2025 Directors' Remuneration Policy Proposal

2025 Annual General Meeting **May 2025**

Report from the Remuneration Committee

As a Spanish incorporated company, International Consolidated Airlines Group, S.A. ("IAG" or the "Company") 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.

According to the provisions of article 529 novodecies of the Spanish Companies Law (*Ley de Sociedades de Capital*), the Remuneration Committee (the "Committee") of the Board of Directors of IAG has issued this report in relation to the proposal of the new Directors' Remuneration Policy of the Company that will be submitted to the binding vote of the 2025 Annual Shareholders' Meeting of the Company.

The Committee's composition, competencies and operating rules are regulated by article 32 of the IAG Board of Directors' Regulations and the Regulations of the Remuneration Committee. A copy of these Regulations is available on the Company's website.

The Remuneration Committee Report sets out the business context and reasons for this proposal, details of the proposed policy changes and a description of the shareholder consultation process undertaken and the main topics discussed.

This document also contains the detailed Directors' Remuneration Policy, which includes all matters required to be disclosed in relation to the remuneration of the executive and non-executive directors in accordance with the requirements of both Spanish and UK regulations.

Dear Shareholder,

In our 2024 Directors' Remuneration Report, I advised that the Committee was consulting with shareholders on a proposed change to our Remuneration Policy.

Indeed, in the 2023 Report, the Remuneration Committee had already signalled to shareholders that we would continue to review the long-term incentive framework in the light of the economic and business context to ensure it would continue to drive the performance necessary to deliver our strategic ambition and ensure alignment with all stakeholders.

Following a comprehensive review since the last Shareholders' Meeting, the Board ultimately concluded that it was appropriate to replicate the long-term incentive model which was established for senior leaders below the Board in 2021, which combined a three-year long-term stretch performance incentive with our Restricted Share Plan framework.

A new remuneration Policy is required to extend this model to the Group CEO, to align his long-term remuneration with that of his leadership team and to incentivise him and his team to deliver on our ambitious strategic plans.

Following the recent positive consultation with our shareholders and proxy bodies on this proposal, on behalf of the Board, I am pleased to set out the background and context for our proposal to amend our long-term remuneration approach and thereby seek approval of a new Directors' Remuneration Policy at the 2025 Annual Shareholders' Meeting.

Business Context

"Under the leadership of the CEO, the Group has delivered record-breaking financial performance in 2024"

FY 2024

Operating profit

27% ↑

Operating margin

13.8%

Revenue growth

9% ↑

Under the leadership of our CEO, the Group has delivered record-breaking financial performance in 2024. Our very strong financial results included operating profit increasing by 27% to a record €4.4bn and operating margin at an industry-leading level of 13.8%, while net debt to EBITDA reduced to 1.1 times, reflecting the strong recovery in profitability and the related cash generation.

This strong performance led to market-leading shareholder returns in 2024 against all peer groups. IAG delivered the highest total shareholder return performance in the FTSE 100, the IBEX 35, and among its European airline peers in 2024, as well as a return to dividend payments and share buyback programmes. There has been significant geopolitical and macroeconomic volatility since then, but we believe that the progress made in transforming the Group in the last few years helps mitigate the impact of these headwinds and uncertainties.

Looking forward, the Group has articulated its key strategic ambitions, including the delivery of operating margin levels of 12-15% in the medium term, consistent with IAG's aspiration to be one of the leading airlines globally and its focus on continuing to transform the business to become even more resilient.

It is in the context of this performance and the Group's strategic ambition that the Remuneration Committee has reviewed IAG's remuneration framework.

2021 Long-term Remuneration Framework

Our existing incentive framework has been instrumental in driving our recent performance. Since 2021, we have operated two long-term incentive schemes for senior leaders:

- **A restricted share plan,** the RSP, introduced as the primary long-term incentive to drive focus on our long-term success and growth. In an industry particularly affected by ongoing volatility, where incentive payouts are regularly impacted by factors beyond management's control, the RSP has provided protection and a degree of stability in remuneration outcomes.
  - The RSP has demonstrated its effectiveness in engaging and retaining our executive team during a period of considerable uncertainty.

