who regularly meet with shareholders and investors. In April and May 2022, the Chairman held several meetings with major shareholders in order to discuss ESG matters, as well as the performance of the Group and its strategy.

In addition, the former and the current Chairs of the Remuneration Committee held several meetings with investors as detailed in the stakeholders section and in the directors' remuneration report. Non-executive directors had the opportunity to meet shareholders at the two shareholders' meetings held in 2022, as well as during the first IAG ESG Day that took place in May.

In addition to this, the Group Chief Executive and the Group Chief Financial Officer had regular contact with shareholders and investors during the year.

The Board is regularly apprised of shareholders' feedback and main issues discussed with shareholders and investors.

Additional information can be found in the stakeholder engagement section of this annual report.

## Workforce engagement

In 2022, the designated directors have met with employees through a series of site visits and round table discussions across 12 separate locations. These visits have proven invaluable in understanding what matters to colleagues across the business, in our airlines and platform businesses, from ground and flight operations to our customer support and corporate teams, and with a mix of new recruits and colleagues with long tenure reflecting the changing composition of the Group workforce.

Eva Castillo is the director responsible for coordinating the Board workforce engagement, and she has been supported in this workforce engagement role by Heather Ann McSharry, Maurice Lam, Nicola Shaw and Emilio Saracho.

Recent Board engagement sessions have been held with employees at British Airways at Heathrow and Gatwick, Iberia, IAG Loyalty, IAG Cargo, IAG GBS Krakow, Vueling and Aer Lingus (Dublin and Manchester). The sessions have been very constructive with an opportunity to hear from different employee groups.

The Board considered the feedback from the 2022 engagement at its December meeting and noted the high levels of pride and loyalty across the Group, and the determination to support the recovery of the business and the aviation sector following the pandemic. Colleagues showed a keen interest in the Group's sustainability agenda and its fleet modernisation and broader growth plans. Several visits took place against the context of resourcing ramp ups and operational challenges and ongoing industrial relations discussions.

Key themes included the companies' growth plans and the opportunities they will bring in terms of careers and development (including for example in maintenance or at the recently opened Manchester base), the importance of communication and engagement especially with senior management, pay competitiveness and concerns regarding cost of living, and the importance of flexibility and hybrid working arrangements.

Each visit included a debrief for senior teams on emerging issues to ensure appropriate actions are taken forward.

In addition to direct engagement with employees, the Board has been regularly informed about initiatives at each operating company with respect to its workforce. Further, a session at the annual Board strategy meeting was devoted to the Group people strategy including updates on talent, diversity and inclusion, and culture.

The Remuneration Committee was updated on workforce remuneration and how the operating companies were supporting colleagues with cost-of-living challenges, ensuring reward remained fair and competitive, and how the experience of IAG's workforce compared to senior management.

### **Section 172 Statement (and compliance with article 3.6 of IAG's Board of Directors' Regulations)**

In their discussions and decisions during the reporting period, the IAG Board have acted in good faith, with unity of purpose and independent judgement, guided by the corporate interest to promote the success of the Company as a profitable and sustainable business in the long-term and giving the same treatment to all shareholders in the same position. In doing so the Board had regard and tried to reconcile the corporate interest with the legitimate interests of employees, suppliers, customers and other stakeholders, also taking into consideration the impact of its activities on the community as a whole and on the environment.

Information on how the directors discharged their duties under these principles during the year, including how they had regard to the matters set out above in their discussions and decision-making, is included in this section. Further details can also be found throughout the strategic and governance reports. Feedback from stakeholders is received at a number of different levels and helps inform numerous decisions directly or indirectly overseen by the Board. In many circumstances, the views of stakeholders are considered and embedded in the proposals shared with the Board or submitted for its decision.

### **Board decisions, corporate interest and stakeholders**

The IAG Board has delegated the day-to-day management of the Company to the Group Chief Executive and the Group's management team but it has reserved for itself the authority on a number of matters including three main ones as set out below:

- Approval of the Group strategy and the supervision of its implementation, which entails the approval of the business plan, management objectives and annual financial plan, monitoring of the internal information and control systems, and of the risk management framework and processes.
- Approval and compliance oversight of the Group general policies including: the investment and financing policy; the enterprise risk management policy; the corporate responsibility or sustainability policy.
- According to certain quantitative thresholds, the approval of contractual commitments, asset acquisition or disposals, capital expenditures, borrowings or equity investments.

The Group's decision-making process is regulated by an internal instruction covering the IAG Board, the IAG management committee as well as the boards of the main subsidiaries. In addition, another instruction regulates the Group investment process. This framework and the dedication and expert support provided by the different Board advisory Committees ensures the existence of an adequate governance system.

The impact on our different stakeholders, as applicable, as well as the consequences of any decision in the long-term are considered and discussed by the Board. It is not always possible to provide positive outcomes for all stakeholders and on occasions the Board has to make decisions based on the competing priorities of stakeholders. The principles set out in article 3.6 of our Board Regulations, which coincide with those reflected in section 172 of the UK Companies Act, are not exclusively a matter for the Board, they are embedded throughout the Group's decision-making processes.

# Board decision-making: aircraft purchase

As a result of the pandemic IAG delayed the replacement of our shorthaul fleet. The shorthaul market is an essential part of the Group's network, with a strong presence in the extensive Spanish domestic market, as well as point-to-point and connecting flows to and from the Group's hub airports, which feed and complement our longhaul services. The Board considered that the replacement of IAG's short-haul fleet is of strategic importance. Moreover, looking ahead to 2030, the Board determined that the Group needed to renew its fleet in order to maintain its size and benefit from the improved operating economics and environmental impact of new generation aircraft.

## Consideration of s172 impacts Shareholders and long term success

As the industry moves on from the COVID-19 pandemic and customer demand returns, the Board believed that the underlying fundamentals of the Group's airlines remained strong, and that, in this context, access to new generation aircraft was a strategic priority for IAG, as they will help deliver sustainable returns to shareholders over the long term and contribute to the Group's ability to compete effectively.

The Board considered that these purchases provided the best opportunity for the Group to obtain commercially attractive and competitively priced terms for the purchase of new generation aircraft. Furthermore, replacing the Group's older generation shorthaul aircraft with the more fuel efficient Boeing 737 family aircraft and Airbus A320neo family aircraft will generate significant savings in fuel cost, offer maintenance cost savings and an improvement in reliability and, due to the aircraft's improved utilisation of on-board space, provide increased revenues and decreased costs and emissions per seat. In addition, rising fuel prices and the existing and potential impact of greenhouse gas related charges in Europe and the UK would increase the

benefits of lower fuel consumption and reduced CO<sub>2</sub> emissions from these new generation aircraft. Specifically, they offer 15-20 per cent improvements in fuel consumption and CO<sub>2</sub> emissions (depending on the aircraft they replace) and, together with other improvements in seating capacity, maintenance costs and airport charges, will result in a 10-20 per cent reduction in operating costs.

Moreover, this investment is in line with the Group's net zero commitments and with IAG's sustainability strategy, which is a relevant factor from the point of view of our shareholders and equally important from the perspective of the long term sustainability of our business.

These aircraft purchases constituted a Class 1 transaction under the UK Listing Rules, and were therefore conditional on shareholder approval at a general meeting, which was sought at the Shareholders' Meeting held on October 26, 2022. IAG directors recommended that shareholders voted in favour of each of the proposed resolutions, and provided all relevant information,

explained the background to and reasons for the proposed purchases and why they believed these were in the best interests of the shareholders taken as a whole in the circular prepared and made available to all shareholders.

## Environment

One of the key issues that the Board took into consideration was that this investment is fully aligned with IAG's environmental commitments. The aircraft proposed for purchase are some of the most fuel efficient shorthaul aircraft available. Both aircraft types offer between 15-20 per cent improvements in fuel burn and CO<sub>2</sub> emissions. Thus, the addition of these latest generation more fuel-efficient aircraft is an important step towards IAG meeting its climate commitments, including achieving net zero carbon emissions by 2050. Moreover, these new aircraft are significantly quieter, with a lower noise footprint versus the older aircraft they will replace.



Image courtesy of Boeing

### Customers and employees

Even in times of uncertainty and difficulty, with this decision the Board demonstrates to its employees its commitment to invest in the business, as well as its commitment to sustainability and in particular to the environment. Taking into account the addition of Boeing as a supplier of narrow bodied aircraft, the Board contemplated the various measures required to ensure the efficient introduction of these new shorthaul aircraft, including the re-training of ground staff and crew.

The fact that this investment is in line with the Group's environmental commitments also responds to one of the fundamental concerns expressed by IAG's customers. From a commercial perspective, the Board also took into consideration that these new aircraft will enable IAG to offer a state-of-the-art experience to its customers.

Finally, the Board also satisfied itself in relation to the risks concerning the types of aircraft to be purchased, bearing in mind the priority that the Group always gives to the safety and security of both its passengers and its crews.

### Suppliers

When considering the need to maintain healthy competition between suppliers and given the constrained availability of shorthaul aircraft in the period to 2028, the Board thought it necessary to move its Airbus shorthaul fleet to a mix of Airbus and Boeing aircraft.

The Board were also informed of the actions designed to ensure that the transition to a mixed Airbus and Boeing shorthaul fleet is carried out as efficiently as possible by reducing related costs, including those related to new crew training, maintenance and spare parts. The agreements reached provide flexibility for IAG to purchase larger or smaller variants of aircraft from both Airbus and Boeing, as well as deferral rights to allow the pace of replacement to slow down if necessary.

Information was also provided to the Board regarding engine maintenance arrangements.

Committing to the purchase and maintenance of these aircraft and engines allows IAG to properly understand its cost exposures and allow the manufacturers to efficiently plan future production and maintenance activities.

### Other financial stakeholders (debt providers)

In its deliberations, the Board took into consideration that these purchases will require substantial payments by the Group, and that the Group will need sources of financing to meet its payment obligations, and consequently the potential impact that this could have on its existing debt providers.

In this regard, the Board took into account that the deliveries of these aircraft are stretched over several years, meaning that the related capital expenditure is spread over a period of time. Additionally, the Group normally finances aircraft on delivery and hence the cash impact is reduced and spread over the period in which it expects to operate these aircraft.

### Governance framework

The transaction was conducted with an appropriate governance framework, in accordance with the Group's high standards of business conduct. The project was undertaken with appropriate governance and regulatory oversight and the Board engaged its sponsor and legal advisers to ensure appropriate independent advice was provided.



Image courtesy of Airbus

**Board and committee meetings**

The Board was scheduled to meet eight times during the year, including its annual two-day strategy meeting scheduled for September 2022.

The total number of Board meetings held during the reporting period was 12. Details of attendance at Board and committee meetings are shown further on in this report.

The Board Secretariat together with the General Counsel maintains an annual agenda schedule for Board meetings that sets out strategic, standard and operational matters to be considered. The Chairman sets a carefully structured agenda for each meeting in consultation with the Group Chief Executive, with support from the General Counsel and the Board Secretariat. During 2022, the Board's main focus, emerging from the COVID-19 pandemic, was to create sustainable value over the long-term, supporting management and exercising oversight over the Group's businesses and

stakeholders' interests. The key activities of the Board in 2022 are detailed in the Board activities table further on in this report.

After the review and approval of the minutes of the prior Board meeting, each Board meeting continues with a report from each of the committees' chairs which have held meetings prior to that meeting. The reports focus 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.

All scheduled Board meetings include a private session for non-executive directors to meet with the Chairman to discuss any matters arising. In addition to this, at least once a year there is a private meeting with the Chairman that includes independent non-executive directors only. The Senior Independent Director also met with the non-executive directors, without the Chairman, as part of the chair annual evaluation process.

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, except for the Chairman, although he cannot represent more than half of the Board members. As far as possible, proxies should be granted including voting instructions.

**Board and committee attendance during 2022**

Board member	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Safety, Environment and Corporate Responsibility Committee
Javier Ferrán	12/12		6/6		
Luis Gallego	12/12				
Giles Agutter	11/12		5/6		6/6
Peggy Bruzelius <sup>1</sup>	11/12	7/7	3/3		
Eva Castillo	10/12	7/7		7/8	
Margaret Ewing	12/12	7/7	6/6		
Maurice Lam	10/12	7/7			6/6
Heather Ann McSharry <sup>2</sup>	12/12		6/6	8/8	
Robin Phillips	12/12				5/6
Emilio Saracho	12/12			8/8	5/6
Nicola Shaw	12/12			8/8	5/6
Alberto Terol <sup>3</sup>	5/5		3/3	4/4	

1 Appointed member of the Nominations Committee on June 16, 2022

2 Appointed Chair of the Remuneration Committee on June 16, 2022

3 Retired from the Board, stepped down as Chair of the Remuneration Committee and member of the Nominations Committee on June 16, 2022

## Board activities

2022 continued to be an unprecedented year for the Group, as it continued to face the biggest challenge the airline industry has ever encountered. The Board activity clearly reflects these circumstances. In accordance with this, there was considerable focus during the year on the operating companies plans and operational resilience, particularly in the case of British Airways. The key areas of Board activity during 2022 are outlined below:

### Strategy and planning

Ad hoc Board/management committee session on strategy as a preparation for the September meeting. Joint Board/management committee two-day strategy session in September, including:

- Group operating model
- Role of the Centre
- Transformation plans
- People update
- Customer framework
- Strategic plans for British Airways and Iberia
- IAG Loyalty
- Cargo update
- Sustainability
- Financial outlook
- Strategy follow-up items

### Performance and monitoring

- Operating companies' regular reporting
- Quarterly and full year financial reporting
- Monthly financial report (reviewed at the relevant meeting or distributed to all Board members)
- Review of different joint business arrangements

### COVID-19 crisis

- Updates on liquidity status and forecasting, and passenger revenue information
- Follow up on travel restrictions and updates on capacity
- Customer recovery

### Significant transactions, investments and expenditures

- Loan to Globalia and conversion to equity in Air Europa
- Financing arrangements
- Fleet updates
- Financing arrangement for the acquisition or lease of aircraft
- Disposals/write-off of aircraft and deferral agreements
- Lease agreements for airport lounges
- Treasury shares buy-back programme
- Sustainable fuel provision agreements

### Risk management and internal controls

- Review risk map and risk appetite performance and statements
- Assessment of viability and going concern
- Effectiveness review of the internal control and risk management systems
- External auditor's yearly report to the Board
- External audit fees
- IT updates

### Shareholders, stakeholders and governance

- Transactions with related parties
- Sustainability update
- Modern Slavery statement review
- Anti-bribery and corruption policy, Speak-up policy, Environmental policy and Equity, diversity and inclusion policy reviews
- Review feedback from institutional shareholders, roadshows as well as analyst reports
- Board and management succession
- Remuneration matters and an amendment to the Directors' Remuneration Policy
- Shareholders' meetings call notices and proposed resolutions
- Review of the Board committees' composition
- Board and committees evaluation and improvement priorities
- Update on the D&O insurance programme
- Corporate governance updates
- Gender diversity and directors' selection and diversity policy review
- Organisational Health Index – culture review
- Shareholder engagement policy review
- Regular reporting from matters discussed by the Audit and Compliance Committee, the Nominations Committee, the Remuneration Committee and the Safety, Environment and Corporate Responsibility Committee

### Board information and training

In general, all Board and committee meeting documents are available to all directors ahead of meetings, including the minutes of each meeting, through an online platform which facilitates an efficient and secure access to all materials. 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 2022 financial year.

Emerging from the COVID-19 pandemic provided the opportunity for our normal programme of site visits to resume, commencing with a session with the Vueling management team in Barcelona. This provided the opportunity to meet the Vueling leadership team in person and to review and discuss Vueling's strategy and performance.

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 this as part of the Board annual performance evaluation.

During 2022, directors' training needs were met by a combination of internal presentations and updates as part of Board and committee meetings and specific sessions or deep-dives on particular topics, where required. For various reasons, two of the sessions planned for this year, the first an update on competition law and the second, a session on safety which was to be presented by an external speaker, have had to be delayed to 2023.

### Induction of directors

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 includes meetings with other directors, senior management and key external advisors as appropriate. The induction is designed to provide a wide overview of the industry and the sector, including details 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 new directors to the IAG management committee as well as to the different operating companies' teams.

The feedback received from directors on the IAG induction programme is very positive. Directors consider that the programme of meetings is very thorough, providing very complete information on the Group and the industry.

## Board and committee evaluation

The effectiveness of the Board and its committees is reviewed annually, with an independent, externally facilitated review being conducted every three years. Following internal reviews in 2020 and 2021, an external review was undertaken in 2022 by Independent Board Evaluation (IBE). IBE was selected by the Nominations Committee to provide continuity and build on the evaluation completed in 2019. 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
- Interviews with key Board contributors including the Group CFO and 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 in July 2022; and had access to the papers for these meetings
- Support materials for briefing purposes were provided by the Company
- Discussion of the main conclusions with the Chairman and those of the committees with their respective chairs

The overall conclusions of the review were positive, confirming that the Board and the committees continue to adequately fulfil their responsibilities and operated effectively during the reporting period. Directors considered that there has been an outstanding commitment and engagement from all Board members during the year while the business continues to emerge from the COVID-19 pandemic, whilst dealing with strong economic headwinds globally.

In relation to the areas for focus agreed for 2022, the Board considered that good progress had been made during the year. The return of in person meetings and the visit to Barcelona in May 2022 allowed the Board to increase the level of engagement with senior executives and the Vueling leadership team. Ensuring the Board continues to have the relevant skills and expertise remains an ongoing area of focus for the Nominations Committee. The Board has ensured the successful set up of the Safety, Environment and Corporate Responsibility Committee, whose activities are reported later in this report.

Beyond the agreed action plan for 2022, the Board evaluation highlighted the strengthening of the Board workforce engagement programme, as well as the enhancement of the focus on culture and people at Board level.

Actions agreed for 2023 include:

- broadening the Board's visibility on engagement with stakeholders, with an increased focus on suppliers.
- ensuring additional insight is provided in respect of customer related matters, and how the company is perceived against its competitors.
- reinforce information provided to the Board for consideration of the full range of stakeholder views.
- overseeing the cultural transformation of the Company.
- prioritising focus on talent development plans and succession planning.

## 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.

According to article 21 of the Board Regulations, directors have an obligation 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 their 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.

The 2022 Annual Shareholders' Meeting, held on June 16, 2022, approved the re-election of Giles Agutter and Robin Phillips as non-executive proprietary directors as proposed by IAG's significant shareholder Qatar Airways Group (Q.C.S.C.) ('Qatar Airways'). Qatar Airways, a Middle East air carrier headquartered in Doha, has been the single largest shareholder of IAG since 2016, owning, as of the date of this report, 25.143 per cent of the share capital of the Company. Throughout this period there has been a long-standing business and commercial relationship between Qatar Airways and the airlines of the IAG Group. This close relationship of commercial cooperation, which has always been undertaken on an arm's length basis and on market terms, significantly reduces the potential existence of permanent conflicts of interest between Qatar Airways and the Group's airlines.

As far as the relationship of the proprietary directors with the significant shareholder who proposed their appointments is concerned, it should be noted that Giles Agutter is the owner and Chief Executive of the consultancy services firm Southern Sky Limited, one of whose material clients is Qatar Airways, and that Robin Phillips has no relevant connection with Qatar Airways.