- **A stretch performance plan,** named the Full Potential Incentive Plan (FPIP), which was an exceptional award focusing on a single performance measure with vesting in March 2025. This plan was designed with the CEO, to focus senior leaders on the delivery of the transformation programme put in place at the time, with an outstanding stretch target of €4 billion operating profit measured to the end of 2024. For context, this €4 billion target was set at a time when IAG was losing almost €3 billion per annum, and at a level that exceeded the near record profit of €3.3 billion achieved in 2019.
  - The FPIP vested in March 2025 having significantly exceeded this stretch target level.

This long-term remuneration strategy has proven to be effective, fostering a high-performance culture that is critical to delivering our transformation ambition, and encouraging management to be agile and responsive to external challenges. It has also incentivised, engaged and retained our senior team. Our attrition rate among this population has been less than 2.5% per annum since 2021, compared to typical executive attrition rates of 18-20% in the post-pandemic period. In addition, our leadership engagement index score, as measured annually by McKinsey, has also positively increased by 15 points over the period.

The Group CEO, who has led this transformation ambition, agreed with the Board in 2021 that he would not participate in the 2021 FPIP given the economic, business and stakeholder context at that time.

"This long-term remuneration strategy has proven to be effective, fostering a high-performance culture that is critical to delivering our transformation ambition, and encouraging management to be agile and responsive to external challenges"

2025 Long-Term Remuneration Framework

In considering the new long-term incentive framework most appropriate for our business at this time, the Committee reflected on the scale of the strategic ambition, and the ongoing transformation required to continue to deliver on that ambition. Equally, the Committee believed that the combination of the RSP together with a long-term stretch performance incentive to drive performance beyond our strategic plan has proven to be very effective.

The Committee considered the possible reintroduction of a performance share plan, but the continued volatility of our sector relative to others means that it is challenging to set targets for a basket of measures on an annual basis and therefore not the best remuneration model to incentivise and engage our leadership team. In addition, a performance plan framework would not adequately reflect the Group's strategic and transformation ambitions. For these reasons, the Committee concluded that a performance plan would not be appropriate for our business in current circumstances.

Following the analyses and discussions over the last months and the successful vesting of the FPIP in March this year, the Committee and the Board have agreed to continue with the combined long-term incentive framework in place since 2021 and have recently introduced a new stretch plan, the **Stretch Performance Incentive Plan (SPIP)** for IAG's 300 senior leaders to continue to incentivise them to deliver market-leading performance for the next phase of our strategy.

The SPIP is designed to help us deliver stretch operating margin performance which is above our medium-term ambition and plan targets through to the end of 2027. Operating margin is the measure that will most effectively focus leaders on the continued transformation of the business to become ever more resilient whilst further reinforcing our high-performance culture.

It was also decided to retain the **RSP** as it is a highly effective and relevant element of the remuneration package to encourage long-term performance and provide stability given the volatile and cyclical nature of our industry.

The Remuneration Committee and the Board consider it important to extend the same long-term incentive strategy to the Group CEO and have therefore developed a proposal for him to participate in the SPIP (see detail below) in addition to the existing RSP. This will:

- Ensure that the long-term remuneration framework (including targets) is consistent and aligned across the leadership team, in a way that appropriately focuses on delivering the Group's strategic ambition.
- Ensure that the CEO's overall remuneration opportunity is competitive against internal and external benchmarks (see more details in Appendix A and B). His inclusion in the SPIP will:
  - Reduce compression challenges between the CEO and his direct reports (as without the SPIP, there is a risk his realised pay could fall behind some of his direct reports).
  - Modestly improve his market positioning which is currently below the lower quartile of comparable FTSE peers (although the proposed remuneration package including the SPIP would still be conservatively positioned relative to this FTSE peer group).
- Ultimately promote fairness in remuneration outcomes.

The issue of pay compression deserves particular attention as several factors have affected the relationship between the CEO's remuneration and that of his direct reports. Beyond the general need to be able to offer competitive packages to attract the necessary talent, the Company has had to make a number of external appointments to the Management Committee in the period since the pandemic. It is also worth noting that IAG's Management Committee includes several airline CEOs, who are paid in line with the market relative to their own peer group. The relationship with the Group CEO's remuneration has also been affected by the vesting of the FPIP in March (where the single figure remuneration of a direct report is equivalent to that of the CEO, as shown in Appendix A). Overall, it was clear to the Committee that the Group CEO's remuneration needed to be appropriately differentiated to reflect the relative seniority of the roles within IAG and to align more closely with external benchmarks.

Executive directors' SPIP – key features

- Single award in 2025 of 300% of salary (equivalent to 100% per annum).
- Three-year performance period to December 2027, followed by two-year holding period.
- Full award measured with reference to stretching Group operating margin targets, measured over a three-year period.
- A performance underpin whereby Group operating profit (before exceptional items) must not fall below 2019 levels of €3.285bn – if this is not met, the Remuneration Committee may scale back awards, including to nil.
- The CEO's award would be granted following the AGM (using a grant price aligned to SPIP awards made to other participants, being the 5-day average prior to 13 March 2025 of £3.04).
- Malus and clawback apply.

In addition, CEO shareholding guideline increased to 400% of salary (previously 350%), reflecting higher incentive opportunity.

Performance measure and targets

Operating margin will be the sole measure for the SPIP, for which we have set robust medium-term targets as part of our strategic ambition. We selected operating margin because it is the primary internal measure of performance for our business, and importantly, our investors have told us it is a critical performance indicator for them.

The Committee considered the use of multiple measures when designing the plan, and ultimately concluded that a single performance measure provides a simple and clear focus to align all the team behind an ambitious stretching target.

The Board has agreed this model for other SPIP participants and it is important that there is alignment with the approach for the CEO, to ensure a consistent focus and fairness of outcomes.

The SPIP targets have been set at a level that requires significant outperformance of IAG historic levels, and those of peers.

The target range for the Group CEO's award is based on an aggregation of the three one-year targets set for participants below the Board. For these, the target range assumes a progressive improvement in operating margin over the three-year period, with the third year having the greater weighting and the most stretching target being over 16% for the Group.

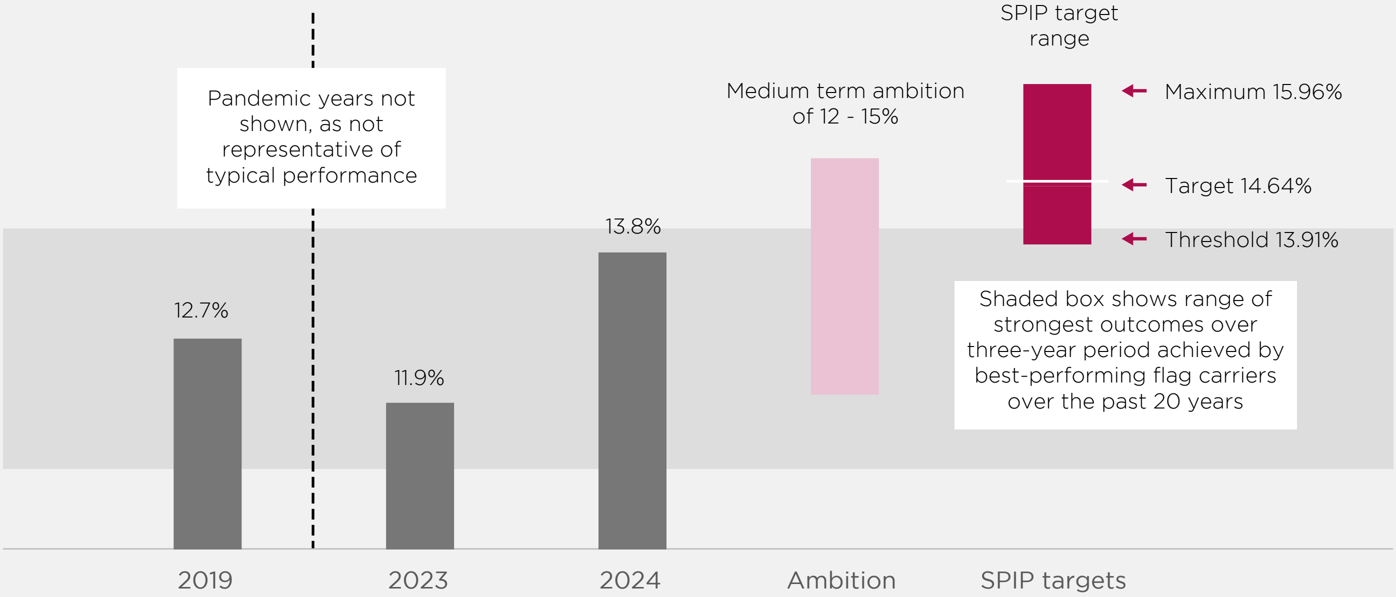
We believe that the proposed approach for the Group CEO is appropriate and provides the closest alignment with other SPIP participants.