Any potential conflict of interest that might affect such proprietary directors is managed by applying the duty of abstention in accordance with the procedure for managing conflicts of interest described below. In addition, the Spanish and the United Kingdom regimes on related parties' transactions are also applicable as detailed below.

In accordance with article 3.4 of the Board Regulations, the Board of Directors has the exclusive authority to approve transactions with directors or shareholders that have a significant holding or that are represented on the Board or with any persons related to them, on the terms established in the law and the Board Regulations and this will require a prior report from the Audit and Compliance Committee.

The execution of these type of transactions needs 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. IAG's internal regulations on related party transactions establish that the Audit and Compliance Committee needs to issue a report to the Board assessing whether the transaction is fair and reasonable from the standpoint of the Company and, where applicable, of the shareholders other than the related party, and report on this assessment, including the assumptions and methods used. Where appropriate, the directors related to the transaction shall not participate in the preparation of such report.

Depending on the amount or value of the proposed related party transaction, different corporate governance and disclosure requirements may apply under both the Spanish and UK legal frameworks.

In accordance with IAG procedures on related party transactions, 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.

### Share issues, buy-backs and treasury shares

The Annual General Meeting held on June 16, 2022 authorised the Board, with the express power of substitution, for a term ending at the 2023 Annual General Meeting (or, if earlier, 15 months from June 16, 2022), to:

- increase the share capital pursuant to the provisions of Article 297.1.b) of the Spanish Companies Law, by up to 50 per cent 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 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;
- 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 50 per cent 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);
- 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 16, 2022;
- carry out the acquisition of its own shares directly by the Company or indirectly through its subsidiaries, subject to the following conditions:
- 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 16, 2022, the date of passing the resolution;
- the minimum price which may be paid for an ordinary share is zero;
- the maximum price which may be paid for an ordinary share is the highest of:
  - 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 the transaction is performed; and
  - 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 29 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.

### Capital structure and shareholder rights

As of December 31, 2022, the share capital of the Company amounted to 497,147,601 euros (2021: 497,147,601 euros), divided into 4,971,476,010 shares (2021: 4,971,476,010 shares) of the same class and series and with a nominal value of €0.10 each (2021: €0.10 each), fully subscribed and paid.

As of December 31, 2022, the Company owned 17,052,745 shares as treasury shares.

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.

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 depository, Deutsche Bank, is the registered holder. As at December 31, 2022 the equivalent of 48,799,780 shares was held in ADR form (2021: 55,871,936 shares).

### Company's share capital

During the year there were no changes to the share capital.

The significant shareholders of the Company as at December 31, 2022, 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.)	1,249,999,997	-		1,249,999,997	25.14%

On February 3, 2023 Capital Research and Management Company notified the Spanish National Securities Market Commission (CNMV) the acquisition of a shareholding of 3.256 per cent.

### Shareholders' 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.

There were two Shareholders' Meetings held in 2022 with the Annual Shareholders' Meeting being held on June 16, 2022 in Madrid. This was held in person for the first time in three years, with the option for shareholders to also attend remotely. The extraordinary meeting, to approve IAG's fleet orders, was also held in Madrid and remotely on October 26.

The Shareholders' Meeting Regulations, which establish the operating rules of the shareholder meeting, are available in the Corporate Governance section of the Company's website.

### 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-qualifying 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-qualifying persons can be made.

In such circumstances, if non-qualifying 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-qualifying 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-qualifying person.

### 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:

- Certain significant IAG financing arrangements allow for prepayment, redemption or early termination in certain circumstances if there is a change of control of the Company.

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.

### 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.

# Report of the Nominations Committee

## Dear Shareholder

On behalf of the Nominations Committee, I am pleased to present the Nominations Committee Report for the year ended December 31, 2022.

This year the committee has focused on succession planning and continued to oversee the work being done on diversity and inclusion.

During the year, we welcomed Peggy Bruzelius onto the committee to replace Alberto Terol following his departure from the Board at the 2022 Shareholders' General Meeting. I would like to take the opportunity to thank Alberto for his contribution and commitment to this committee.

Succession planning continues to be a priority for this committee, and we continue to ensure the Board has the relevant skills and balance to oversee the implementation of the Group's strategy. Taking into account the findings of the external Board evaluation conducted this year, and our own identified needs based on the Group's business and strategic plans, we will continue to work to seek the most effective way to bring the necessary expertise and experience to our Board.

Another important area of focus for the committee has been management succession planning and talent development, with a plan for 2022-2025 being put in place to support this work. The Group's vision is to build the bench strength and the diversity of our senior leadership team, which we see as being a critical enabler of transformation and long-term value creation.

In March 2022, we welcomed Nicholas Cadbury as Group Chief Financial Officer, and continued to oversee the strengthening of the management committee through the appointment of Sarah Clements in November 2022 as our new General Counsel.

We remain committed to the Group's focus on creating an inclusive and diverse team. In 2022, we refreshed our Equality, Diversity and Inclusion Policy, to build on the diversity strategy and framework that was established in 2021. This ensured we continued to meet the expectations of the UK and Spanish Corporate Governance Codes. This also included the amendment of the Directors Selection and Diversity Policy, which was reviewed by the committee and approved by the Board in September 2022.



**Javier Ferrán**  
Nominations Committee Chair

### Committee members

	Date appointed
Javier Ferrán (Chair)	September 8, 2020
Giles Agutter	September 24, 2020
Margaret Ewing	January 28, 2021
Heather Ann McSharry	December 31, 2020
Peggy Bruzelius	June 16, 2022

We remain satisfied that the Board composition meets the target for the proportion of women on boards set out in European and Spanish standards and in the UK FTSE Women Leaders Review, as well as the recommendation on ethnic diversity on boards in the UK Parker Review.

The committee also closely follows and supports management's efforts to strengthen the presence of women in the senior management of the Company and across the Group. Despite progress made in 2022, we still have a long way to go to reach our target of 40 per cent women in senior leadership roles by 2025.

In line with the expectations of the UK and Spanish Corporate Governance Codes, we undertook an external Board and committee effectiveness review. More information on the results of this evaluation, and how it was carried out, can be found elsewhere in this report. The evaluation was very positive, and it remains the case that we are satisfied that the Board is effective and provides the highest standards of leadership and oversight of the Group's strategy.

**Javier Ferrán**  
Nominations Committee Chair

### **The Nominations Committee**

The composition, competencies and operating rules of the Nominations Committee are regulated by article 31 of the Board Regulations and by the Nominations Committee Regulations as approved by the Board on February 25, 2021. A copy of the Board and the Nominations Committee 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. The committee also reports to the Board on the proposed appointment of senior executives of the Company and the appointments of the members of the Group company boards. It oversees Board and senior management succession planning and in general the development of a diverse pipeline for succession.

The Nominations Committee shall be made up of no less than three non-executive directors appointed by the Board, with the dedication, capacity and experience necessary to carry out its function. A majority of the members must be independent directors that are EU nationals.

The only change in the committee's membership during the year was the appointment of Peggy Bruzelius in June 2022, replacing Alberto Terol following his departure from the Board.

### **The committee's responsibilities**

The Nominations Committee's responsibilities can be summarised as:

- evaluating the mix of competencies, knowledge, and experience necessary in the Board's membership and reviewing the criteria for the Board composition and the selection of candidates
- submitting the recommendation for appointment of directors to the Board for approval, and reporting on the proposed designations of the members of the Board committees and their chairs
- succession planning for Board members making proposals to the Board so that such succession occurs in a planned and orderly manner
- reporting to the Board on the appointment and removal of senior executives (which includes all of the IAG management committee)
- ensuring that non-executive directors receive appropriate induction programmes
- setting diversity targets (gender, ethnicity, and other criteria) both within the senior management and the succession pipeline
- ensuring that plans are in place for orderly succession of senior management positions whilst safeguarding the achievement of agreed diversity targets
- establishing a target for female and ethnicity representation on the Board which should adhere to the Company's Directors Selection and Diversity Policy
- coordinating the annual evaluation of the performance of the Board and its committees

### **The committee's activities in 2022**

The committee met six times during 2022, with three scheduled and three ad-hoc meetings called to discuss management changes or appointments to the Group company boards. Directors' attendance at these meetings can be found in the Corporate Governance section. The Group Chief Executive was invited to attend the committee's meetings as and when necessary.

The committee focused on the following activities during the year:

- review of the composition of the Board and the committees: appointment of Heather Ann McSharry as Senior Independent Director and Chair of the Remuneration Committee, and of Peggy Bruzelius as a member of the Nominations Committee;
- review of the Board committees' membership;
- Board succession planning;
- review of the directors' independence;
- review of compliance with the Directors' Selection and Diversity Policy;
- management succession plans, including the recruitment of a new General Counsel;
- launching of the Board annual evaluation process, as well as that of the Nominations Committee;
- changes to Group company boards
- update on regulatory developments on diversity matters; and
- update of the Directors' Selection and Diversity Policy

### **Board succession**

The committee regularly reviews the formal succession plan for the Board, including analysis of non-executive directors' length of tenure, skills and experience, and planning for succession of any areas that could require strengthening from a skills and succession perspective.

In September 2022, the committee reviewed in detail the Board succession planning, including the Board refreshment timeline, the Board skills matrix, as well as the identification of potential successors for the different positions.

### **Board positions and committee memberships**

On May 4, 2022 the Nominations Committee considered the composition of the Board ahead of the Annual Shareholders' Meeting in June, to determine which directors should be put forward for re-election. As part of the Board succession and renewal plan, and due to the fact that he has been an independent director for nine years, Alberto Terol would not stand for re-election. It was further determined that following his departure the Board would consist of 11 members so a search process to replace Alberto Terol's position would not be undertaken immediately.

The committee reviewed the Board's and the committees' composition, and proposed the appointment, following the Annual Shareholders' Meeting in June, of Heather Ann McSharry as Senior Independent Director and Chair of the Remuneration Committee, and the appointment of Peggy Bruzelius as a member of the Nominations Committee.

### **Directors' independence, performance and re-election**

The Nominations Committee, having considered the matter carefully, is of the opinion that all the current non-executive directors, with the exception of the two proprietary directors, are 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.

All proposals for the appointment or re-election of directors presented to the 2022 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. The committee also reviews the time commitment and availability of each non-executive director. Following this review, the committee was of the opinion that each non-executive director submitting themselves for re-election continued to demonstrate commitment to the role as a member of the Board and its committees, discharged their duties effectively and that each was making a valuable contribution to the leadership of the Company for the benefit of all shareholders.

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.

### **Management appointments and succession planning**

In August 2022, the committee considered and reported to the Board on the appointment of Sarah Clements as the new Group General Counsel, with effect from November 21, 2022, replacing Chris Haynes. The Committee also considered the appointment of Julio Rodriguez as Interim Strategy Director to replace David Podolsky who left his role as Chief Strategy Officer on November 1, 2022 with Nicholas Cadbury taking on the role of Interim Chair of IAG Cargo.

Following the annual review completed in September 2021, the committee had an update on talent development and succession planning at its May 2022 meeting.

As planned, the committee then completed, at its September 2022 meeting, its annual in-depth review of the Company's plans regarding talent and leadership extending until 2025, together with relevant key performance indicators and agreed targets. The Group's approach to succession planning was also discussed at this meeting, as well as the actions completed since the last review and actions planned to further improve talent pipelines.

### **Diversity**

Following the approval by the Board of a new Group Diversity, Equity and Inclusion Policy in July 2022, the committee considered and approved, in September 2022, the amendment of the Directors Selection and Diversity Policy, aiming to: (i) adjust the policy to its new scope of application, given that there is now a general policy on diversity in the Group, (ii) updating its content to the most recent Spanish and UK governance standards and best practices; and (iii) incorporating the latest diversity targets agreed by the Group. The IAG Directors Selection and Diversity Policy is available on IAG's corporate website.

This policy sets out the principles that govern the director's selection process and the approach to diversity on the Board of Directors, and it is aligned and complements the Group Equity, Diversity and Inclusion Policy, which sets out a broader commitment to promoting and upholding equity, diversity and inclusion throughout all of the Group's business activities. This Policy updates the Board's diversity objectives by establishing that the IAG Board aspires to maintain a balance so that: (i) at least 40 per cent of the members of the IAG Board of Directors are women; (ii) at least one of the Chair and Senior Independent Director roles on the Board or the Chief Executive and Chief Financial Officer roles is occupied by a woman; and (iii) at least one member of the Board is from an ethnic minority background.

The procedure for the appointment of directors follows the principles established in the Directors Selection and Diversity Policy. As recommended by the Spanish Good Governance Code, the Nominations Committee reviews compliance with this policy on an annual basis. This review was completed in January 2023.

When considering director appointments, the committee follows a formal, rigorous and transparent procedure, designed to preserve this diversity value in its broader sense, while ensuring that any appointment is made on merit, and considering 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. When conducting a search, the Company intends only to engage search firms which have signed up to the latest UK Voluntary Code of Conduct for Executive Search Firms (or its international equivalent). Additionally, the Nominations Committee ensures that Board appointment 'long list' provided in the search process are inclusive according to the widest definition of diversity.

Female directors currently represent 45 per cent of the Board of Directors and 63 per cent of the independent non-executive directors (including the Chairman). In addition to this, three of the four Board advisory committees are chaired by women and the Senior Independent Director position is occupied by a woman. From an ethnic diversity perspective, the IAG Board has met the UK Parker Review objective, to have one director from a minority ethnic group.

The Board and the Nominations Committee are committed to improving diversity, and gender diversity across the Group, and encourages and supports management actions in this regard. The committee has agreed to maintain its focus on diversity and inclusion as a priority for 2023. The Group has launched a new diversity and inclusion framework and strategy and the Group airlines have implemented a range of initiatives to support diversity and inclusion. In line with this, IAG has a target of 40 per cent women in senior executive positions by 2025. At the end of 2022, IAG had 34 per cent of women in senior leadership roles, up from 33 per cent in 2021.

Further explanations of the steps that IAG is taking to promote diversity and inclusion across the Group is set out in the 'Diversity, inclusion and equality' section of the sustainability report.

#### **The Committee annual evaluation**

The annual performance evaluation of the Board and its committees was externally facilitated, following internal reviews in 2020 and 2021.

The evaluation concluded that the committee operated effectively during the year. The committee continues to maintain as a priority its focus on management succession planning, including talent retention and development, as well as diversity and inclusion, as these are two complex matters where changes are generated over the medium and long-term.

# Report of the Safety, Environment and Corporate Responsibility Committee

## Dear Shareholder

On behalf of the Safety, Environment and Corporate Responsibility ('SECR') Committee, I am pleased to present the SECR Committee Report for the year ended December 31, 2022.

This report marks the first full year of the committee in operation under its new remit, and to ensure we were able to fully support the increased responsibilities of the committee, we held two extra sessions in addition to the four that were originally planned.

Under its new remit, this committee was established to support the Board by providing guidance and direction on IAG's sustainability and corporate responsibility ambitions. We are particularly delighted that IAG's leadership was recognised in December 2022 by the Carbon Disclosure Project (CDP) as the only European airline company (and one of only two globally) to receive an A grade in their annual rankings. These ratings analyse corporate transparency and action on climate change - requiring companies to demonstrate robust targets, reporting and action across all elements of their businesses. We are also proud to be the first airline group to include a dedicated sustainability category in our business accelerator programme.

We recognise that the issues we address within this committee are of great importance to many of our stakeholders, including those of our investors. In May 2022, IAG held a one-day event on ESG for investors and analysts in London, with online attendance provided too. This allowed us to set out a comprehensive overview of the Group's sustainability strategy, including our initiatives on sustainable aviation fuels and new technologies that are helping to decarbonise aviation, as well as our strategy regarding diversity and inclusion. This was the first ESG-specific event hosted by a major European airline.

A separate session of the committee was also held during the year to review the supply chain sustainability programme, with a particular focus on understanding Scope 3 emissions. IAG was the first aviation group to extend its Net Zero commitment to 2050 to Scope 3 emissions, and to a 20 per cent reduction in net Scope 3 emissions by 2030. The review included the supplier engagement programme, which received an "A" rating



**Nicola Shaw**  
Safety, Environment and Corporate Responsibility Committee Chair

### Committee members

	Date appointed
Nicola Shaw (Chair)	February 25, 2021
Giles Agutter	February 25, 2021
Emilio Saracho	February 25, 2021
Robin Phillips	February 25, 2021
Maurice Lam	June 17, 2021

within the CDP assessment in 2021, putting IAG in the top five per cent of companies who got a supplier engagement rating and one of only two airline groups globally. During this session, we also considered the external review of the Group's supply chain sustainability carried out by Ecovadis.

Finally, the committee continue its work monitoring the safety performance of IAG's airline companies, as well as the systems and resources dedicated to safety activities across the Group.

It is always important to highlight that safety and security responsibility lies with each Group airline in accordance with its applicable standards, its own culture and the circumstances and characteristics of each business. In accordance with this, IAG's SECR Committee exercises a high-level overview of safety activities to ensure a minimum Group standard, but importantly it fosters the Group

homogenisation effort in safety reporting, the discussion of common issues and the sharing of best-practices between Group airlines.

As I mentioned in last year's report, it is fundamental to our ambition that we do business in the right way, which is why sustainability is at the heart of our strategy. This was our first full year and therefore whilst we didn't have a formal review of the performance of the committee, we did fully discuss the work programme and agreed to continue to engage with external parties including those with expertise in the various components of our remit to continue to enhance our work. I am delighted with the progress that has been made in the past year and look forward to continuing our work in 2023.

**Nicola Shaw**  
Safety, Environment and Corporate Responsibility Committee Chair

### **The Safety, Environment, and Corporate Responsibility Committee**

The committee's composition, competencies and operating rules are regulated by article 33 of the Board Regulations as well as the Regulations of the SECR Committee, as approved by the Board on February 25, 2021. A copy of the Board and the SECR Committee Regulations can be found on the Company's website.

The committee is made up of no fewer than three directors appointed by the Board, with the necessary dedication, capacity and experience. All the members of the committee shall be non-executive directors with the majority of them being independent directors.

In addition to the Secretary and Deputy Secretary, regular attendees at committee meetings included the Chairman, the Group Chief Executive and the Chief People, Corporate Affairs and Sustainability Officer. Senior managers with responsibility for safety matters and others in charge of different sustainability areas were invited to attend specific agenda items as required and when relevant.

#### **The committee's role and responsibilities**

The committee's role is to support and advise the Board in matters relating to safety, environment and corporate responsibility. Responsibility for safety matters belongs to the Group's airlines. IAG, through this 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. In the areas of environment and corporate responsibility, the SECR Committee provides a governance forum for non-executive directors to exercise specific oversight, challenge and support to senior management in shaping the Group's sustainability strategy, policies and targets, buttressing IAG's vision to be the world's leading airline group on sustainability.

According to its regulations, the SECR Committee's remit includes:

- 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 review the Group's strategy and policies on social and environmental sustainability
- to evaluate that the Company's environment and social practices are in accordance with the established strategy and policies
- to evaluate the effectiveness of the Company's environment and social policies, to confirm that they are fulfilling its mission to promote the corporate interest and catering for, as appropriate, the legitimate interests of its stakeholders
- to review the Group's global environment and climate risk mitigation strategy, the implementation of sustainability programmes and any climate related financial disclosure
- to review the content of the non-financial information statement or sustainability report
- to monitor and evaluate the Company's interaction with its stakeholder groups, including the workforce
- to review the principal environmental, social and reputational risks
- to review the general diversity and inclusion policies

#### **The committee's activities during the year**

During 2022, the committee held six meetings. Directors' attendance at these meetings is detailed in the Corporate Governance report.

Considering that this was the first full year of operation of this committee under its new remit, the committee decided to schedule two additional meetings to the four initially planned in order to reinforce its focus and support on environmental and corporate responsibility matters. In accordance with this at its first meeting in

2022, the committee confirmed its plan of activities and focused on the following during the year:

- safety reports of the Group airlines with regular reviews provided by each airline;
- review of requirements and safety procedures in relation to lithium batteries;
- overview of sustainability trends;
- Group sustainability strategy and policies review;
- Non-financial information statement and other sustainability reporting, including review of compliance and key metrics;
- Update on IAG ESG Day;
- supply chain programme review;
- Hangar 51 Planet programme review;
- ESG management incentives;
- environmental, social and reputational risk review;
- low carbon update, including sustainable aviation fuels and hydrogen projects;
- IAG waste strategy, performance indicators and benchmarking;
- stakeholder engagement review;
- regulatory updates, including update on 41<sup>st</sup> ICAO General Assembly, Diversity; Equity & Inclusion Policy review; and
- review of the annual update to the Group Modern Slavery Statement.

#### **Safety**

Key topics discussed for each airline under their regular safety review include information on safety risk management, safety culture, operational risks, occupational injury risks, as well as reported data on aircraft damage. In addition to this, the committee considered some specific topics, including the Group airlines preparatory work for the transition to new rules regarding Continuing Airworthiness Management Organisation (CAMO) or the existing framework and practices regarding lithium batteries.

As part of its ongoing activity, the committee reviewed the relevant areas of each operating company's performance across the Safety Risk Management activities, recognising and fostering cooperation and sharing of best practices among the Group airlines.

### **Market trends and EU and national ESG consultations.**

The committee has been regularly updated on any upcoming ESG policy consultations at international, EU or national level, including the Group's positioning and actions intended in each of them. This year this included, among others, the UK ETS consultation, the EU 'Fit for 55' and the UK 'Jet Zero Strategy' consultations.

The committee was also updated on the 41<sup>st</sup> ICAO General Assembly held in October 2022, which IAG actively supported through IATA and member states.

### **Hangar 51 sustainability programme**

At its meeting held on March 29, the committee considered the sustainability projects within Hangar 51, the innovation platform of the Group, which include the different aerospace technologies being monitored and their potential sustainability impact. In addition to this, key initiatives to support and accelerate pathways for nascent climate technologies for aviation, were presented to the committee.

### **Supply chain programme**

In 2022, the Committee considered sustainability matters linked to the Group supply change, including the review of IAG's annual Modern Slavery Statement, which was submitted for approval to the Board in July 2022. The meeting held in March included the review of the supply chain sustainability programme launched by IAG GBS to support the Group's vision to be the world's leading airline group on sustainability. The committee was updated on the assessment of the Group supply chain sustainability, including environment, labour and human rights, and ethics, being carried out with EcoVadis, a market-leading provider of business sustainability ratings. Additional detail is provided as part of the Stakeholder section.

### **Corporate responsibility policies**

In 2022, the committee reviewed the IAG corporate responsibility model and policies framework, and approved a new Group Environmental Sustainability Policy as well as the Group Diversity, Equity and Inclusion Policy. Both policies are available on the IAG's corporate website.

The Environmental Sustainability Policy establishes in a public manner IAG's commitments and stated positions on material environmental issues, including the Group's nine strategic sustainability objectives and its climate, noise and waste targets. The Diversity, Equity and Inclusion Policy reaffirms and expands upon IAG's commitment to diversity and inclusion within IAG's purpose, including implementation measures and its scope and breach regime. Further explanations of the steps that IAG is taking to promote diversity and inclusion across the Group is set out in the 'Diversity, Inclusion and Equity' section of the sustainability report.

### **Review of ESG ratings and relevant sustainability indexes and Group reporting**

At its July meeting, the committee was updated on the different IAG ESG ratings. The committee considered the situation of each one of them and the actions proposed to be addressed by management, with particular attention to the Carbon Disclosure Project (CDP), on which relevant disclosures were filed at the end of July. On December 13, 2022, IAG received an A grade in CDP's annual rankings.

### **The committee annual evaluation and priorities for 2023**

The annual performance evaluation of the Board and its committees was externally facilitated, following internal reviews in 2020 and 2021. The evaluation concluded that the Committee operated effectively during the year. This was the first full year of the committee operating, and it had addressed the issues identified in the previous year's internal review with respect to the meeting schedule and restructuring of its plan of activities.

Following the discussion on the external review undertaken in 2022, the committee agreed its priorities for 2023 as well as a number of training initiatives for its members.

# Report of the Audit and Compliance Committee

## Dear Shareholder

On behalf of the Board, I am pleased to present the 2022 report of the Audit and Compliance Committee, to provide you and other stakeholders with an overview of the role of the Committee, the key matters considered in 2022, as well as insight into how the Committee has discharged its responsibilities and provided assurance on the integrity of the 2022 Annual Report and Accounts (2022 ARA). This has included ensuring the 2022 ARA is aligned with the latest requirements and guidance from the regulators and that financial information published by the Group properly meets the rapidly evolving needs of our stakeholders in a way that is fair, balanced and understandable. In addition, the Committee's fundamental priorities include ensuring the quality and effectiveness of the external and internal audit processes and monitoring the identification and management of the principal risks of the business.

The rapid recovery in travel demand and capacity in 2022 as we emerged from the COVID-19 pandemic brought unique and different challenges for both the aviation industry and the Group. The Committee anticipated and responded to these throughout 2022 and continued to apply an increased level of focus to the effect of this situation on our people, operations, IT processes, controls and financial integrity. The rapidly evolving political and economic uncertainty arising from not only the lifting of COVID-19 related restrictions, but also the Ukrainian crisis and inflationary and recessionary pressures has resulted in constant reassessment of risk and strategy to ensure these have been adequately assessed and reflected by management in forecast, strategy, going concern and viability assessments. In addition, digital security is fundamental to recovery, as is improved digital and IT processes and systems to facilitate the recovery and evolution of working practices and operational resilience.

Our great people have been the key to our ability to meet the significant recovery challenges. I would like to take this opportunity, on behalf of the Committee, to acknowledge and express our significant gratitude to management and all teams across the Group. We recognise recruiting and retaining the best people is more important than ever.



**Margaret Ewing**  
Audit and Compliance Committee Chair

<b>Committee members</b>	<b>Date appointed</b>
Margaret Ewing (Chair)	June 20, 2019
Peggy Bruzelius	December 31, 2020
Eva Castillo	December 31, 2020
Maurice Lam	June 17, 2021

Throughout 2022, I have continued to enjoy unfettered access to the senior leadership and their key team members and I have maintained a dialogue with all members of the Committee, management and the internal auditor. I have met with 'agenda topic owners' prior to Committee meetings, ensuring the Committee would be provided with the necessary information to enable it to guide, challenge, advise and, when required, make informed decisions. I also met regularly with the lead partners of our external auditor, KPMG and the Head of Group Audit, as part of our ongoing review of the effectiveness of the external and internal auditors. In addition, other Committee members have joined me in meetings with finance team representatives and management, to fully utilise their specialist areas of expertise in the preparation for Committee meetings.

The Committee held seven formal meetings during 2022 (compared to ten in 2021). The key items discussed by the Committee in discharging its oversight responsibilities and its areas of focus are set out in further detail in this report. The Committee has had clear oversight over management's efforts to recover and take advantage of the pent-up demand for travel particularly in respect of the significant operational, compliance and financial risks that could materially impact the Group's financial position and ability to execute and deliver its strategy. The intention of this report is to bring the activities of the Committee to life with relevant case studies to describe and demonstrate how the Committee reviewed and scrutinised the Group's financial results particularly in relation to the significant areas of discussion and challenge with management, the external auditor and internal auditor.

The Committee ensures the reliability of the Group’s financial reporting, and compliance with laws and regulations, through the internal control framework, including the mature Group-wide Internal Control over Financial Reporting (ICFR) and risk management frameworks. During the year, the Committee took the opportunity to refresh its understanding of the key compliance obligations (not only legal and corporate governance compliance, but all key external compliance obligations) and the oversight and assurance provided by the first, second and third lines of defence in place across the Group. This will help to ensure the Board and management are well placed to adopt future governance requirements, including the Audit and Assurance Policy, taking into account any implementation guidance issued by the Financial Reporting Council in the UK.

I am confident that, throughout 2022, we have ensured: the key challenges and risks faced by the Group were reflected in the external and internal audit plans; effective controls remained in place; rapidly changing principal and emerging risks were identified and effectively managed; ongoing compliance with all regulatory and legal obligations; and sound financial judgements and estimates continued to be made. The external evaluation of the Committee’s effectiveness during 2022 supported this conclusion. The evaluation findings, which were shared with the Board, indicated that the Committee continued to perform very effectively and had addressed its key priorities and action plan for 2022. In addition, to address the findings of this year’s evaluation, I implemented changes to the structure and operation of meetings to maximise time for question and challenge from the Committee members. These changes have been well received by both the Committee and management.

I hope that you find this report informative and can continue to take assurance from the work undertaken by the Committee during 2022 and planned for 2023. The Committee seeks to respond to shareholders’ and other stakeholders’ expectations in our reporting. I welcome feedback on this Committee report or other related issues and an opportunity to meet with investors during 2023.

**Margaret Ewing**  
Audit and Compliance Committee Chair

## The Audit and Compliance Committee

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

### The Committee’s composition, competencies and attendance

Detailed biographies of all Committee members are included in this Annual Report. The Board is satisfied that the Committee has retained competence relevant to its overall responsibilities, including possessing a wide range of financial, audit, risk management and relevant sector and business experience amongst its members, providing the right mix of skills and experience to provide constructive challenge and support to management. Consistent with 2021, the Board has determined that Margaret Ewing and Maurice Lam have recent and relevant financial experience and the Board, through the Nominations Committee, will continue to review the Committee’s membership to ensure the skills and experience of its members align with the business as it develops.

In addition to the Secretary and Deputy Secretary, regular attendees at Committee meetings included the Chairman, the Head of Group Audit (who reports functionally to the Chair of the Committee) and representatives from the external auditor. Members of the Management Committee, 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.

A private session of the Committee members was held at the end of each Committee meeting and during the year the Committee met privately on a number of occasions with each of the external and internal auditor and the Group Chief Financial Officer.

### The Committee’s responsibilities and activities

The Committee’s principal responsibilities are to oversee and provide assurance to the Board on the integrity and quality of financial reporting, effectiveness of audit arrangements and robustness and effective operation of internal controls, compliance and risk management processes and fraud prevention and detection. The Committee meeting agendas are tailored to ensure emerging topics are included and to allow for ad hoc discussion and reviews. A summary of the Committee’s activities relating to the 2022 Annual Report and Accounts and until the date of this report is detailed below.



Area of Committee focus	Activities
<b>Financial reporting</b>	<ul style="list-style-type: none"> <li>• reviewing, challenging and considering the external auditor's views on significant accounting estimates, judgements and accounting policies applied in the financial statements of the Group and related reporting and disclosures;</li> <li>• reviewing the financial statements and announcements of the Group to ensure integrity; and</li> <li>• consideration of the process for confirming and recommending to the Board that the 2022 Annual Report and Accounts is fair, balanced and understandable.</li> </ul>
<b>External auditor</b>	<ul style="list-style-type: none"> <li>• oversight of the external auditor focusing on audit quality, effectiveness, independence and objectivity to ensure the rigour and challenge of the audit process is maintained. Specific activities undertaken by the Committee to oversee the relationship with KPMG and the audit process are included in this report.</li> </ul>
<b>Internal auditor</b>	<ul style="list-style-type: none"> <li>• oversight of the internal auditor focusing on the appropriateness of the internal audit skills and resourcing, approving the audit plan, reviewing audit results, monitoring implementation of audit recommendations and ensuring the independence of the internal audit team. Specific activities undertaken by the Committee with regard to internal audit are included in this report.</li> </ul>
<b>Internal Control over Financial Reporting (ICFR)</b>	<ul style="list-style-type: none"> <li>• consideration and challenge of management's analysis of risks in financial reporting, identification of key financial controls and documentation of accounting processes;</li> <li>• monitoring the internal controls procedures adopted by the Company, to oversee compliance with them; and</li> <li>• reviewing the results of the internal audits of ICFR, consideration of the external auditor's findings and conclusions on this matter and tracking the progress of implementation of internal and external ICFR audit recommendations.</li> </ul>
<b>Enterprise risk management</b>	<ul style="list-style-type: none"> <li>• reviewing the principal and emerging risks facing the Group, including gaining assurance as to the effectiveness of the internal control system, mitigations, and risk management process;</li> <li>• reviewing the performance of the Group against its existing risk appetite and confirming management's assessment that the Group has applied appropriate mitigations or other effective controls to ensure that the Group has operated within (or agreed) risk appetite throughout the period;</li> <li>• reviewing the approach adopted by the Board in defining the Group's risk appetite in light of the changing environment in which the Group operates;</li> <li>• reviewing the Group's fraud risk assessment and design of the internal control framework to prevent and detect fraud, including consideration of the key controls and assurance activities provided across the Group in relation to financial and non-financial fraud risk;</li> <li>• overseeing treasury risk management, including reviewing the Group's fuel and foreign exchange hedging policies, positions and financial counterparty exposure, compliance with the Group's treasury and financial risk management policies and consideration of the implications of the approved fuel hedging profile, given the recovery in demand and significant volatility in fuel prices, and ensuring its continued appropriateness in managing these risks; and</li> <li>• overseeing tax risk management, in an environment of increased challenge, investigation and audit by tax authorities across the globe, and considering the tax strategy before recommending to the Board for approval and publishing on the IAG website.</li> </ul>
<b>Legal and compliance</b>	<ul style="list-style-type: none"> <li>• reviewing the Group's anti-bribery, sanctions, competition, privacy and Spanish Criminal Code compliance programmes including the latest related risk heat maps, regulatory developments, issues identified during the year, the key programme activities during 2022 and priorities for 2023;</li> <li>• reviewing, on behalf of the Board, the Group's independent third party-facilitated whistleblowing procedures and the annual report from the Group's General Counsel on: communication and awareness (plus trust in) the Group's whistleblowing facilities; incidents reported via the whistleblowing channels, by category and nature; any emerging themes or trends; timeliness and responsibility for follow-up; and investigations and actions taken to address substantiated reports; and</li> <li>• consideration of litigation status reports from the General Counsel including the status of remaining and potential civil litigation actions (see note 33 to the financial statements).</li> </ul>

Area of Committee focus	Activities
<b>IT, cybercrime and GDPR</b>	<ul style="list-style-type: none"> <li>reviewing and monitoring key cyber security and data privacy management improvement projects including visibility of trend analysis and benchmarking external data to better understand the Group's progress and improvement plans.</li> </ul>
<b>Non-Financial Information</b>	<ul style="list-style-type: none"> <li>reviewing the processes and integrity of information provided in the Group's Consolidated Statement of Non-Financial Information in compliance with Law 11/2018, including information on environmental, social, employee, and human rights-related matters and receiving the external auditor's assurance report and conclusions; and</li> <li>reviewing the integrity of the reporting and data in respect of the Group's longer-term sustainability and climate-related risks and opportunities, including the Group's alignment with the provisions of the TCFD process, and the appropriate reflection of the implications of climate change in the Group's strategy, financial statements and financial and cash flow forecasts.</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>reviewing the Group's insurance position, including general insurance arrangements and directors' and officers' liability insurance, and reporting to the Board on the adequacy and appropriateness of the cover with regards to the Group's relevant principal and emerging risks (recognising that not all risks are of an insurable nature).</li> </ul>
<b>Investor relations</b>	<ul style="list-style-type: none"> <li>reviewing management's summary and analysis of the Group's investor/analyst views regarding accounting policies, risks and disclosures to ensure that investor views are taken into account where required; and</li> <li>considering investors' and analysts' views (plus those of other external informed commentators) on the future outlook for the Group to ensure the scenarios and assumptions applied in the Group's viability review are not misaligned with external projections.</li> </ul>
<b>Governance and other matters</b>	<ul style="list-style-type: none"> <li>reviewing and recommending to the Board the adoption of amendments to relevant policies; and</li> <li>considering and planning for the implications for the Group of both the European Commission's consultation "Corporate reporting – improving its quality and enforcement" as well as the UK Government's proposals regarding audit and corporate governance reforms as the UK consultations progress towards implementation.</li> </ul>

**Significant financial reporting matters considered by the Audit and Compliance Committee**

The Committee takes account of significant issues and risks, including strategic, business and operating, financial, compliance and regulatory, that may materially impact the integrity and accuracy of the quarterly financial results announcements or the 2022 Annual Report and Accounts.

The Committee has also sought to ensure that the Group's reporting is aligned with the latest guidance and requirements from regulators, that it is fair, balanced and understandable and that all matters disclosed and reported upon meet the rapidly evolving needs of the Group's stakeholders.

The significant accounting judgements, estimates, accounting policies and issues considered by the Committee in relation to the Annual Report and Accounts for the year to December 31, 2022 (including those considered as significant audit issues

by the external auditor and described in the Independent Auditor's Report) are set out in the table below. After robust further consideration, challenge and debate, there are no topics where the conclusion resulted in significant disagreement between management, the external auditor and the Committee, or unresolved issues that needed to be referred to the Board.