The targets for the Group CEO's award would be as follows:

Operating Margin Targets	**Threshold**	**Target**	**Maximum**
	13.91%	14.64%	15.96%
Delivering the targets would require c.€4bn of cumulative transformation benefits to be delivered over the plan period	Threshold is set above our 2024 outcome and at the higher end of the Group's ambition, well above IAG's historical levels		Stretch (maximum) target for 2027 requires operating margin at a level not achieved by any European or American Full-Service carrier (including IAG) in the last 20 years
Payout (as % of maximum)[1]	20%	50%	100%

1 Straight-line vesting between points

Performance targets that require sustained delivery of industry-leading operating margin[1]



1 Note that the Y axis in this graphic starts at 10%

Shareholder consultation

We have engaged with the major proxy agencies and our largest shareholders in early 2025, following the release of our full year 2024 results. The consultation included shareholders representing 43.4% of our share capital (including Qatar Airways) and 31% of our institutional shareholding. We were pleased with the level of engagement and the quality of the discussions. Our shareholders recognised the role of management incentives in driving IAG's strong performance in 2024, and were supportive of a new stretch plan connected to our ambitious performance goals.

A key part of the discussions was around the stretching nature of the targets and we were able to explain to investors as to the level of outperformance required as detailed before.

Another area of focus was the Committee's rationale for operating the SPIP alongside (and on top) of the RSP, rather than as a replacement. We highlighted the ongoing volatility faced by the Group, caused by external challenges in the airline sector which are often beyond management's control, and explained the valuable and effective role that the RSP has played in promoting long-term success and focus by providing protection and stability to management in a sector subject to so much uncertainty. Ultimately, this has also helped to align with shareholder experience.

We explained to shareholders that the SPIP was not a typical performance share plan and was designed to reward exceptional performance over and above normal expectations, as shown in the chart in the previous page.

In recommending a 300% award (equivalent to a 100% annual grant over the three-year period), we explained that we have been very much influenced by the comprehensive internal and external remuneration benchmarking review we have completed in recent months (as shown in Appendix A and B).

In this engagement process, we explained that the proposed increase in pay opportunity would help mitigate internal pay compression and modestly improve market positioning, which is considered necessary and appropriate to reflect the scale and complexity of IAG's business.

Some shareholders asked why the SPIP was structured as a single award rather than rolling annual awards. We explained that we wanted to replicate the positive impact of the scale of the FPIP (i.e. a three-year up-front award) on motivation, engagement and business performance, as well as provide a simple focus for the next stage of our transformation journey.

With regard to the timing of the proposal, we explained that the expiry of the previous policy was not an appropriate time for the Committee to consider in depth the appropriateness of our long-term remuneration model. Among other factors, we explained that the first RSP granted did not vest until June 2024 (when the policy was due to be renewed) and that the FPIP, as a key milestone, did not vest until March 2025. In light of these factors, and following the work completed over the last 14 months, the Committee believes that only now is it appropriate to update its long-term remuneration framework and to propose the Group CEO's participation in the new SPIP, which is the core of the proposed Policy change.

> "We were pleased with the level of engagement and the quality of the discussions. Our shareholders recognised the role of management incentives in driving IAG's strong performance in 2024, and were supportive of a new stretch plan connected to our ambitious performance goals"

Shareholder consultation process

Development of the Proposal
Committee meetings from June 2024 to May 2025

2024 Directors' Remuneration Report
Advised on consultation re new long-term incentive proposal

Shareholder letters
Early March 2025

Meetings and other engagement
March and April 2025

Consideration of feedback received
Remuneration Committee meeting on 15 April 2025

Approval of proposal
Remuneration Committee and Board meetings on 7 and 8 May 2025.

Publication of proposed Policy
12 May 2025

Conclusion

The Committee has reflected very carefully on the ambitious strategic growth plans for IAG and considered the effectiveness of the SPIP in aligning management focus with this ambition. We equally recognise the important value of our RSP in driving long-term management commitment and motivation. While we recognise that the proposal to operate a stretch performance plan alongside restricted shares is unusual and not a market standard, we firmly believe that the proposed long-term incentive framework is best suited to our business and our long-term value creation ambition. This proposal has been very carefully developed over the last year and discussed by the Committee at multiple meetings, with the Committee conducting thorough scrutiny of the structure, award level and performance targets proposed.

We have an exceptional CEO, whose leadership and experience has delivered an outstanding financial recovery and industry leading results for IAG post-COVID. We believe it is important to facilitate his participation in the new SPIP to align with the rest of his management team and incentivise the sustained delivery of our ambitious strategic plans. By increasing the maximum remuneration opportunity, we can also mitigate the management pay compression challenges we are facing and ensure the CEO's overall remuneration opportunity becomes more market competitive than the lower quartile market positioning he occupies currently.

I would like to thank the shareholders and proxy agencies who took the time to provide us with their valuable feedback as part of the consultation. I look forward to further engagement if you have any additional questions on this Policy proposal and hope that you will confirm your support at our Shareholders' Meeting.

Yours sincerely

Heather Ann McSharry
Chair of the Remuneration Committee

Executive Summary

- **Delivering world class results** – Under the leadership of IAG CEO, the Group has delivered world class financial performance as evidenced by our 2024 results.

- **2021-2025: Incentivising performance through long-term remuneration** – The combination of an RSP and a stretch performance long-term single award has been in place since 2021 for the top 250 managers below Board and played an instrumental role in driving performance, engaging and critically retaining our senior leaders.

- **2025-2028: Replicating the same structure below Board** – To provide an effective incentive to deliver stretching, industry leading operating margin performance, the Board has agreed to continue with the combination of the RSP and a new stretch performance incentive plan (SPIP) as the long-term remuneration framework for IAG's 300 senior leaders in 2025.

- **Extending the long-term remuneration strategy to the Group CEO** – In this context, it is necessary to propose a change to our Remuneration Policy to facilitate participation of the Group CEO in the **SPIP** (through granting a single performance award of 300% of salary over a three-year period). This will align his performance targets and incentive framework with his team.

  Our **RSP** will continue to operate as a highly effective and relevant element of the remuneration package to promote long term focus on success and offer stability given the volatile and cyclical nature of our airline sector.

- **Quantum proposed for the Group CEO** – The increase in remuneration opportunity proposed in the Policy reflects comprehensive review by the Committee of internal and external benchmarks and is considered appropriate to address internal compression challenges and overall market positioning. The increased quantum is only payable for delivery of stretch outperformance.

- **Promoting long-term alignment** – Increased shareholding guideline for CEO of 400% of salary (previously 350%), reflecting higher incentive opportunity.