Matter	Action taken by the Committee and outcome/future actions
<b>Viability and going concern assessments</b>	<p>Throughout the year and in finalising the 2022 Annual Report and Accounts the Committee has continued to consider and robustly challenge management's going concern review and viability assessment, including the supporting analysis.</p> <p>The Committee was reassured that management's assessment in 2022 continued the enhanced level of rigour applied in 2021, reflecting the continued and evolving volatility in the external environment. This included a review of critical estimation assumptions and judgements applied in relation to cash flow forecasts over the short, medium and long-term, including the implications of climate change where they impacted the reference period. Many of the assumptions and judgement are based on events outside of the Group's control including the political and economic influences such as the Russian invasion of Ukraine, volatile fuel prices and increasing inflation and interest rates.</p> <p>The Viability statement section of this Annual Report provides details of the Base Case and Downside Case applied in assessing the appropriateness of the Board's viability statement and application of the going concern basis of accounting. The Committee provided robust challenge of the assumptions applied in management's Base Case and Downside Case projections (ensuring that the Downside Case reflected appropriately severe but plausible assumptions) and reviewed the external auditor's findings and conclusions on this matter. The Committee also challenged management as to whether the continued use of the 'material uncertainty' statement in respect of going concern was appropriate for the 2022 half-year interim results given the level of recovery. As a result of this challenge, management removed the 'material uncertainty' statement in respect of going concern and viability for both the 2022 half-year interim results and 2022 Annual Report and Accounts.</p> <p>The Committee recommended the viability and going concern statements and related disclosures to the Board for inclusion in the 2022 half-year interim results announcement and the 2022 Annual Report and Accounts.</p>
<b>Investment in Air Europa</b>	<p>In July, the Committee considered the valuation and accounting of the €100 million convertible loan provided to Globalia including extensive challenge of the valuation approach. Following this challenge and consideration of external advice from valuations experts, the Committee concluded that the approach adopted by management was acceptable.</p> <p>The Committee also considered management's accounting for the Group's 20 per cent investment in Air Europa following the conversion of the €100 million loan into a 20 per cent shareholding.</p> <p>Management recommended that the Group would account for the investment as an equity investment and not as an associate following its assessment that the Group does not have significant influence over Air Europa. The Committee agreed with management's recommendation and was satisfied that sufficient independent advice had been sought to assist in determining a fair value of the investment which included the use of both discounted cash flow models and multiples derived from recent airline M&amp;A transactions.</p>
<b>Loyalty revenue recognition</b>	<p>The Committee focused on the impact of the recovery from the pandemic on the breakage and assumptions driving loyalty revenue recognition. Management concluded that a series of adjustments to the output from the statistical modelling were required to take into account the impact of the level of flight operations and redemption compared to pre-pandemic behaviour. These adjustments consider behavioural patterns of customers and the launch of certain key redemption products which are not yet reflected in the historical data used by the statistical model. The Committee is satisfied that the estimates relating to loyalty revenue recognition are appropriately supported by reasonable management assumptions and those of an independent expert third party and in particular appropriately reflect behavioural data. The Committee also considered the conclusions of the external auditor, who had identified loyalty revenue recognition as a Key Audit Matter.</p>
<b>Voucher revenue recognition</b>	<p>The Committee received an update on management's assumptions in relation to revenue recognition as a result of voucher breakage. Management's approach remains unchanged from December 31, 2021 and 2020, and the Group continues to not apply breakage to the overall voucher liability due to the limited historical data in relation to the vouchers that will expire before they are redeemed. The Committee agrees with management's assessment that breakage cannot be reliably estimated and that there will not be a significant reversal of revenue in future periods if breakage was recorded during 2022. The Committee also recognised that as vouchers begin to contractually expire in 2023 and management may possibly take action to encourage voucher holders to utilise their vouchers before they expire, the Group will have more data upon which to estimate and recognise breakage on unredeemed vouchers during 2023.</p>
<b>Impact of interest rates and inflation</b>	<p>The Committee considered management's updated approach to the accounting for the current market volatility of high interest and inflation rates. The Committee was satisfied with the enhancements made by management in the accounting for long-term provisions, including maintenance and employee liabilities, as well as the use of external experts to determine the discount rate to apply for impairment testing. The Committee agreed with the enhanced disclosures pertaining to the sensitivities to both interest and inflation rates for maintenance provisions included as a significant estimate in the Annual report and accounts.</p>

**Other significant matters considered**

Highlights of other key matters that the Committee considered are explained below.

Matter	Action taken by the Committee and outcome/future actions
<b>Fraud procedures</b>	<p>The fraud risk profile of the Group evolved rapidly as the business recovered during 2022 including the impact of changing work practices, restructuring and level of business operations.</p> <p>The Committee reviewed management's report on the Group's fraud prevention framework, including the annual fraud risk assessment as well as the key controls and lines of defence in place to prevent and detect fraud. The Committee noted good alignment between the risk assessment, the assurance map, including lines of defence, and was satisfied that the approved internal audit plan covered the key financial reporting anti-fraud controls as well as audits targeted at specific fraud risk across the Group during this period.</p> <p>On behalf of the Board, the Committee will continue to monitor fraud and internal controls carefully, including consideration of the views of the external auditor, the results of the annual ICFR audits and the results of a series of focused anti-fraud control internal audits.</p>
<b>Interest rate and fuel hedging policy</b>	<p>The Committee reviewed management's approach to both interest rate and fuel hedging strategy in 2022 given the revisions that were made to the policies in 2021 as a result of COVID-19 related market volatility and the market recovery. The Committee agreed with management that the continuation of the revised fuel hedging policy was appropriate as it provided the necessary flexibility in terms of tenor, instrument selection and range of protection, to suitably manage the Group's fuel price risk as a result of the volatility arising from the war in Ukraine and the recovery from the pandemic. In addition, the Committee considered the Group's review of the Interest Rate Risk policies and agreed that no significant change was required given alignment of the policy with peers. The Committee will continue to oversee management's monitoring of the ongoing applicability of the policies as the recovery progresses.</p>
<b>CNMV Letter</b>	<p>In October 2022 the Company received a letter from the Director of the Departamento de Informes Financieros y Corporativos of the CNMV, requesting certain information and clarifications relating to accounting matters and disclosures in the Group's 2021 Annual Report and Accounts, 2022 condensed consolidated interim financial statements announcement and 2021 non-financial information statement.</p> <p>The Committee reviewed and concurred with management's responses, which amongst others, agreed to enhance the disclosures relating to the impact of climate change on the financial position of the Company. The CNMV has accepted IAG's response and proposals.</p>
<b>Corporate governance and audit reform</b>	<p>The Committee and management are closely monitoring developments and ongoing consultations with the UK Department for Business and Trade (BAT) and the UK's Financial Reporting Council (FRC) in relation to the UK Government's proposals released in May 2022 following on from the BAT open consultation in relation to the UK Government's white paper "Restoring trust in audit and corporate governance: proposals on reforms".</p> <p>During the year, the Committee took the opportunity to ask management to refresh the mapping of key laws, regulations and other external compliance obligations for the Group and each operating company to the first, second and third lines of defence in place across the Group to confirm the Committee's understanding and ensure we are well placed to adopt future governance requirements, including the proposed Audit and Assurance Policy. The Committee believes management is well placed to adopt the provisions once the requirements and guidance are finalised through the UK Corporate Governance Code and UK legislation and, in May 2023, will be reviewing the status of these reforms and management's and the Committee's plans to ensure full compliance in accordance with the regulatory and legal timetable.</p>

Matter	Action taken by the Committee and outcome/future actions
<b>Non-financial information and environment</b>	<p>In conjunction with the Safety, Environment and Corporate Responsibility Committee, the Committee plays a key role in the governance of regulatory reporting requirements in respect of non-financial information, particularly those related to workforce data and climate-related risks and opportunities. The Committee has improved the communication and coordination with the IAG SECR Committee to ensure the correct level of focus on the integrity of the data, effectiveness of relevant controls, and balance of the narrative supporting each data point disclosed. During 2022, management has continued improving the processes and controls to obtain reliable data and, at the request of the Committee, two internal audits were performed over the improved controls on key sources of non-financial information. The Committee has requested that additional non-financial information process and control internal audits are undertaken in 2023, as well as gaining improved clarity on the sources of assurance and review of aspects of the Group's sustainability reporting provided by a range of external parties.</p> <p>In ensuring climate change and other matters related to ESG had been considered and disclosed by the Group, with supporting evidence and balance, the Committee continued to receive regular updates in relation to the statements on non-financial information and diversity (prepared in compliance with the requirements of Law 11/2018) as well as management's demonstration of close alignment with key sustainability frameworks, including TCFD.</p> <p>The Committee considered the financial modelling regarding the Group's various climate commitments and which of the underlying assumptions had been incorporated into financial reporting, as well as those that had been excluded. The Committee observed that for financial reporting purposes management has incorporated assumptions out to 2030, after which the modelling of assumptions and their interconnectivity becomes too uncertain to incorporate into the modelling, an approach which the Committee endorsed. The Committee also reviewed the enhanced disclosures relating to the impact of climate change on financial reporting and challenged the granularity of such disclosure. The Committee also considered the limited assurance reports from KPMG on the Group's non-financial information, including TCFD compliance and EU taxonomy.</p>
<b>Risk appetite framework</b>	<p>In 2021, the Committee challenged management as to the ongoing appropriateness of the approach adopted by the Board (supported by management) in setting the Group's risk appetite framework and tolerance. During 2022, in advance of consideration and approval by the Board, the Committee considered management's proposals for a more pertinent approach to determining the risk appetite framework (reflecting the operating environment for the Group, both current and over the next three years) and agreed with the implementation of a revised framework in 2023. The new framework will allow the tolerances to be set more dynamically across the business plan period and will also enable consideration of trade-offs to facilitate prioritisation of initiatives to manage opportunities and risk within the defined appetite tolerances. The Committee is satisfied that the new framework is aligned to the Group strategy approved by the Board in 2022 and recommended adoption of the new framework to the Board for approval. During 2023, the new risk appetite framework will be reviewed as part of the Board's annual strategy meeting to ensure continuing alignment between strategy and risk appetite.</p>
<b>Compliance</b>	<p>The Committee reviewed and approved a series of revised compliance policies including the Group Speak Up policy and the creation of a standalone Group Anti-bribery and Corruption policy. In addition, the Committee was very supportive of management's implementation of a new single Group-wide whistleblower system bringing benefits to the Group arising from a consistent system and process including the opportunity for improved consistent communication of the policy, process and system, revision of existing training programmes and the update of the IAG Code of Conduct and IAG Supplier Code of Conduct.</p>
<b>Class 1 Circular</b>	<p>The Committee oversaw management's preparation of the Fleet Class 1 circular (the circular) including the working capital statement and profit forecast in advance of the October 2022 Extraordinary Shareholders' Meeting to approve the proposed purchase of 50 Boeing 737 (with 100 additional options to purchase Boeing 737s) and 37 Airbus A320neo family aircraft. The Committee reviewed the circular in detail, received an in-depth briefing (including a detailed written report) from KPMG in their capacity as reporting accountants as well as management's assessment of working capital. The Committee was satisfied that management's assessment, including a downside case with sensitivities representing a plausible worst-case scenario, was sufficiently robust to support the working capital statements made in the circular.</p>

The Committee will continue to receive regular updates on all the above matters in 2023, other than in respect of the Class 1 Circular which was only relevant to 2022.

### Internal Control over Financial Reporting

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 Officer and the supervision of the effectiveness of these controls to the Audit and Compliance Committee.

The Group’s ICFR monitoring and auditing is mature and well embedded across the Group covering processes applied by the Company, Aer Lingus, British Airways, IAG GBS, IAG Loyalty, Iberia and Vueling, and processes performed by IAG GBS and IAG Cargo on behalf of the operating companies. This enables the Committee to evaluate and oversee IAG’s management of financial reporting risk and to validate the Group’s approach to complying with the CNMV’s ICFR recommendations.

In 2022, the Committee reviewed the results of the internal audits and external audit of ICFR (which included IT general controls). Despite the significant recovery in operating conditions in 2022, no material or significant weaknesses that would impact the integrity of the financial statements were identified, and management continued to improve the control environment across the Group. The Committee also tracked the progress of internal audit recommendations to address any weaknesses identified. The number of weaknesses with mitigating controls has marginally increased. The Committee were satisfied that these had no financial consequences on IAG.

### Internal audit

The Committee’s activities during 2022 in relation to the Internal Audit function included:

- reviewing and agreeing the internal audit 2022 plan and 2023 first six months plan (including resourcing and budget to appoint appropriate external specialist resource and recruit additional permanent resource when required to ensure the function is appropriately resourced to provide the required level of assurance over the principal risks, processes and controls throughout the Group) and amendments to the 2022 plan (as the internal auditor responded to the impact of the recovery from the pandemic on the Group). This included ensuring the 2022 plan continued to focus on fraud risk while also ensuring coverage of specific risks, including cyber security, and satisfying ICFR and Spanish Criminal Code requirements;
- reviewing key audit conclusions, discussing the quality and timeliness of management’s responses, monitoring the resolution of issues raised and requesting additional audit review of certain weaknesses or concerns identified by internal audit, post management action to remediate;
- holding regular meetings during the year between the Committee, the Head of Group Audit and the external audit partner as well as ensuring the Head of Group Audit feels able to raise any concerns informally and directly with the Chair of the Committee;

- monitoring and protecting internal audit’s independence and standing within the Group, ensuring its ability to influence and engage at the most senior levels across IAG and all operating companies and functions and is closely involved in the Group’s discussions on risk;
- performing an effectiveness survey with key stakeholders in December 2022; and
- monitoring internal audit’s implementation of improvement opportunities identified in the 2021 independent effectiveness review conducted by Deloitte UK.

The Committee is satisfied that delivery of the approved internal audit strategy and plan is providing timely and appropriate assurance on the effectiveness of controls in place to successfully and effectively manage aspects of the Group’s relevant principal risks (i.e. those that are capable of being subject to an audit review).

## External audit

### External auditor key information

Last tender	2019 – January 2020
Transition year	2020
AGM Approval of current auditor (for three years to December 31)	September 2020
First audited Annual Report	Year to December 31, 2021
Next audit tender required by regulations	For appointment effective for year to December 31, 2031

The Committee engaged throughout the year with KPMG, with the engagement partners attending all Committee meetings. The Committee Chair met frequently with the Group and lead audit partners throughout the year to review Group developments, audit progress, their planned reporting and audit findings. The Committee's key activities in relation to its interaction with KPMG included:

- review of KPMG's second year audit arrangements and plan and overseeing progress throughout 2022;
- approval of the 2022 external audit plan and strategy including consideration of scope, approach and methodology, emerging industry and Group-specific audit risks and materiality. Monitoring the audit plan's implementation, including receiving regular reports from KPMG progress against plan on key judgements, audit matters and any significant weaknesses detected in the internal control environment;
- discussion, prior to recommendation of the financial statements to the Board for approval, of the audit findings, including audit differences, and observations on internal controls, operations and resources. This included challenging the auditors on their conclusions regarding voucher revenue recognition discussed in significant financial reporting matters.
- performing an assessment of the effectiveness and independence of KPMG, including the quality of the 2022 audit (throughout the year), implementation of improvement opportunities identified in the 2021 effectiveness assessment and reviewing and approving the fees and terms of reference; and

- reviewing and approving 2022 non-audit services expenditure against policy and previously determined limit guidance. Reviewing and approving non-audit services limit guidance and expectations for 2023.

### External audit scope, materiality and execution

The Committee discussed and agreed the scope of the audit with KPMG in September, having earlier in the year approved the auditor's interim review plan and prior to the commencement of the year end audit, ensuring that the audit strategy was robust and informed by the auditor's review of the interim financial statements for the six months to June 30, 2022 and assessment of the Group's key risks, particularly those that are significant to the audit. KPMG explained to the Committee the key tests that it intended performing on the identified higher-risk audit areas that could lead to material misstatement of the financial statements and significantly influenced the audit plan. The auditor and the Committee confirmed a shared understanding of these risks and key audit matters, including going concern and viability, the carrying value of tangible and intangible assets and how these were to be considered in the audit approach.

The auditor confirmed that 99 per cent (2021: 96 per cent) of the Group's forecast revenue and 95 per cent (2021: 90 per cent) of the Group's forecast total assets would be subject to a full scope audit and that specific scope procedures would be performed on IAG Loyalty. The Committee agreed, after challenging the external auditor as to whether such a high level of coverage was required, that the approach was appropriate and should provide the Board with a high level of assurance regarding the integrity of the financial statements and subsequently approved the audit plan, recognising that the plan would evolve as the year concluded to reflect any changes in circumstances or outlook.

The Committee agreed with KPMG, in considering the accuracy of financial reporting, the scale of accounting errors of lesser significance that were to be brought to the Committee's attention and the amounts that would need to be adjusted so that the financial statements give a true and fair view. The Committee acknowledged KPMG's continuing challenge in setting materiality given the rapidly recovering business activity combined with the impact of the political and economic outlook on the Group's revenues and profitability. The Committee agreed with the increase in planning materiality based on the forecast results for 2022, which the Committee and the auditors kept under review during the final quarter of 2022 and the final stages of the 2022 audit.

**External auditor quality and effectiveness**

The Committee is very focused on audit quality and effectiveness, which is reviewed on an ongoing basis to ensure the rigour and challenge of the external audit process is maintained. The Committee received regular updates from KPMG at all Committee meetings, enabling the Committee to assess and measure the quality of the audit through regularly monitoring the auditor's communications with management and the Committee, including discussion and challenge during Committee meetings, compliance with relevant regulatory, ethical and professional guidance and assess, on an ongoing basis, the audit team's qualifications, expertise, resources, partner performance and the effectiveness of the audit process. The Committee's assessment included, in addition to its own independent assessment, a survey as well as detailed discussion with key executives and finance staff, which demonstrated that, while the 2022 external audit was deemed to be effective, robust and of good quality, the implementation of the plan was not as smooth as it could be and there were some areas identified for improvement which have been reported to the Lead Engagement Partner. The Committee's independent assessment considered the overall quality of the audit, including whether the auditor exhibited an appropriate level of challenge and scepticism in its work and dealings with management and the independence of KPMG.

The Committee also assessed the depth of review and level of challenge provided by the external auditor over the significant accounting policies, judgements and estimates made by management. The Committee felt that KPMG challenged management robustly on key judgements and estimates, accounting treatments and disclosures for example in relation to loyalty programme revenue recognition where KPMG's challenge included an evaluation of the effectiveness of management's expert and modelling. The observations and conclusion of the Committee in respect of this matter are noted in this report above.

In addition to the annual evaluation and regular review of reports to the Committee and observations and feedback on the working practices of the KPMG audit team, the Committee undertook an ongoing assessment of external audit quality and effectiveness including, but not limited to, the following:

- the Committee oversaw formal terms of engagement with the auditor and, after significant challenge by management as to the composition and quantum of the proposed fee increase, agreed the audit fee. KPMG assured the Committee that despite a significant increase compared to both the 2020 and 2021 fee, the approved 2022 fee was at a level that was appropriate for the scope of the audit, to enable a quality audit to be undertaken and to allow for additional procedures in relation to the scope and new ISA's including ISA315r;
- reports from the external auditor were reviewed during all Committee meetings in 2022 and again in the February 2023 Committee meeting, covering: the conclusions of the review of the Group's results for the half year; audit planning updates; interim audit findings (including those of the review of the relevant key IT general controls); progress update for year-end matters; and final report for year-end matters;

- KPMG attended all Committee meetings during the year to answer any questions the Committee had outside of these formal updates;
- taking all aspects of the assessment throughout the year into consideration, the Committee concluded that it is satisfied that the KPMG audit was probing, challenging and robust and the approach provided a reliable audit opinion with a reasonable expectation of detecting material errors, irregularities and material fraud. The Committee considered the external audit to have been effective and of a high quality; and
- the Committee also thanked Mark Baillache, the lead audit partner, for his valuable guidance of the external audit during the first two difficult years for KPMG as auditor and his determination to deliver a high quality audit, and wished him a good retirement.

### External audit tender and transition

2021	2024	2025	2028/2029	2030
KPMG first year of audit following the appointment approved by shareholders in 2020 for 2021, 2022 and 2023 financial years	KPMG reappointment to be considered and approved by shareholders for year to December 31, 2024 and annually thereafter	Mandatory appointment of new external (KPMG) audit lead partner to sign off on the 2026 financial year	Competitive tender to take place (for application for the year to December 31, 2030) unless carried out earlier	To comply with the Spanish Act 22/2015, a competitive tender will be required for auditor appointment effective for the year to December 31, 2031

To comply with the Spanish Act 22/2015, the Committee conducted an audit tender process that concluded in January 2020. Following KPMG's appointment (by shareholders) as the external auditor of the Company in 2020 for the years 2021, 2022 and 2023, the Committee has reviewed and monitored the implementation of KPMG's transition and audit plans as well as the execution of these plans throughout 2022. The Committee will be required to consider and recommend to the Board the reappointment of KPMG from 2024.

### External auditor non-audit services and independence

Non-audit service spend in 2022 is within the total target maximum and was €862,000 with an additional €1,022,000 relating to work performed on a working capital and profit forecast review for the Class 1 Circular in connection with the fleet acquisition. The Committee concluded that KPMG is independent, taking into account the level and nature of non-audit services provided.

IAG non-audit services policy, key features

<b>Pre-approval</b>	All non-audit services require pre-approval in accordance with the table below to ensure services approved are consistent with the IAG non-audit services policy for permitted services. This process ensures all services fall within the scope of services permitted and pre-approved by the Committee and does not represent a delegation of authority for pre-approval.								
	<table border="1"> <thead> <tr> <th>Value</th> <th>Pre-approver</th> </tr> </thead> <tbody> <tr> <td>More than €100,000</td> <td>Audit and Compliance Committee Chair and CFO</td> </tr> <tr> <td>Between €30,000 and €100,000</td> <td>CFO and Head of Group Audit</td> </tr> <tr> <td>Less than €30,000</td> <td>Head of Group Audit</td> </tr> </tbody> </table>	Value	Pre-approver	More than €100,000	Audit and Compliance Committee Chair and CFO	Between €30,000 and €100,000	CFO and Head of Group Audit	Less than €30,000	Head of Group Audit
Value	Pre-approver								
More than €100,000	Audit and Compliance Committee Chair and CFO								
Between €30,000 and €100,000	CFO and Head of Group Audit								
Less than €30,000	Head of Group Audit								
<b>Fee Cap</b>	<p>The guideline amount is set to ensure the total fee payable for non-audit services should not exceed 70 per cent of the annual audit fee.</p> <p>The overall volume of work is addressed by a target annual maximum for 2022 of €1.7 million with an additional allowance of up to €1.3 million for large projects where the external auditor is uniquely placed to carry out the work.</p> <p>The Committee reviews the nature and volume of the non-audit services undertaken by the external auditor on a quarterly basis.</p>								
<b>Prohibitions</b>	<p>IAG's policy includes a list of permitted non-audit services in line with the list of permitted services in the FRC's Revised Ethical Standard 2019. Any service not on this list is prohibited.</p> <p>All non-audit services over €100,000 are put to competitive tender with other providers, in line with the Group's procurement policy, unless the skills and experience of the external auditor make it the only suitable supplier.</p>								

Details of the fees paid to the external auditor during the year can be found in note 7 to the Group financial statements.

# Report of the Remuneration Committee

## Dear Shareholder

On behalf of the Board, I am pleased to present our 2022 Directors' Remuneration Report. This is my first report as Chair of IAG's Remuneration Committee, having succeeded Alberto Terol in June 2022. I would like to thank Alberto for his contribution during his time as Chair of the Committee and I am very much looking forward to serving you in this new role.

The aviation sector has faced unprecedented challenges in the last three years with the sector profoundly impacted by COVID-19 and resulting global travel restrictions, the economic uncertainty driven by the war in Ukraine, inflationary pressures and cost of living crisis have made 2022 another difficult year for the sector. Against this backdrop, IAG's return to profitability across all of the Company's airlines and the restoration of capacity to meet the steep ramp up in demand have demonstrated the strength of our businesses and the commitment and flexibility of all of our colleagues, for which I and the Committee are extremely grateful. Within this context, the Committee have sought to take a considered approach to remuneration decisions, balancing the broader experience of the workforce and especially those on lower pay, the experience of shareholders, and the need to continue to attract, retain and incentivise senior leaders in a dynamic and tight labour market.

### Performance delivered in 2022

This year we returned to profitability for the first time in three years and across all businesses across the Group and are making strong progress in returning to 2019 levels of performance and profitability. This is a significant achievement particularly given the continued economic uncertainty and challenges faced across the year including sector wide skills and resource shortages, inflationary pressures, responding to a number of IT issues and managing the impact of industrial action across the sector.

- Operating profit before exceptional items €1,225 million
- Capacity recovered to 78 per cent of 2019 levels and over 94 million passengers flown



**Heather Ann McSharry**  
Remuneration Committee Chair

### Committee members

	<b>Date appointed</b>
Heather Ann McSharry (Chair)	December 31, 2020
Nicola Shaw	January 1, 2018
Emilio Saracho	June 20, 2019
Eva Castillo	December 31, 2020

- Passenger unit revenues higher than 2019, particularly in the second half of the year
- Significant progress towards 2025 carbon efficiency target as IAG continues to lead the industry on sustainability
- Confirmed acquisition of new more efficient shorthaul aircraft bringing long-term cost savings, lower carbon emissions and improved customer experience

### Workforce experience

Our workforce continues to be at the centre of our recovery and our focus on their well-being is critical to the success of the Group. Committee members have led the Board's direct workforce engagement programme and made twelve visits to operating companies this year. The impact of the pandemic on our business and on colleagues, the ongoing cost of living

challenges, and the sense of pride in the role colleagues have played in supporting the business with its recovery were the most common themes raised.

The Committee have received regular updates on workforce experience and in particular the steps the operating companies have taken to support colleagues both in terms of support with cost of living challenges, and their overall wellbeing. With respect to workforce remuneration, each operating company has sought to reach collective agreements which best support colleagues whilst ensuring the business and pay remains competitive. This has included one off payments and contractual pay increases throughout the Group (for example, £1,000 payment made to eligible IAG Loyalty employees and a one-off payment of €1,700 to eligible employees at Aer Lingus).

This year we have provided more detail on the wider workforce experience to demonstrate the Board's and this Committee's commitment to understanding the experience of colleagues and to show how we are using this insight to ensure all decisions regarding executive remuneration reflect the experience and expectations of all stakeholders. This can be found on page 178 of this report.

On behalf of the Committee, I would like to take this opportunity to thank our employees across the Group for their ongoing effort, flexibility and hard work which has been fundamental to our recovery.

### **2022 Remuneration outcomes for the Executive director**

The remuneration outcomes for IAG CEO during 2022 reflect the strong recovery of the Group in a complex operating environment. The Committee sought to ensure remuneration outcomes fairly and competitively compensated the CEO whilst aligning with wider stakeholder experience.

#### **Base salary**

As disclosed in the 2021 Remuneration Report, the Committee deferred the review of the CEO's 2022 pay to the second half of 2022, to better understand the Group's recovery from the pandemic. Taking into account a number of factors the Committee decided not to adjust the CEO's base pay for 2022.

#### **2022 annual incentive outcome**

The annual bonus plan operated in line with our remuneration policy in 2022 and reflects the strong recovery of the Group in the year and the Group's return to profitability. This follows the decision by the CEO not to be considered for an annual Incentive award in 2021, and the decision by the Board to cancel the 2020 Annual Incentive Plan in its entirety in light of the impact of COVID-19.

The 2022 annual incentive measures were chosen to reflect the most important priorities of the Group for the year, with a focus on strong financial performance and delivering the best experience for our customers. The Committee also agreed to reintroduce a carbon efficiency annual incentive measure for 2022, given the return of more normalised flying schedules and passenger volumes and the strategic importance of ESG and sustainability to the Group. The annual bonus for 2022 was therefore based on: 60 per cent Operating profit before exceptional items, 20 per cent customer NPS, 10 per cent carbon efficiency and 10 per cent personal objectives.

Under those scorecard measures, the bonus outcome was 83.5 per cent of maximum. 50 per cent of this bonus will be deferred into shares for three years. Full details of achievement against targets are provided on page 170.

### **2020 performance share plan vesting**

The 2020 PSP award, our last award granted under the performance share plan before transitioning to the restricted share model in 2021, reached the end of its three-year performance period in December 2022. The targets for the 2020 PSP award were set prior to the onset of the COVID-19 pandemic and, as a result, all three measures (relative TSR, EPS and RoIC) fell short of the threshold level at which payments begin. Whilst the Committee recognised the significant progress made in recovering the business' profitability and performance, it did not feel it was appropriate to apply any discretion and the full 2020 PSP award, set at 200 per cent of salary, will therefore lapse in full.

### **Implementation of the policy in 2023**

#### **Base salary**

The Committee takes a thoughtful approach to CEO's salary reviews, considering a wide range of factors including salary increases across the Group, shareholder and proxy agency views, the external environment and wider stakeholder experience. We have consistently shown restraint on salary increases in recent years, including implementing temporary salary reductions following the outbreak of COVID-19. As a result, there has been no change to the contractual salary for the CEO since he was appointed in September 2020 and 2022 was the first point at which the full contractual CEO salary of £820,000 was paid.

The Committee is acutely aware of the importance of ensuring that the salary level for the IAG CEO is competitive in the context of a dynamic talent market in the geographies in which the Group operates and competes for talent, and in this context undertook a comprehensive review of the external market and wider market remuneration trends, whilst also taking into account the experience of employees. The Committee approved a salary increase for the IAG CEO of 4 per cent effective from 1 January 2023. This is below the average increase for the wider workforce, which is more than 6 per cent.

#### **Annual incentive**

In 2023, IAG will continue to face significant uncertainty and volatility driven by external factors, as it continues to grow and recover business performance. In this context, the Committee have sought to ensure that the annual incentive plan continues to align with business priorities and reflect the underlying performance of the business.

The Committee have decided that maximum annual incentive opportunity will remain at 200 per cent of salary for the IAG CEO in line with the policy, and targets will be based on financial, customer, and

carbon efficiency together with personal and strategic objectives for the IAG CEO.

The targets for 2023 will be fully disclosed in next year's report.

### **Restricted share awards**

As we continue our recovery, the Committee continues to believe that the restricted shares framework best ensures management focus on long-term sustainable performance and achieving our strategic goals, whilst aligning management experience with that of our shareholders.

In line with IAG's remuneration policy, a restricted share award of 150 per cent of salary will be granted to IAG CEO in 2023, the award will vest after three years subject to the satisfaction of the discretionary performance underpin and also be subject to a holding period of two years post vesting.

### **Shareholder engagement**

I would like to take this opportunity to thank our shareholders for their support for our Directors' Remuneration Report and the amendment to our Directors' Remuneration Policy at the 2022 AGM. Although the Board was pleased to note the vote in support of the amendment, the Board acknowledges that a number of shareholders had concerns.

Following my appointment as Chair of the Remuneration Committee, I met with a number of our major shareholders and their representatives to seek their feedback and perspectives. The meetings provided valuable insight which I have fed back to the Remuneration Committee and which we have taken into account as we have determined remuneration outcomes in 2022 and set our approach for 2023, to ensure that our remuneration approach at IAG continues to align interests between our senior leaders and the Group's shareholders. We are not proposing any changes to our current Remuneration Policy and the Committee will seek to engage with shareholders in advance of presenting a new Directors' Remuneration Policy at the 2024 AGM in line with the normal three-year cycle.

This year the Remuneration Committee has again sought to take a balanced and responsible approach to executive pay, taking into account the experience of our employees, shareholders and key stakeholders in the period. I hope that our Director's Remuneration Report is clear in explaining how our policy has been implemented in 2022 and that it receives your support at our 2023 AGM.

Approved by the Board and signed on its behalf by

#### **Heather Ann McSharry**

Remuneration Committee Chair

# Remuneration at a glance

## IAG Chief Executive Officer

Pay Element	Purpose & Link to Strategy features	Outcomes for 2022	Implementation in 2023
<b>Fixed Remuneration</b>			
Base Salary	To attract and retain talent to help achieve our strategic objectives.  Takes account of factors such as role, skills and contribution.	First year since appointment in 2020 receiving full contractual salary of £820,000 with no increase in 2021 and 2022 (10% reduction in 2021 and 20% reduction in 2020).	From January 1, 2023: £852,800 (€1,001,528) (an increase of 4 per cent from 2022).  First increase since appointment in 2020 and below the average increase for the majority of the wider workforce, which is more than 6 per cent
Taxable Benefits & Pension related Benefits	Provides basic retirement and benefits which reflect local market practice.	Pension at 12.5 per cent of salary, comparable to the rate applicable to the majority of the UK workforce. Benefits provided as per policy.	Benefits to be provided as per policy and pension will remain unchanged.
<b>Variable Remuneration</b>			
Annual Incentive Plan	Incentivises annual corporate financial and non-financial performance and the delivery of role specific objectives.  The deferred shares element aligns the interest of executives and shareholders and provides a retention tool.	For our 2022 bonus, our scorecard was weighted to the following measures: 60 per cent Operating Profit (pre-except.), 20 per cent customer NPS, 10 per cent carbon efficiency and 10 per cent personal objectives.  Under those scorecard measures, the bonus outcome was 83.5 per cent of maximum, and thus the 2022 bonus amount of £ 1,369,000.  50 per cent deferred into shares for three years.	Maximum opportunity unchanged at 200 per cent of base salary.
Long-Term Incentive (RSP)	Incentivises long-term shareholder value creation, and retention.	The 2020 PSP award was the last award granted under the performance share plan before transitioning to the restricted share model in 2021. The targets for the 2020 PSP award were set prior to the onset of the COVID-19 pandemic and, as a result, all three measures (relative TSR, EPS and RoIC) fell short of the threshold level at which payments begin.	In line with IAG's remuneration policy, a restricted share award of 150 per cent of salary will be granted to the IAG CEO in 2023, the award will vest after three years subject to the satisfaction of the discretionary performance underpin and also be subject to a holding period of two years post vesting.
Shareholding Requirement	Provides long-term alignment with shareholders.	The CEO of IAG is required to build up and maintain a shareholding of 350 per cent of base salary.	No change to shareholding requirements. As at 31 December 2022 the IAG CEO had a shareholding of 484 per cent of base salary.
Malus & Clawback provisions apply to Annual Incentive and Long-Term Incentive awards and the Committee has discretion to adjust formulaic outcomes to reflect corporate performance and broader stakeholders experience.			

## 2022 performance and pay outcomes summary

### Business performance

#### Key strategic highlights

- Returned to profitability with the ability to be even better-placed to deliver our purpose
- Capacity recovered to 78% of 2019 levels
- Worked hard to transform our business, ensuring we are emerging stronger
- Continued to build a sustainable business

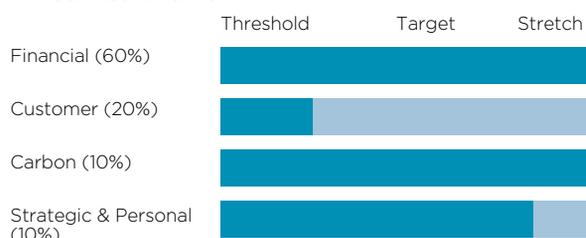
#### Key statistic

#### How we performed in 2022

- Operating profit before exceptional items € 1,225 m (€ 4,195 m vly)
- Net Debt €10,385 m and Total liquidity € 13,999 m (-€1,282 m and € 2,013 m vly)
- Net Promoter Score (NPS) 18.4 (-13.8 vly)
- Emissions intensity 83.5 gCO<sub>2</sub>/pkm (-11.8% vly)
- SAF use (tonnes CO<sub>2</sub> saved) 30,332 tonnes

### Performance outcomes

#### Annual Incentive Plan



First Annual Incentive Award since 2019.

83.5%

Formulaic

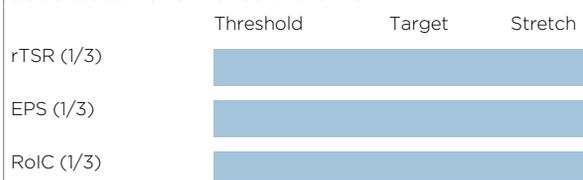
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Committee judgement no adjustments

83.5%

Final Outcome (% of Maximum)

#### 2020-2022 Performance Share Plan



The targets for the 2020 PSP award were set prior to the onset of the COVID-19 pandemic and, as a result, all three measures (relative TSR, EPS and RoIC) fell short of the threshold level at which payments begin.

This is the third consecutive year of zero vesting of long-term incentives.

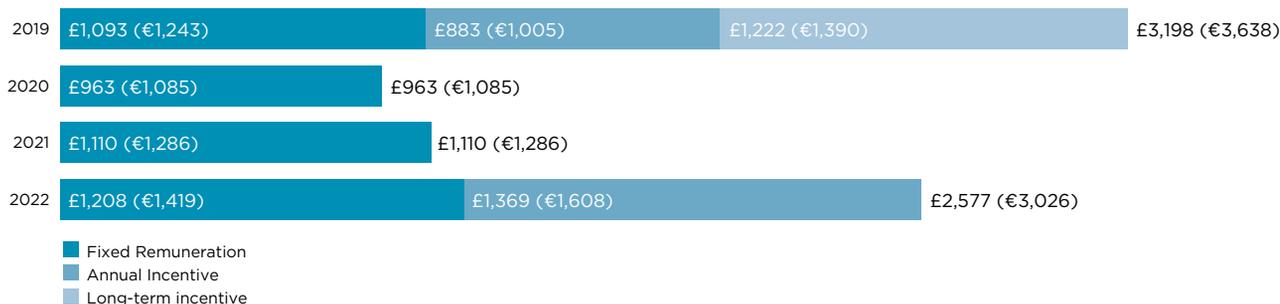
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Committee judgement no adjustments

0%

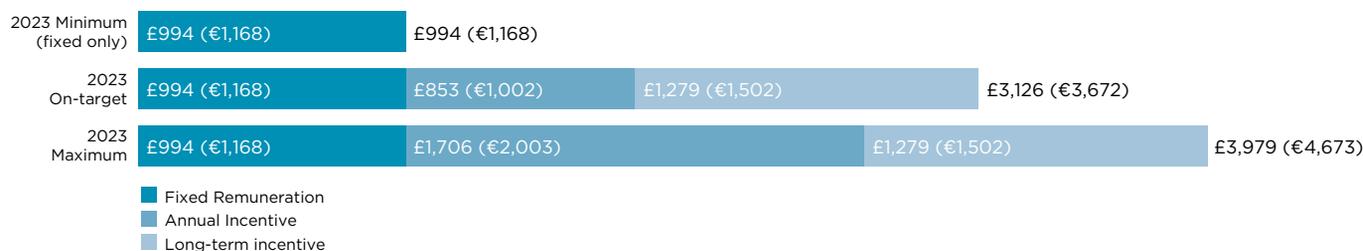
Final Outcome (% of Maximum)

## IAG Chief Executive Officer remuneration history



- Fixed Remuneration
- Annual Incentive
- Long-term incentive

## Remuneration scenario: proposed 2023 remuneration opportunity



- Fixed Remuneration
- Annual Incentive
- Long-term incentive

1 The scenarios illustrated above include: the minimum remuneration receivable (fixed only), the remuneration receivable if the director performs in line with the Company's expectations (on-target) and the maximum remuneration receivable achieving stretch targets (maximum).

## Alignment of IAG remuneration practices to Provision 40 of the UK Corporate Governance Code

### UK Corporate Governance Code – Provision 40

### How we have achieved alignment

#### Clarity

Changes to the Policy were designed to improve both simplicity and transparency. Revisions in the areas of pensions, minimum shareholding and long-term incentive either simplified existing structures, such as the replacement of the PSP with the RSP, or introduced straightforward rules for new items, such as the post-employment shareholding requirement.