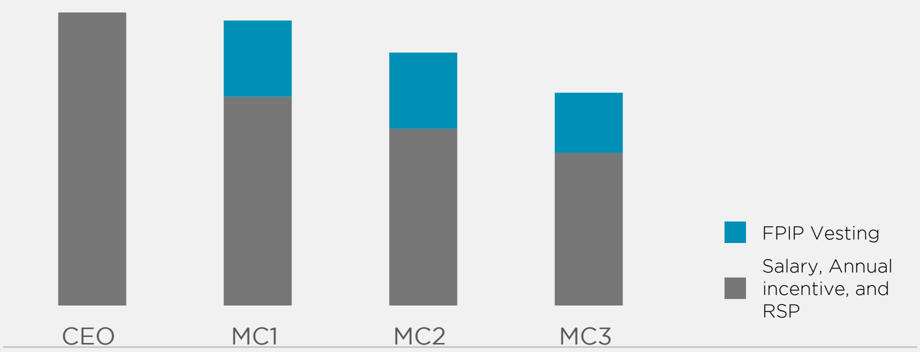
Appendix A

2021 FPIP pay compression illustration

2024 'single figure' for CEO and 3 highest-paid Management Committee members

Salary, Annual Incentive and RSP in grey; FPIP vesting in blue

Next highest paid MC member almost received the same remuneration in £ terms as CEO



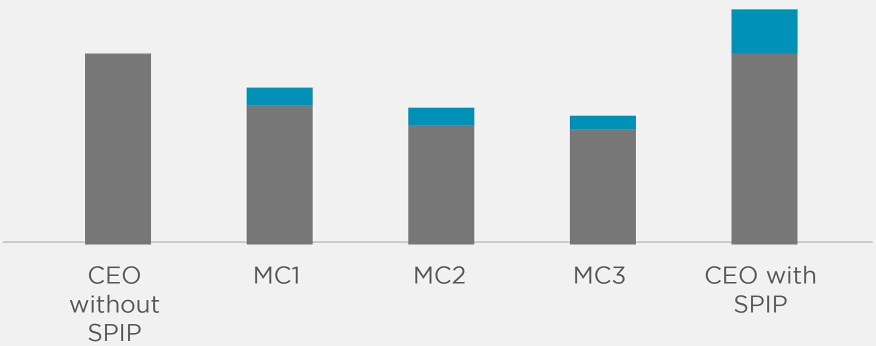
2025 SPIP pay compression illustration (annualised opportunity)

2025 packages (salary, annual incentive and RSP vesting in 2028) plus annualised SPIP opportunity for CEO and 3 highest-paid Management Committee members[1]

There is a risk that the CEO's realised pay could fall behind some of his direct reports were he not to participate in the SPIP. Taking the SPIP on an annualised basis, his highest-paid direct reports would receive packages that are c. 70-80% of the CEO's. With an SPIP award, the ratios become closer to market norms.

Salary, Annual incentive and RSP in grey; SPIP in blue

Without SPIP for the CEO, there is once again pay compression risks



1 Charts assume maximum annual incentive, full RSP opportunity and maximum annualised SPIP (i.e. 100% of salary at maximum for the CEO). Pension and other benefits not shown. Possible share price movements are not taken into account..

Appendix B

Market positioning and determination of award opportunity

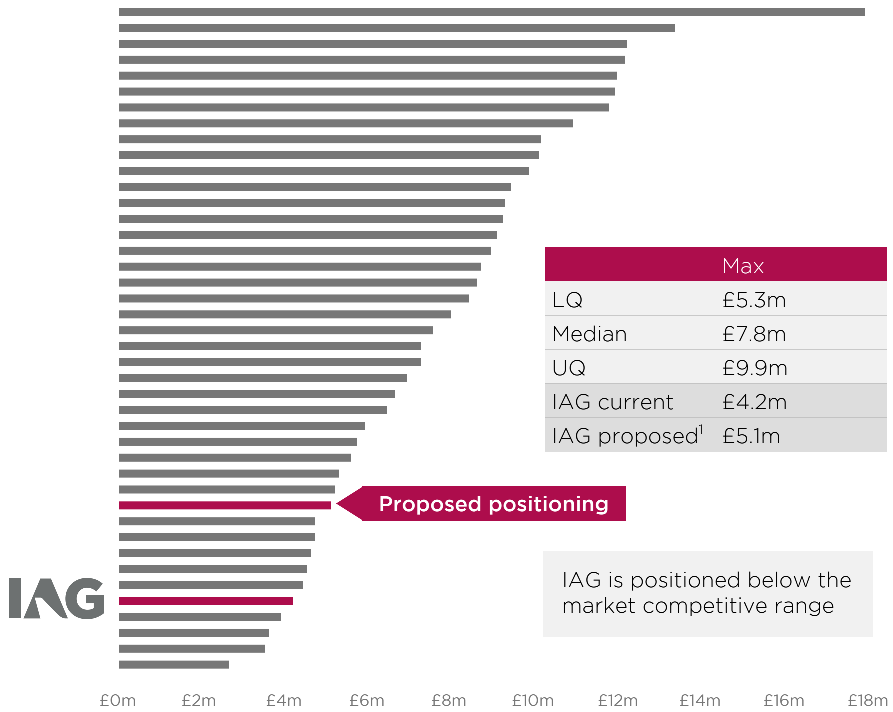
The Committee carefully considered the quantum of the SPIP award proposed for the CEO, including how this would fit in the context of his overall remuneration.