#### Simplicity

This has improved the ability of participants, employees and shareholders to understand executive pay arrangements. Additionally, the Company continues to make more remuneration analysis and information available to both employees and shareholders, via both UK and Spanish disclosures.

#### Risk

Our corporate governance structure provides for a crossover in Board Committee membership between the Remuneration Committee and the Audit and Compliance Committee. This ensures a joined-up view between emerging or crystallised risks and remuneration outcomes. The design of our policy also ensures independent control over remuneration outcomes, with all executive variable pay being awarded on a discretionary basis and subject to malus and clawback provisions.

#### Predictability

Our Policy identifies the maximum opportunity for each component of executive remuneration and also illustrates potential total remuneration outcomes in various performance scenarios. These disclosures provide transparency around overall opportunities.

#### Proportionality

Our executive remuneration performance measures, targets and underpins are transparently disclosed where awards are made, detailing the relationship between the performance achieved and the delivery of our long-term strategy and the creation of sustainable shareholder value. The transparency of this approach, alongside the independent nature of executive remuneration decisions, supports proportionate remuneration outcomes relative to company and individual performance measures, as well as the wider performance environment.

#### Alignment to culture

The selection and balance of financial and non-financial measures for both short- and long-term incentives is designed to reinforce the values and behaviours that support the delivery of long-term sustainable returns to shareholders. In particular, the RSP, and high overall proportion of deferred executive pay, enable a focus on transformation and long-term success.

# Remuneration report

## Introduction

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

The Company's current policy on directors' remuneration was approved by shareholders at the Shareholders' Meeting held on June 17, 2021, and amended at the 2022 Shareholders' Meeting, following close consultation with major shareholders.

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 welcomed the opportunity provided by the Spanish CNMV allowing companies to prepare free-format reports. Therefore, for the fifth consecutive year, IAG is presenting a consolidated report responding to Spanish and UK disclosure requirements. This report will be accompanied by a duly completed document 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 and the CNMV's respective websites.

It is the Company's intention once again to comply voluntarily with all reporting aspects of the UK legislation of 2018, The Companies (Miscellaneous Reporting) Regulations (SI 2018/860) and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, and to follow UK standards best practice.

In addition to the Remuneration Committee Chair'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

### Key elements of pay

#### Executive directors

The Company's remuneration approach is to provide total remuneration outcomes that reflect the delivery of the business strategy, are competitive, and take into account each individual's performance of their role in the Company's work.

The Committee receives regular updates on pay and conditions of the Group's employees and takes this into account when considering executive directors' remuneration.

#### The current Directors' Remuneration Policy

The current Directors' Remuneration Policy reflects recent regulatory and corporate governance framework changes.

The Policy (including the amendment) is available on the company website which was approved by Shareholders on 16 June 2022 IAG - Directors Remuneration Policy ([iairgroup.com](http://iairgroup.com)).

The Committee maintains an ongoing evaluation of the Policy to ensure its components, opportunities and implementation outcomes continue to achieve the Policy's objectives.

## Service contracts and exit payments policy

### Executive directors

The following is a description of the key terms of the service contracts of executive directors.

The contracts of executive directors are for an indefinite period.

There are no express provisions in executives' service contracts with the Company for compensation payable upon termination of those contracts, other than for payments in lieu of notice.

Executive director	Date of contract	Notice period
Luis Gallego	September 8, 2020	6 months – from/12 months – given

The period of notice required from the executive 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 payment becomes payable only if, in the Company's opinion, the executive has taken reasonable steps to find alternative paid work and then only in monthly instalments. The payments will comprise base salary only. The Company may reduce the sum payable in respect of any month by any amount earned by the executive (including salary and benefits) referable to work done in that month (for example, as a result of alternative paid work referred to above).

In the event of an executive's redundancy, compensation, whether in respect of a statutory redundancy payment or a payment in lieu of notice or damages for loss of office is capped at an amount equal to 12 months' base salary. The Company will honour the contractual entitlements of a terminated director; however, the Company may terminate an executive's service contract with immediate effect and without compensation on a number of grounds including where the executive is incapacitated for 130 days in any 12-month period, becomes bankrupt, fails to perform his or her duties to a reasonable standard, acts dishonestly, is guilty of misconduct or persistent breach of his or her duties, brings the Company into disrepute, is convicted of a criminal offence, is disqualified as a director, refuses to agree to the transfer of his or her service contract where there is a transfer of the business in which he or she is working or ceases to be eligible to work in Spain or the UK (as applicable).

Under any of the Company's share plans, save in respect of deferred Annual Incentive Awards (which will normally vest in full following cessation for any reason), if a director leaves, the Board, after considering the recommendation of the Remuneration Committee, may exercise its discretion (within the rules of the schemes) to grant good leaver status. This can be granted in certain circumstances including, for example (list not exhaustive) the director leaving for reasons of ill health, injury or disability, redundancy, retirement or death. Executive directors leaving with good leaver status will receive a pro rata amount of their PSP shares subject to the company performance conditions being met, and a pro rata amount of their RSP shares, subject to the underpin being met, in accordance with the plan rules. The proration is normally calculated according to what proportion of the performance period the executive director spent in company service. Normal vesting dates, holding periods, and post-cessation shareholding guidelines will normally continue to apply, other than in a limited number of exceptional circumstances in accordance with plan rules and/or at the discretion of the Board. If good leaver status is not granted to an executive director, all outstanding awards made to them will lapse.

Executive directors leaving with good leaver status are eligible to receive a pro rata annual incentive payment for the period of the year actually worked, subject to the regular performance assessment and paid in the normal manner following year end.

In the event of an executive director's termination from the Company, they must not be employed by, or provide services to, a restricted business (i.e. an airline or travel business that competes with the Company) for a period of 12 months.

### Non-executive directors

Non-executive directors (including the Chairman) do not have service contracts. Their appointment is subject to the Board regulations and the Company's Bylaws. They do not have the right to any compensation in the event of termination as directors. Board members shall hold office for a period of one year. The dates of the current Chairman's and non-executive directors' appointments are as follows:

Non-executive director	Date of the first appointment	Date of last re-election
Javier Ferrán	June 20, 2019	June 16, 2022
Heather Ann McSharry	December 31, 2020	June 16, 2022
Giles Agutter	September 8, 2020	June 16, 2022
Peggy Bruzelius	December 31, 2020	June 16, 2022
Eva Castillo	December 31, 2020	June 16, 2022
Margaret Ewing	June 20, 2019	June 16, 2022
Maurice Lam	June 17, 2021	June 16, 2022
Robin Phillips	September 8, 2020	June 16, 2022
Emilio Saracho	June 16, 2016	June 16, 2022
Nicola Shaw	January 1, 2018	June 16, 2022

## Annual Remuneration Report

The Annual Remuneration Report sets out how the Directors' Remuneration Policy (as approved by shareholders at the Shareholders' Meeting on June 17, 2021 and amended at the Shareholders' Meeting held on June 16, 2022) was and will be implemented in 2022 and 2023, respectively.

### The Remuneration Committee

The Remuneration Committee is regulated by article 32 of the IAG Board Regulations and by its own Regulations approved on February 25, 2021. A copy of these Regulations is available on the Company website.

Beyond executive directors, the Committee oversees the general application of the Remuneration Policy for the members of the IAG Management Committee (and occasionally considers remuneration matters related to managers and the broader workforce across the Group).

Article 32 of the Board Regulations ensures that the Remuneration Committee shall be made up of no fewer than three independent non-executive directors, with the dedication, capacity and experience necessary to carry out their function. Heather Ann McSharry chairs the Committee and also holds Senior Independent Director responsibility. None of the Committee 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.

### The Committee's activities during the year

In 2022, the Committee met eight times and discussed, amongst others, the following matters:

Meeting	Agenda items discussed
<b>January</b>	Proposal to amend the Remuneration Policy following the consultation with investors Review of the Board remuneration measures in the context of the COVID-19 pandemic 2021 Directors' Remuneration Report and Non-Financial Information Statements Share ownership update: Review of executive holdings, share awards authority and dilution limits Management Committee pay benchmarking review Approval of grants under the 2022 Executive Share Plan (ESP) Proposal from IAG CEO to not be considered for 2021 Annual Incentive Award
<b>February (two meetings)</b>	2021 Directors' Remuneration Policy amendment – final proposal Review of the 2021 Annual Incentive Outturn Approval of the 2022 Annual Incentive Plan Approval of the 2021 Directors' Remuneration Report Vesting outcome of the Performance Share Plan (PSP) 2019 award
<b>May</b>	Validated the report in relation to the proposal to amend the Directors' Remuneration Policy 2022 Annual Incentive Plan update Approval of share awards for senior executives and delegation of authority for future awards
<b>July (two meetings)</b>	Review of market trends and feedback from investors after the 2022 AGM 2022 Annual Incentive Plan update IAG CEO compensation benchmarking review Approval of additional 2022 RSP grant for IAG CEO
<b>August</b>	Approval of remuneration for a new Management Committee member
<b>October</b>	Market update on executive remuneration trends IAG CEO 2022 base salary review Workforce remuneration update 2020 PSP outturn forecast Remuneration strategy for 2023

### Advisors to the Committee

The Committee appointed Deloitte as its external advisor in September 2016. Deloitte reports directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2022 were £95,493 (€112,147), 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 advisory services to other parts of the Group in 2022. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent.

In addition to Deloitte providing the Remuneration Committee with market updates on pay themes, the Committee also received market data and insights from other specialist consultants such as Aon, PwC and Willis Towers Watson in 2022.

### Consideration of shareholders' views

I would like to take this opportunity to thank our shareholders for their support for our Directors' Remuneration Report and the amendment to our Directors' Remuneration Policy at the 2022 AGM. Although the Board was pleased to note the 81% vote in support of the amendment, the Board acknowledges that a number of shareholders had concerns. As a result, I met with a number of our major shareholders and their representatives in 2022 to seek their feedback and perspectives. The meetings provided valuable insight which I have fed back to the Remuneration Committee, as the Committee and I seek to ensure that our remuneration approach at IAG continues to align interests between our senior leaders and the Group's shareholders.

The Company will engage in an extensive investor consultation exercise whenever there are any significant changes to the Remuneration Policy being proposed.

### Statement of voting

The table below shows the consultative vote on the 2021 annual Directors' Remuneration Report and the binding vote on the Directors' Remuneration Policy Amendments at the 2022 Shareholders' Meeting:

	Number of votes cast	For	Against	Abstentions
2021 Annual Directors' Remuneration Report	2,048,314,538 (100 per cent)	1,905,882,463 (93.05 per cent)	14,412,183 (0.70 per cent)	128,019,892 (6.25 per cent)
2022 Directors' Remuneration Policy Amendments	2,048,314,538 (100 per cent)	1,525,324,299 (74.47 per cent)	364,183,944 (17.78 per cent)	158,806,295 (7.75 per cent)
2021 Directors' Remuneration Policy	2,574,695,497 (100 per cent)	2,407,953,176 (93.53 per cent)	149,433,203 (5.80 per cent)	17,309,118 (0.67 per cent)

### Single total figure of remuneration for the Executive Director

The table below sets out the single total figure of remuneration breakdown for the IAG CEO, who was the only executive director during 2022. An explanation of how the figures are calculated follows the table.

	CEO: Luis Gallego			
	£ '000 <sup>1</sup>		€ '000 <sup>1</sup>	
	2022	2021	2022	2021
Base Salary	820	738	963	855
Benefits	285	280	334	324
Pension	103	92	121	107
Total Fixed	1,208	1,110	1,418	1,286
Annual Incentive	1,369	0	1,608	0
Cash	685	0	804	0
Deferred into shares 3 years	685	0	804	0
Long-Term Incentive	0	0	0	0
Total Variable	1,369	0	1,608	0
<b>Single Figure</b>	<b>2,577</b>	<b>1,110</b>	<b>3,026</b>	<b>1,286</b>

<sup>1</sup> Remuneration is paid to the Executive Director in pound sterling and expressed in euro for information purposes only.

### Additional explanations in respect of the single total figure table for 2022

Only the current IAG CEO, Luis Gallego, served as an executive director in 2022. As the sole executive director, the IAG CEO has confirmed in writing that he has not received any other items in the nature of remuneration other than those already disclosed in the table above.

#### Base salary

The values shown represent the actual salary paid to the IAG CEO as an executive director for each performance year.

For 2021, the IAG CEO served the full performance year as an executive director and had a COVID-19 related salary deduction of 10 per cent.

For 2022, with the Group emerging from the pandemic, and the CEO having voluntarily given up over £150,000 in salary and pension allowances since assuming the IAG CEO role, it was agreed to stop the IAG CEO salary reduction from January 1. 2022 marked the first point at which the IAG CEO has received full contractual salary of £820,000 since appointment, demonstrating the significant length of time pay reductions had been in place.

In our 2021 Directors' Remuneration Report, the Committee confirmed that the IAG CEO's salary review would be deferred to the second half of 2022 to enable the Committee to better understand the Group's recovery from the pandemic. Taking into account a number of factors the Committee decided not to adjust the CEO's base pay for 2022.

#### Taxable benefits

Taxable benefits include the provision of a company car, a fuel allowance and private health insurances.

As disclosed in our 2021 Director's remuneration report, from January 2021 until December 2022 the Executive Director has been eligible for a transitional allowance of £250,000 p.a. (gross), to reflect that as a result of his role as IAG CEO he and his family now live in the UK. This allowance has provided a two-year fixed period of transitional support and has considered that the IAG CEO continues to personally maintain a base in Madrid given the Company's significant operations and business in Spain. The value of the transitional allowance is not included in the calculation of any pension, incentive or other benefit values. Payment of the transitional allowance ceased in December 2022.

#### Pension-related benefits

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

### **Annual Incentive Plan**

For our 2022 bonus, our scorecard was weighted to the following measures: 60 per cent Operating Profit (pre-except.), 20 per cent customer NPS, 10 per cent carbon efficiency and 10 per cent personal objectives.

Under those scorecard measures, the bonus outcome was 83.5 per cent of maximum. The outcomes of the performance conditions which determined the award are described in detail in the Page 170.

Under the current policy, 50 per cent of any Annual Incentive Award for executive directors is made in deferred shares under the Executive Share Plan. Under this plan, incentive award shares are deferred for three years from date of grant.

For 2021, the IAG CEO confirmed to the Board that he did not wish to be considered for a 2021 Annual Incentive Award, waiving any 2021 incentive opportunity, therefore no annual incentives had been awarded to the IAG CEO for 2020 and 2021.

### **Long-term incentive vesting**

This relates to the IAG 2020 PSP award based on performance measured to December 31, 2022. The targets for the 2020 PSP award were set prior to the onset of the COVID-19 pandemic and, as a result, all three measures (relative TSR, EPS and RoIC) fell short of the threshold level at which payments begin. Whilst the Committee recognised the significant progress made in recovering the business' profitability and performance, it did not feel it was appropriate to apply any discretion and the full 2020 PSP award, set at 200% of salary, will therefore lapse in full.

This is the third consecutive year of zero vesting of long-term incentives.

### **Share price appreciation and depreciation**

The amount of remuneration attributable to share price appreciation is zero, as there was zero vesting of the IAG PSP 2020 award. The Committee has 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 and accidental death cover for all executive directors. For the year ended December 31, 2022 the Company paid life insurance premium contributions of €14,493 (2021: €13,464).

### **Exchange rate for 2022**

For the year to December 31, 2022, €:£ exchange rate applied is 1.1744 (2021: 1.1587).

## Variable pay outcomes

### 2022 Annual Incentive Plan

The IAG Annual Incentive Plan supports the business strategy through incentivising the delivery of identified priorities within the reporting period. The composition of measures selected reflect the most important priorities for the Group for the year to deliver long-term sustainable returns. For 2022, the Board at the beginning of the year, following a recommendation by the Committee, set the following measures:

Weighting	KPI	Description
<b>60% Financial</b>	IAG Operating profit (before exceptional items)	In 2021 we used a cash-based measure for the financial element of the annual incentive in order to support the protection of cash position during the pandemic. For 2022 it was considered Operating Profit was the most appropriate financial KPI in aligning shareholder interest with the Company
<b>20% Customer</b>	Group Net Promoter Score (NPS)	NPS is used to gauge the loyalty of the Group's customer relationships. It is calculated based on survey responses to the likelihood to recommend, by subtracting the percentage of customers who are 'Detractors' from the percentage of customers who are 'Promoters'
<b>10% IAG-specific carbon efficiency measure</b>	Group Grammes of CO <sub>2</sub> per passenger kilometre (gCO <sub>2</sub> /pKm)	With the return of more normalised flight and passenger volumes, we have reinstated a carbon efficiency measure, to further drive progress towards our Flightpath Net Zero 2050 commitment. This has measured the fuel efficiency of our flight operations, taking account of our network, aircraft mix and passenger load factors
<b>10% Strategic and personal</b>	Recover capacity	Ensure IAG is able to operate a full flying schedule as market restrictions ease
	Recover profitability	Ensuring IAG delivers improved profitability and drives operating margin improvements as market restrictions ease
	Transform IAG	Define and implement key projects which transform cost, customer experience and culture
	Growth in shareholder value	Define medium term strategic plan that creates shareholder value, strengthen's IAG position in key markets and improves IAG's capital position
	Procurement	Leverage Group's scale to drive right long term strategic partnerships and supplier value
	People	Build culture and capability to underpin the Group's long term success, ensuring IAG can attract, retain and engage diverse talent
	Sustainability	Enable IAG to lead aviation industry on sustainability, and secure access to alternative fuels to support net zero ambitions
	Government affairs	Work with Governments, industry associations, and other stakeholders to ensure the right foundations are in place to enable IAG to deliver its strategic goals

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

Under the policy, the IAG CEO has a maximum annual incentive opportunity of 200 per cent of contractual salary. The below table details the approved 2022 performance measures and the Board's assessment of both company and individual IAG CEO performance:

Category	Measure type	Weighting	Threshold	Target	Stretch	Performance delivered	Payout % of maximum for each measure	Weighted Payout %	CEO incentive outcome (£'000)
			At which payments begin (20% pay-out)	(50% pay-out)	Max pay-out (100% pay-out)				
<b>Financial measures</b>	FY 2022	Operating profit before exceptional items (€m)	319	637	956				
						1,225	100%	60%	£984
Description of performance									
During 2022 the Group was able to substantially restore its capacity by the end of the year, having operated a significantly reduced schedule in 2020 and 2021 due to the impact of the COVID-19 pandemic. As capacity was increasingly restored through the year the operating result improved, with the third quarter, which includes the airlines' summer peak seasons, approaching levels of profitability seen in 2019. Fuel prices were significantly higher than in both the previous year and 2019 and the airline sector also experienced high supplier price inflation. Due to the strong demand, passenger unit revenues also rose above those in 2019, thus allowing the airlines to recover a substantial portion of the fuel price increase and other cost inflation. The net results was an operating profit before exceptional items for the year of €1,225 million, versus a target of €637million.									
<b>Customer</b>	FY 2022	NPS	17.5	23.3	29.1				
						18.4	25%	5%	£82
Description of performance									
The outcome for 2022 was 18.4 vs a FY target of 23.3. The quick ramp up of air travel demand, a lack of staff to manage these volumes at airports as well as in some of our airlines, and operational issues impacted negatively our NPS. To mitigate this impact our airlines reduced their schedules to increase stability, undertook a vast recruitment process and re-trained colleagues to support where necessary. Positive impacts to our NPS came from enhancements to our customer proposition, particularly on our catering and on-board experience.									
<b>Carbon</b>	FY 2022	gCO <sub>2</sub> /pKm	91.1	88.8	83.6				
						83.5	100%	10%	£164
Description of performance									
The outcome for 2022 was 83.5 vs a FY target of 88.8. IAG is targeting net zero emissions by 2050 across its Scope 1, 2, and 3 emissions. IAG's interim targets are an 11 per cent improvement in fuel efficiency 2019-2025, a 20 per cent drop in net Scope 1 and 3 emissions 2019-30, and 10 per cent SAF in 2030.									
IAG is on track to deliver its 2025, 2030 and 2050 climate targets by carrying out emission reduction initiatives, working in collaboration with key stakeholders and proactively advocating for supportive government policy and technology development. Key measures to reduce emissions are fleet modernisation, sustainable aviation fuel (SAF), market-based measures including the UK and EU ETS and CORSIA, and carbon removals.									
<b>Strategic and personal objectives</b>	As described in the table in the previous page	10 per cent	Low (0% to 40%)	Good to High (45% to 65%)	Exceptional (70% to 100%)				
						Exceptional	85%	8.5%	£139
Description of performance									
The IAG CEO has led the group to profitability for the first time in three years and in ensuring the Group returns to 2019 levels of performance and profitability, with a clear plan and delivery against key transformation initiatives. This is a significant achievement particularly given the continued economic uncertainty and challenges faced across the year. The IAG CEO has also driven progress across the ESG agenda, increasing diversity and bench-strength of IAG's senior leadership and making significant progress towards its 2025 carbon efficiency target.									
<b>Total</b>			<b>100 per cent</b>					<b>83.5%</b>	<b>£1,369</b>

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 Executive Share Plan).