A review of market data for FTSE companies (excluding Financial Services) closest to IAG in size showed that the CEO's total compensation potential is materially behind the market. His current package at maximum is below the lower quartile of the peer group (as shown opposite).

The Committee was concerned that, without any change, there was a risk that the CEO continued to deliver strong outperformance relative to peers while lagging significantly behind them on realised pay outcomes.

It was therefore determined that a single SPIP award of 300% of salary was appropriate. Spread over three years, this is equivalent to 100% of salary per annum. Given that part of the long-term incentive is delivered in restricted shares, a less leveraged remuneration structure, the Committee did not seek to match the median of the FTSE peer group on a maximum basis. The Committee considers that a 300% opportunity is meaningful enough to provide an incentive, while still retaining a conservative positioning against peers.

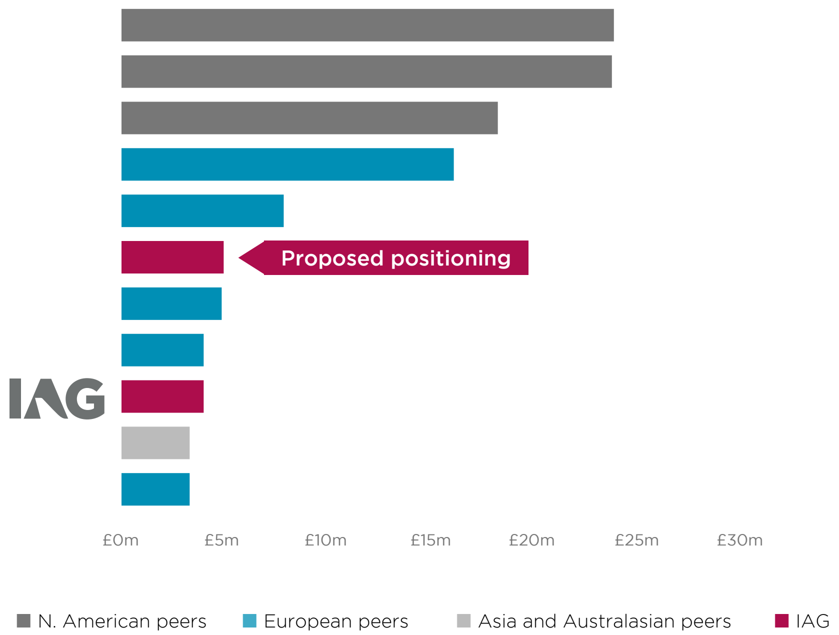
FTSE peer group - maximum total remuneration (includes pension)[1]



	Max
LQ	£5.3m
Median	£7.8m
UQ	£9.9m
IAG current	£4.2m
IAG proposed[1]	£5.1m

The Committee also considered data for other peer groups: IAG's global airline peers, a FTSE group based on company size and complexity, and the IBEX 35. During consultation, shareholders were particularly interested in the proposed positioning relative to sector peers. As is shown opposite, IAG is moderately positioned relative to that peer group and the increased quantum for the proposed SPIP award does not have a material impact.

Airline peers - total package at maximum[2]



1 Chart shows the CEO's positioning vs a peer group of 40 FTSE-listed companies (excluding Financial Services) closest to IAG in size (20 companies above and 20 below IAG, based on IAG's market capitalisation at 14 February 2025). SPIP value has been annualised.