For all 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.

<b>Formulaic Score Outcome</b>	<b>Remuneration Committee judgement</b>
83.5%	—
per cent of Maximum	No adjustment

<b>Final scorecard outcome as per cent of Maximum</b>	83.5%
	X
<b>Maximum bonus opportunity (per cent of base pay)</b>	200%
	X
<b>Base pay (£'000)</b>	£820
	=
<b>2022 Annual Incentive Award (£'000 shown in single figure table)</b>	£ 1,369
	€ 1,608

**IAG Performance Share Plan (PSP) award 2020**

The IAG PSP award granted on March 6, 2020 was tested at the end of the performance period which began on January 1, 2020 and ended on December 31, 2022. The award for the current IAG CEO, who was not an executive director of the Group at the time of grant, was equivalent to 150 per cent of salary at the time of the award.

One third of the award was subject to a TSR performance condition measured against the TSR performance of the STOXX Europe 600 Travel & Leisure 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 remains consistent with the methodology described in the Company's 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 performance period.

The outcomes of the performance conditions were as follows:

Measure	Threshold	Target	Maximum	Outcome	Vesting (as per cent award granted in 2020)
TSR performance compared to the TSR performance of the STOXX Europe 600 Travel & Leisure Index over the full three-year performance period (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)	TSR achieved: -65.36 per cent Underperformed the index by 45 per cent	0 per cent
Adjusted EPS. Measure is adjusted EPS in final year of the performance period, i.e. 2022 EPS (one-third weighting)	2022 EPS of 140 €cents (10 per cent vests)	2022 EPS between 140 €cents and 180 €cents (straight line vesting between threshold and maximum)	2022 EPS of 180 €cents (100 per cent vests)	5.6 €cents per share	0 per cent
RoIC. Measure is RoIC in final year of the performance period, i.e. 2022 RoIC (one-third weighting)	2022 RoIC of 14 per cent (10 per cent vests)	2021 RoIC between 14 per cent and 16 per cent (straight line vesting between threshold and maximum)	2022 RoIC of 16 per cent (100 per cent vests)	4.6 per cent	0 per cent
Details of any discretion exercised	No discretion exercised by the Remuneration Committee/Board				
Overall outcome for executive director (IAG CEO)					0 per cent

No value was realised by the IAG CEO following the nil vesting of the 2020 PSP award.

### **Scheme interests awarded during the financial year 2022 Restricted Share Plan (RSP)**

The RSP was introduced from 2021 to increase the alignment of both interests and outcomes between the Group's senior management and shareholders through the build-up and maintenance of senior management shareholdings and an increased focus on the long-term, sustainable performance of the Company. The simplified structure and transparency of the RSP in comparison to the Performance Share Plan, also provided a better basis to attract and retain senior management talent.

A three-year vesting period and further two-year holding period applies to RSP awards for executive directors, with vesting being dependent upon a satisfactory review of the discretionary underpin by the Remuneration Committee. This assessment focuses on the Company's overall performance during the vesting period, including financial and non-financial performance measures, as well as any material risk or regulatory failures identified and ensures any value delivered to executive directors is fair and appropriate in the context of business performance and shareholder experience. Malus and clawback provisions apply to RSP awards enabling the reduction of awards so far as nil value to further ensure that corporate or individual failure is not rewarded under the plan.

For 2022, the Board of Directors of IAG proposed to amend the Directors' Remuneration Policy to increase the maximum opportunity under the Restricted Share Plan from 100 per cent of salary to 150 per cent of salary in respect of any financial year. The amendment was proposed to place more emphasis on the IAG CEO's remuneration package on sustained long-term performance and further align his long-term interests with our shareholders.

This amendment to the 2021 Directors' Remuneration Policy was proposed for the following reasons:

- To ensure the Group is able to offer the IAG Chief Executive a fair and proportionate long-term incentive opportunity, reflective of the complexity of the Group, its strategy, and one that adequately recognises ongoing external challenges.
- To provide a more commensurate RSP opportunity in light of the growing opportunities for talent in the external market. The IAG CEO's existing arrangements are becoming increasingly uncompetitive compared to companies both inside and outside of the aviation industry. The Group competes for talent in a global market and recent evidence suggests that the rate of executive pay growth in mainland Europe and the United States has been faster than the United Kingdom, with the opportunity gap to the United States packages being a particular retention concern.
- Since the start of the pandemic, the Group has lost a number of critical senior individuals to competitors in other sectors. Also, over the past year, the Group's own executive recruitment experience has confirmed the rising market for executive pay, reducing the relative positioning of the IAG CEO's total compensation compared to that of his executive team and increasing the compression in pay levels within the executive team. These factors highlight the challenges the Group faces in retaining its top talent essential to the Group's transformation, as well as the important role that fair and competitive remuneration plays in this.
- It is in IAG and its shareholders' best interests to ensure the Group's ability to retain talent within the Group and, in particular, the current IAG CEO. The current environment amplifies the need for the IAG CEO's skills, capabilities and deep aviation experience.

Over the past year, the Remuneration Committee has consulted extensively with IAG's largest shareholders, proxy advisors and shareholder representative organisations on the proposed amendment to the Directors' Remuneration Policy.

The Policy amendments were approved at the 2022 Shareholders' meeting held on June 16, 2022, and as a result the IAG CEO was granted an additional award under the RSP so that his total award opportunity in respect of financial year 2022 was 150 per cent of salary.

**Details of 2022 RSP executive director award**

Type of award	Company shares
Basis of determination of the size of award	Awards only made to consistently high-performing executives within key roles who have the potential to take on greater organisational responsibility and whom the Company wishes to retain for the long-term.
Executive director award face value	IAG CEO (Luis Gallego) - 150 per cent of base salary
Date of grant	100 per cent March 21, 2022 Additional 50 per cent October 28, 2022 <ul style="list-style-type: none"> <li>The additional award was granted after shareholders' approval and was made on the same terms as if it had been granted at the normal time in March 2022. This meant, notwithstanding the fall in share price since the March award, the IAG CEO did not benefit from "windfall gains" in relation to the additional award.</li> </ul>
Grant price	£1.41
Vesting period	Three years: March 21, 2022 to March 20, 2025
Holding period	Two years: March 21, 2025 to March 20, 2027
Discretionary underpin description	No performance measures are associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted. In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified. Financial performance may include elements such as revenue, profitability, cash generation, return on capital and benchmarked with comparable airlines. Non-financial performance may include a range of operational and strategic measures critical to the Company's long-term sustainable success. This assessment will ensure any value delivered to executive directors is fair and appropriate in the context of the performance of the business and experience of our stakeholders and that corporate or individual failure is not rewarded. In the case of significant failure on the part of the Company or the individual, vesting may be reduced, including to nil. Full disclosure of the Remuneration Committee's considerations in assessing the underpin will be disclosed in the relevant Directors' Remuneration Report at the point of vesting.

**Total pension entitlements**

Luis Gallego 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, 2022 to December 31, 2022). He received cash in lieu of contributions of £102,500. This value is equivalent to 12.5 per cent of base salary paid during the performance period and is comparable to the rate for the majority of the UK workforce.

**Statement of directors' shareholding and share interests**

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

Under the Group's shareholding guidelines, the IAG CEO is required to build up and maintain a shareholding of 350 per cent of salary and other executive directors are required to build up and maintain a shareholding of 200 per cent of basic salary.

In addition, executive directors are required to retain all shares received via incentive plans until 100 per cent of their shareholding requirement is attained.

The Committee has reviewed the IAG CEO's progress against the requirement and notes that he is compliant with the policy requirement.

CEO, Luis Gallego	Policy requirement		3.5 times salary
	Actual		4.84 times salary (1,192,376 shares)

Shares which qualify towards the policy include shares already held by the executive, vested and exercised shares, vested and unexercised shares including those in the performance share plan holding period, vested shares in the restricted share plan holding period and unvested deferred annual incentive shares.

The table below summarises current executive directors' interests as of December 31, 2022:

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	Vested shares from restricted share plan	Unvested shares from deferred annual incentive plans	Total qualifying shares held <sup>1</sup>
Luis Gallego	350 per cent of salary	403,834	513,747	231,589	0	43,206	1,192,376 (484 per cent of salary)

<sup>1</sup> In accordance with the Policy, the share price used to calculate the percentage of salary guideline is either the share price on the date of award or on the date of vesting/exercise.

On departure, executive directors will be required to hold the number of shares in line with their in-employment shareholding requirement (or the number of shares that they own at departure if lower) for two years from their date of termination from the Group. Shares will normally be retained in the nominee account administered by the Company to ensure this.

#### 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. The current executive director has no external non-executive appointments.

#### IAG CEO remuneration history

The table below shows the IAG CEO single total figure of remuneration for the latest ten-year rolling period:

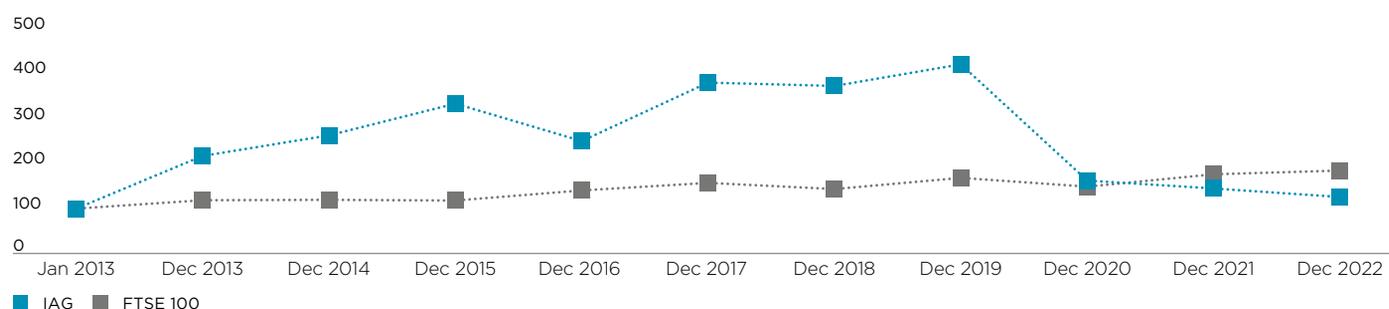
	IAG CEO - total single figure of remuneration	Annual incentive payment as a percentage of the maximum	Long-term incentive vesting as a percentage of the maximum	
2013	Willie Walsh	£4,971,000	78.75 per cent of maximum	100 per cent of maximum
2014		£6,390,000	97.78 per cent of maximum	85.00 per cent of maximum
2015		£6,455,000	80.00 per cent of maximum	100.00 per cent of maximum
2016		£2,462,000	33.33 per cent of maximum	50.00 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
2020	Willie Walsh	£662,000	No annual incentive payment	Zero vesting of long-term incentives
	Luis Gallego	£301,000	No annual incentive payment	Zero vesting of long-term incentives
2021	Luis Gallego	£1,110,000	No annual incentive payment	Zero vesting of long-term incentives
2022		£2,577,000	83.5 per cent of maximum	Zero vesting of long-term incentives

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

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

The chart below shows the value by December 31, 2022 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. The other points plotted are the values at intervening financial year-ends. 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.



**Non-executive directors**

Non-executive directors are paid a flat fee each year, as per the following table.

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

All non-executive directors agreed to a reduction in all types of fees received in order to preserve cash and maintain the Group's competitive positioning during the pandemic. Between April 1, 2020 to December 31, 2020, a 20 per cent reduction applied to all fee types. Thereafter in 2021, the reduction was decreased to 10 per cent and applied for the full year.

The fees in the table are the contractual rates and have remained the same since 2011. There are no proposed increases to non-executive director fees for 2023.

**Single total figure of remuneration for each non-executive director**

The fees shown in the following table reflect that for 2022, with the Group emerging from the pandemic, it was agreed from January 1, 2022 to stop the 10 per cent reduction applied to all fee types in 2021, and revert to contractual rates (shown in the table above).

Director (€'000)	2022 fees	2022 taxable benefits	Total for year to December 31, 2022	2021 fees	2021 taxable benefits	Total for year to December 31, 2021
Javier Ferrán <sup>1</sup>	645	5	650	573	4	577
Heather Ann McSharry <sup>2</sup>	147	6	153	108	0	108
Giles Agutter	120	0	120	108	4	112
Peggy Bruzélius	120	0	120	108	0	108
Eva Castillo	120	2	122	108	0	108
Margaret Ewing	140	3	143	126	0	126
Maurice Lam <sup>3</sup>	120	12	132	58	2	60
Robin Phillips	120	4	124	108	0	108
Emilio Saracho	120	11	131	108	7	115
Nicola Shaw	140	12	152	123	0	123
Alberto Terol <sup>4</sup>	79	17	96	153	9	162
Antonio Vázquez <sup>5</sup>	-	-	-	11	7	18
<b>Total (€'000)</b>	<b>1,871</b>	<b>72</b>	<b>1,943</b>	<b>1,692</b>	<b>33</b>	<b>1,725</b>

1 Javier Ferrán was appointed Chairman on Antonio Vázquez's retirement on January 7, 2021 and his January 2021 fees reflected a blend of non-executive director and chair fees.

2 Heather Ann McSharry was appointed Senior Independent Director and Remuneration Committee Chair in June 2022.

3 Maurice Lam joined the Board on June 17, 2021 and his fees and taxable benefits in 2021 reflect a part year of service.

4 Alberto Terol stepped down from the Board in June 2022 and his fees reflect a part year of service.

5 Antonio Vázquez retired from the Board during 2021 and received no fees in 2022.

**Additional explanations in respect of the single total figure table for each non-executive director**

Each non-executive 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.

**Taxable benefits**

Taxable benefits for non-executive directors relate to personal travel benefits.

**Exchange rates**

For the year to December 31, 2022, €:£ exchange rate applied is 1.1744 (2021: 1.1587).

### Directors' interests in shares

	Total shares and voting rights	Percentage of capital
Javier Ferrán	774,750	0.016
Luis Gallego	891,590	0.018
Giles Agutter	625	0.000
Peggy Bruzelius	0	0.000
Eva Castillo	0	0.000
Margaret Ewing	18,750	0.000
Maurice Lam	0	0.000
Heather Ann McSharry	55,000	0.001
Robin Phillips	0	0.000
Emilio Saracho	0	0.000
Nicola Shaw	4,285	0.000
<b>Total</b>	<b>1,745,000</b>	<b>0.035</b>

There have been no changes to the shareholdings set out above between December 31, 2022 and the date of this report.

### Payments to past directors

Travel benefits were received during 2022 by the following former Board members:

Former Board Member	Value
Antonio Vázquez	€8,000
Patrick Cescau	€24,000
Maria Fernanda Mejía	€15,000
Deborah Kerr	€7,000
Baroness Kingsmill	€24,000
Kieran Poynter	€9,000
Dame Marjorie Scardino	€17,000
James Lawrence	€8,000

### **Wider workforce In 2022**

A key area of focus for the Committee over 2022 has been understanding the broader workforce experience in light of the current economic environment and cost-of-living crisis and supporting our wider workforce.

#### **Workforce experience highlights**

- Within IAG's unique operating model, employee reward is owned and managed within each operating company, to enable them to deliver the right customer and employee experience.
- Our employees have been central to our recovery and key to delivering for our customers. Operating companies continue to support our people through these challenging times and ensure our pay models are sustainable, fair and aligned to the Operating company's competitiveness.
- 89 per cent of employees are subject to collective bargaining agreements with 32 collective bargaining agreements across the Group, many of them reviewed in 2022.
- The Committee have received regular updates on workforce experience and in particular the steps the operating companies have taken to support colleagues both in terms of support with cost of living challenges, and their overall wellbeing. With respect to workforce remuneration, each operating company has sought to reach collective agreements which best support colleagues whilst ensuring the business and pay remains competitive. This has included one off payments and contractual pay increases throughout the Group (for example, £1,000 payment made to eligible IAG Loyalty employees and a one-off payment of €1,700 to eligible employees at Aer Lingus).
- During the COVID-19 pandemic a range of interventions were implemented to support colleagues, including the extensive use of job retention schemes to protect jobs and pay, with operating companies contributing an additional c.£150 million to top-up payments from government schemes.

#### **Engaging with employees**

- Board members also regularly engage with representative employee groups. There were twelve visits across the operating companies during 2022. The key themes from the engagement were shared with the Board in order to understand colleague experiences and to identify any areas for improvement. Further explanations of the Board engagement with employees is set out in the 'Stakeholders engagement' section of the Corporate Governance report.

#### **Gender pay**

- Operating companies have implemented a range of initiatives to support gender equality including reviewing its recruitment processes to ensure diverse shortlists and interview panels, setting up mentoring and networking opportunities to women and providing educational programmes for girls and young women considering career paths in aviation. As markets re-opened and travel restriction eased, airlines built the capacity to meet increasing demands for travel. This included recruiting around 17,400 new colleagues across the Group, with the majority of new hires in Cabin Crew and Airport Operations. This changing resource profile has resulted at IAG group level, in a year-on-year reduction in the salary gap from 25% in 2021 to 12.6% in 2022.

Remuneration decisions made by the Committee align with our strategy, our stakeholders' interest in our delivery of long-term sustainable value and with the wider workforce in line with the principles set out in our policy.

## Alignment of Executive Director and workforce remuneration

The Committee has oversight of workforce remuneration and related policies across the Group and takes this into account when setting remuneration for the IAG CEO and senior management. The table below summarises the remuneration structure for the wider workforce.

	IAG CEO	Below board level
<b>Base Salary</b>	<p>2022 was the first year since appointment in 2020 receiving full contractual salary with no salary increases for 2021 or 2022 (10% reduction in 2021 and 20% reduction in 2020 following the outbreak of the pandemic).</p> <p>Salary increases as a percentage of salary are normally aligned with, or lower than, those of the wider workforce.</p>	<p>89 per cent of our employees are subject to collective bargaining agreements (CBA). Many of them were reviewed over the course of 2022, with the aim to create a stronger link to market alignment and to future business performance and to ensure that pay is both competitive and sustainable.</p> <p>Salary increase budgets for employees are determined by each operating company for each country.</p> <p>Salary increases reflect position against market, performance, skills, contribution and development in role.</p> <p>If we compare the 2022 base salary increases of the IAG CEO against the UK workforce in 2022, of the circa 22,000 employees present in both 2021 and 2022, the median salary increase awarded was 8 per cent of contractual base salary.</p>
<b>Taxable Benefits</b>	Benefit packages are broadly aligned with those of other employees who joined in the same country at the same time.	Benefits are set by operating companies at a competitive level and are appropriate given local market practice.
<b>Pension</b>	Pension contribution of 12.5 per cent of salary in line with the rate applicable to the majority of the workforce in the country in which is based.	Pension arrangements reflect local market practices and requirements.
<b>Annual Incentive Awards</b>	<p>The maximum opportunity in the incentive plan is 200 per cent of salary.</p> <p>At least 60 per cent and no more than 80 per cent of the annual incentive is subject to financial measures. The weighting on role-specific objectives will not exceed 25 per cent, and any remaining portion will be subject to measurable non-financial metrics (e.g., customer and an IAG-specific carbon efficiency measure, to further drive progress towards our Flightpath Net Zero 2050 commitment).</p> <p>50 per cent of any bonus earned is deferred into shares for three years</p> <p>For 2021, the IAG CEO confirmed to the Board that he did not wish to be considered for a 2021 Annual Incentive Award, waiving any 2021 incentive opportunity, therefore no annual incentives had been awarded to the IAG CEO for 2020 and 2021.</p>	For eligible employees Incentive plans were in place against objectives designed to focus on financial, customers, carbon efficiency and personal. Opportunities vary by role and outturns and payments against these plans were managed at a local level.
<b>Long-term Incentives</b>	<p>Maximum restricted share plan opportunity of 150 per cent of base salary and subject to the satisfaction of performance underpins.</p> <p>Awards are subject to a three-year vesting period followed by a two-year holding period.</p>	<p>Restricted share awards granted to senior managers across the Group to incentivise long-term shareholder value creation.</p> <p>Also by exception, identified talent may participate where we believe the individual will achieve promotion to a senior management grade within the next 12-18 months, and whereby an award of long-term incentives is deemed critical to retention.</p>

### CEO pay ratio

The following table sets out IAG's CEO pay ratio figures from 2019 to 2022.

Year	CEO single figure (£'000)	Method <sup>1</sup>	25 <sup>th</sup> percentile pay ratio	Median pay ratio	75 <sup>th</sup> percentile pay ratio
<b>2022</b>	<b>2,577</b>	<b>Option A</b>	<b>59:1</b>	<b>45:1</b>	<b>29:1</b>
2021	1,110	Option A	29:1	21:1	14:1
2020	963	Option A	34:1	23:1	15:1
2019	3,198	Option A	109:1	72:1	49:1

The pay ratio figures in the above table are calculated using the following UK employee remuneration information:

Year	UK employee pay	25 <sup>th</sup> percentile pay	Median pay	75 <sup>th</sup> percentile pay
	<b>Basic salary (£'000)</b>	<b>27.7</b>	<b>40.9</b>	<b>62.4</b>
<b>2022<sup>2</sup></b>	<b>Total remuneration (£'000)</b>	<b>43.4</b>	<b>57.1</b>	<b>90.5</b>
	Basic salary (£'000)	26.9	39.7	60.6
2021 <sup>3</sup>	Total remuneration (£'000)	38.6	53.4	80.7
	Basic salary (£'000)	17.2	28.6	45.2
2020 <sup>4</sup>	Total remuneration (£'000)	28.4	42.8	63.9
	Basic salary (£'000)	20.1	32.3	46.5
2019	Total remuneration (£'000)	29.4	44.2	64.7

- 1 The ratio continues to be calculated on the most statistically accurate basis, Option A. UK employee pay is based on the payroll records of 36,474 employees who were in the Group for the whole of or some of 2022.
- 2 To ensure the accuracy of these calculations, earnings data were collected directly from the UK payroll on a month-by-month basis. Any variable incentive elements in respect of 2022, payable to employees later in 2023, are modelled on an employee-by-employee basis against agreed frameworks. This approach enables fair and accurate comparison to the IAG CEO 2022 single total figure of remuneration.
- 3 To provide a fair and representative view to all remuneration received by UK employees, the 2021 basic salary and total remuneration figures include statutory and company top-up furlough payments. With the UK furlough scheme having ended in September 2021, this consideration is not relevant for 2022.
- 4 The 2020 UK employee remuneration figures excluded all types of furlough payment and were representative of earnings for time worked but were not representative of the full level of pay received by employees and their actual remuneration experience.

The reduction in the ratio from 2019 demonstrates the continuing impact of the pandemic and is an accurate reflection of the contraction in IAG CEO's pay, with current IAG CEO's remuneration being around 81 per cent of 2019 levels.

The increase in the UK employee remuneration in 2022 reflects:

- Across our operating companies we have put in place a number of programmes to support our people through the current economic uncertainty.
- Payments made to managers under the 2022 annual incentive plan.
- Changes to the size and composition of the UK workforce between years, with pay for 29,744 employees being reported for 2021 and 36,474 for 2022.

The change in IAG CEO remuneration between 2021 and 2022, is due to:

- 2022 first year since appointment in 2020 receiving full contractual salary (with no increase in 2021 and 2022, 10% reduction in 2021 and 20% reduction in 2020).
- As the Group emerges stronger from the pandemic, 2022 was the first year since 2019 that the IAG CEO received an Annual incentive award.

The Committee is aware that the current ratio, whilst temporary, is an outlier amongst similar profile organisations. As the Group continues its recovery from the pandemic and IAG CEO's long-term variable incentive begin to be payable against the generation of sustainable shareholder value, it is expected that the Group's CEO pay ratio will increase to a more representative, pre-pandemic range.

### Change in directors' remuneration compared to employees

The table below shows a comparison of the change in year-on-year remuneration for directors of the Group, against the equivalent change for UK employees from 2020 to 2022.

Director (€'000)	2021 to 2022			2020 to 2021			2019 to 2020		
	Salary or fees value change from 2021 to 2022 <sup>1</sup>	Taxable benefits value change from 2021 to 2022	Annual incentive value change from 2021 to 2022	Salary or fees value change from 2020 to 2021 <sup>1</sup>	Taxable benefits value change from 2020 to 2021	Annual incentive value change from 2020 to 2021	Salary or fees value change from 2019 to 2020	Taxable benefits value change from 2019 to 2020	Annual incentive value change from 2019 to 2020
Luis Gallego <sup>2</sup>	13%	3%	100%	269%	315%	0%	-	-	-
Javier Ferrán <sup>3</sup>	13%	25%		436%	0%		67%	100%	
Heather Ann McSharry <sup>4,6</sup>	36%	100%		-	-		-	-	
Giles Agutter <sup>5</sup>	11%	(100%)		260%	100%		-	-	
Peggy Bruzelius <sup>6</sup>	11%	0%		-	-		-	-	
Eva Castillo <sup>6</sup>	11%	100%		-	-		-	-	
Margaret Ewing	11%	100%		18%	(100%)		67%	300%	
Maurice Lam <sup>7</sup>	107%	500%		-	-		-	-	
Robin Phillips <sup>5</sup>	11%	100%		260%	0%		-	-	
Emilio Saracho	11%	57%		6%	17%		(15%)	(67%)	
Nicola Shaw	14%	100%		21%	(100%)		(15%)	(94)	
Alberto Terol <sup>8</sup>	(48%)	89%		20%	(100%)		(6%)	(62%)	
<b>All UK employees<sup>9,10</sup></b>	<b>3%</b>	<b>0%</b>	<b>78%</b>	<b>39%</b>	<b>0%</b>	<b>131%</b>	<b>(11%)</b>	<b>0%</b>	

1 The comparison of fees for all directors in respect of 2020 and 2021, reflects a 20 per cent COVID-19 related reduction operated between April 1, 2020 and December 31, 2020 and a 10 per cent reduction operated for the full year in 2021.

2 Luis Gallego: 2022 first year since appointment in 2020 receiving full contractual salary with no increase in 2021 and 2022 (10% reduction in 2021 and 20% reduction in 2020), and as the Group emerges stronger from the pandemic, 2022 was the first year since 2019 that the IAG CEO received an Annual incentive award. The comparison of 2020 vs 2021 reflects a part year of remuneration in 2020 versus a full year in 2021.

3 The uplift in fees for Javier Ferrán between 2020 and 2021 reflects his role as a non-executive director in 2020 and his assumption of the role of the Chairman from January 7, 2021, for the remainder of the reporting period.

4 The uplift in fees for Heather Ann between 2022 and 2021 reflect her appointment as Senior Independent Director and Remuneration Committee Chair since June 2022.

5 The comparison of 2020 vs 2021 remuneration for Luis Gallego, Giles Agutter and Robin Phillips reflects a part year of director service and remuneration in 2020 versus a full year of director service and remuneration in 2021.

6 Eva Castillo, Heather Ann McSharry, and Peggy Bruzelius were appointed as directors on December 31, 2020, but received no remuneration for 2020.

7 Maurice Lam the comparison of 2021 vs 2022 reflects a part year of director service in 2021 versus a full year in 2022.

8 Alberto Terol stepped down from the Board in June 2022 and his fees reflect a part year of service.

9 The All UK Employee 2021 and 2022 salary medians underlying the 3 per cent uplift in median salary are taken from UK employee earnings published in the 2022 CEO pay ratio section.

10 The reported change in the median value of all UK employee annual incentives from 2021 to 2022 (79 per cent) reflects the strong recovery of the Group in the year and the Group's return to profitability (against the distribution of considerably reduced award values in previous years).

### Relative importance of spend on pay

The table below shows, for 2022 and 2021, total remuneration costs, adjusted operating profit/(loss) and dividends for the Company.

	2022	2021
Total employee costs, IAG <sup>1</sup>	€ 4,647,000,000	€ 3,031,000,000
Total remuneration, directors (including non-executive directors)	€ 4,969,000	€ 3,011,000
IAG operating profit/(loss), excluding exceptional items	€ 1,225,000,000	€ (2,970,000,000)
Dividend declared	-	-
Dividend proposed	-	-

<sup>1</sup> Total employee costs are before exceptional items.

### Implementation of Remuneration Policy for 2023

The table below shows how the Remuneration Policy approved by shareholders at the 2021 Shareholders' Meeting, and amended at the Shareholders' Meeting in 2022, will be implemented in 2023, alongside a summary of key features:

Pay element	Purpose and link to strategy	Operation of element	Implementation in 2023
<b>Executive directors</b>			
<b>Base salary</b>	To attract and retain talent to help achieve our strategic objectives.  Takes account of factors such as role, skills and contribution.	The positioning of base salaries is set with reference to factors such as the external market, as well as the individual's skills and contribution. Basic salaries are reviewed annually, and normally take effect on January 1 each year.	From January 1, 2023: £852,800 (€1,001,528) (an increase of 4 per cent from 2022).  First increase since appointment in 2020 and below the average increase for the majority of the wider workforce, which is more than 6 per cent.
<b>Annual Incentive Plan</b>	Annual Incentive award incentivises annual corporate financial and non-financial performance and the delivery of role-specific objectives.  The deferred shares element aligns the interest of executives and shareholders and provides a retention tool.	The Board, on a recommendation from the Remuneration Committee, sets the financial and non-financial targets that apply to the Annual Incentive Plan. These are set by reference to a number of factors, including the Business Plan (as approved by the Board), and the Group's strategic focus. For the portion based on personal objectives, the Committee will consider the performance of each executive against their role-specific objectives.  50 per cent of the awards under the Annual Incentive Plan is deferred into shares vesting in three years. Malus and clawback provisions apply.	The maximum opportunity in the incentive plan is 200 per cent of salary.  At least 60 per cent and no more than 80 per cent of the annual incentive is subject to financial measures. The weighting on role-specific objectives will not exceed 25 per cent, and any remaining portion will be subject to measurable non-financial metrics (e.g., customer and an IAG-specific carbon efficiency measure, to further drive progress towards our Flightpath Net Zero 2050 commitment).

Pay element	Purpose and link to strategy	Operation of element	Implementation in 2023
<b>Restricted Share Plan</b>	Incentivises long-term shareholder value creation, and retention.	<p>No performance measures are associated with the awards.</p> <p>Vesting will be contingent on continuous employment and on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted.</p> <p>Malus and clawback provisions apply.</p>	<p>In line with IAG's remuneration policy, a restricted share award of 150 per cent of salary will be granted to the IAG CEO in 2023, the award will vest after three years subject to the satisfaction of the discretionary performance underpin and also be subject to a holding period of two years post vesting.</p> <p>Ensuring a fair and proportionate long-term incentive opportunity, aligned with both external market and relative positioning of the IAG CEO's total compensation compared to that of his executive team.</p>
<b>Shareholding Requirement</b>	Provides long-term alignment with shareholders.	<p>Build and maintain a shareholding of 350 per cent of basic salary.</p> <p>Post-cessation shareholding requirements for two years.</p>	<p>No change to shareholding requirements.</p> <p>As at 31 December 2022 the CEO of IAG had a shareholding of 484 per cent of basic salary.</p>
<b>Taxable benefits and pension-related benefits</b>	Provides basic retirement and benefits which reflect local market practice.	Pension contribution will be in line with the rate applicable to the majority of the workforce in the country in which it is based. Taxable benefits include the provision of a company car, a fuel allowance and private health insurances.	<p>Benefits to be provided as per policy and pension will remain unchanged.</p> <p>The IAG CEO's eligibility to the transitional allowance has ceased at the end of 2022.</p>
<b>Non-executive directors</b>			
<b>Basic fees</b>	Fees take into account the level of responsibility, experience, abilities and dedication required.	<p>Fees are set with reference to market positioning.</p> <p>To acknowledge the key role of the Chair of the Board of Directors, fees are set separately for this role. There is also an additional fee for undertaking the role of Senior Independent Director, and also for holding a Committee chair position. There is no additional fee for Committee membership.</p>	Non-executive director fees were last reviewed in 2017 and remain unchanged for 2023. The fees have remained the same since 2011.

**Supplementary information — Directors' share options and shares**

The following table details the nil-cost options over ordinary shares of the Company granted to the current IAG CEO under the IAG PSP as at December 31, 2022:

Director	Date of grant	Number of options at January 1, 2022	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, 2022
Luis Gallego	May 28, 2015	131,242	-	-	-	-	1/1/2020	31/12/2024	131,242
	March 7, 2016	98,001	-	-	-	-	1/1/2021	31/12/2025	98,001
	March 6, 2017	174,504	-	-	-	-	1/1/2022	31/12/2026	174,504
	March 8, 2019	245,114	-	-	245,114	-	lapsed		0
	March 6, 2020	538,805	-	-	-	-	1/1/2025	31/12/2029	538,805
<b>Total nil-cost options over ordinary shares</b>		<b>1,187,666</b>	<b>-</b>	<b>-</b>	<b>245,114</b>	<b>-</b>			<b>942,552</b>

The award granted on March 8, 2019 was tested at the end of the performance period. Threshold performance was not achieved for any measure and therefore the award lapsed in full.

The performance conditions for the unvested 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 a comparator 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. Any vested awards are subject to an additional two-year holding period.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the PSP awards was 2020: 459 pence; 2019: 567 pence; 2017: 546 pence; 2016: 541 pence; and 2015: 550 pence.

The following table details the conditional share awards over ordinary shares granted under the Restricted Share Plan (RSP) to Executive Directors:

Director	Date of grant	Number of conditional shares granted	Vesting date	Shares lapsed at vesting due to underpin	Holding period expiry date	Number of unvested conditional shares at December 31, 2022	Number of vested conditional shares at December 31, 2022
Luis Gallego	June 23, 2021	414,954	June 23, 2024	-	June 23, 2026	414,954	-
	March 21, 2022	581,907	March 21, 2025	-	March 21, 2027	581,907	-
	October 28, 2022	290,953	March 21, 2025	-	March 21, 2027	290,953	-
<b>Total conditional share awards (RSP)</b>		<b>1,287,814</b>				<b>1,287,814</b>	

RSP awards are subject to a discretionary underpin prior to vesting. This review, performed by the Remuneration Committee, considers the Company's overall performance, including financial and non-financial performance measures, over the course of the vesting period, as well as any material risk or regulatory failures identified. In the event of a significant failure on the part of the Company or the executive director, malus and clawback provisions are available to the Remuneration Committee to reduce the vesting value, including to nil.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the RSP awards was 2022: 141 pence (2021: 198 pence).

### Incentive Award Deferral Plan (IADP)

Under the current policy, 50 per cent of any Annual Incentive Award for executive directors is made in deferred shares under the Executive Share Plan. Under this plan, incentive award shares are deferred for three years from date of grant. The following table details the current Executive Director's holdings of conditional awards over ordinary shares of the Company granted under the IAG IADP. Awards are shown for the performance periods ended December 31, 2018 and December 31, 2019.

No award was made in respect of 2020 (in March 2021) following the decision to cancel the 2020 IAG Annual Incentive Plan. Additionally, no award was made for 2021 (March 2022), as the IAG's CEO confirmed to the Board that he did not wish to be considered for a 2021 Annual Incentive Award, waiving any 2021 incentive opportunity.

The impact of not making IADP grants to the IAG CEO for two years in succession has been a considerable reduction in unvested IADP shareholdings and the effectiveness of unvested IADP shares as a retention tool.

Executive Director	Performance year award relates to <sup>1</sup>	Date of award	Number of Shares at January 1, 2022	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of unvested shares at December 31, 2022
Luis Gallego	2018	March 8, 2019	74,576	74,576	March 8, 2022	-	-	-
	2019	March 6, 2020	81,520	-	March 6, 2023	-	-	81,520
<b>Total</b>			<b>156,096</b>	<b>74,576</b>		<b>-</b>	<b>-</b>	<b>81,520</b>

<sup>1</sup> For the performance period ended December 31, 2022 the award is expected to be made March 2023.

IADP awards already reflect performance delivered against a completed performance period, therefore awards are not subject to further performance conditions for vesting to occur. The terms and conditions of award for IADP grants do however require executive directors to be in employment with the Company at the time of vesting, or have left as a good leaver, to be eligible to receive the award. IADP awards are also subject to the policy's malus and clawback provisions.

The values attributed to the Company's ordinary shares in accordance with the plan rules for IADP awards (relating to the previous year's performance) were 2020 award: 459 pence; and 2019 award: 567 pence.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2019 IADP award (relating to the 2018 performance year) was 567 pence. The share price on the date of the vesting of this award (March 21, 2022) was 140 pence. The monetary 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.