2 Source: relevant annual reports and other public disclosures. Pension not included in international benchmarks. Where relevant, one-off plans have been annualised.

2025 Directors' Remuneration Policy

Introduction

Our current Directors' Remuneration Policy was approved by shareholders at the 2024 Annual Shareholder's Meeting. As explained in the 2023 Directors' Remuneration Report published in March 2024, and following a comprehensive review of the long-term remuneration strategy completed after the 2024 Shareholders' Meeting, the Board decided to replicate the long-term incentive model in place for senior executives below the Board since 2021 and to extend this to executive directors. We are therefore submitting a new Directors' Remuneration Policy for shareholder approval at the 2025 Annual Shareholders' Meeting. The proposed policy can be found below.

This Directors' Remuneration Policy shall apply, in accordance with the provisions of section 1 of article 529 novodecies of the Spanish Companies Law (*Ley de Sociedades de Capital*), from the date of its approval and during the following three financial years. Any amendment or replacement thereof during such period shall require the prior approval of the Shareholders' Meeting in accordance with the procedure established for its approval.

Although IAG, as a Spanish-incorporated company, is not subject to the remuneration reporting requirements that apply to UK-incorporated companies, it is firmly committed to complying with UK best practice and, to the extent possible, with all UK remuneration reporting requirements.

In developing the proposed Directors' Remuneration Policy, input was received from the Remuneration Committee and management while ensuring that conflicts of interest were suitably mitigated. Input was also provided by the Remuneration Committee's appointed independent advisers throughout the process.

IAG Remuneration Principles

Alignment	Our remuneration policies promote long-term value creation, through transparent alignment with our corporate strategy. We will keep our remuneration structures as simple and clear as possible to ensure they are understandable and meaningful to employees and shareholders.
Competitiveness	Total remuneration will be competitive for the role, taking into account scale, sector, complexity of responsibility and geography. When setting senior executive pay, we will consider experience, external pay relativity, and the ability of IAG to compete for global talent.
Pay for performance	We promote a culture where all employees are accountable for delivering performance. We will ensure there is alignment between performance and pay outcomes, with fair outcomes supported by corporate and individual performance and wider stakeholder experience. Depending on the level of the individual in the organisation, we use long-term equity to incentivise performance, shareholder value creation, and retention. Performance measures and targets will seek to balance collective success with a clear line of sight for participants. Remuneration outcomes aim to reflect the sustained long-term underlying performance of IAG.
Judgement	We will use discretion and judgement to review formulaic performance outcomes to arrive at fair and balanced remuneration outcomes for both IAG and employees.
Sustainability	Our remuneration policies incentivise individual and corporate performance, support talent attraction and retention and promote sound risk management to enhance the sustainable long-term financial health of the Group. Individual contribution and values and behaviours will be reflected in remuneration outcomes.
Wider workforce	We are committed to understanding the experience of all our colleagues. When setting senior executive pay we will use this insight to ensure all decisions regarding executive remuneration reflect the experience and expectations of all stakeholders.

Consideration of shareholder views

The Company consults regularly with its major investors and main proxy bodies on all matters relating to executive remuneration. The Company will engage in an extensive investor consultation exercise whenever there are any significant changes to director's remuneration policy.

In developing our approach to our Director's Remuneration Policy review, we consulted with our major shareholders and main proxy advisory bodies. The consultation on our proposal was positive, and we received valuable questions and feedback which will help shape our future discussions.

In addition to this, the Committee discusses each year the issues and outcomes from the annual Shareholders' Meeting, and determines any appropriate action required as a result.

Consideration of employment conditions elsewhere in the Group

The Committee is updated on pay and conditions of the employees within the Group and takes this into account when considering executive directors' remuneration. The Board is committed to understanding the experience of all our employees and uses its insight to ensure all decisions regarding executive remuneration reflect the experience and expectations of all stakeholders.

The pay of employees across all companies in the Group is taken into account when determining the level of any increase in the annual salary review of directors. This normally takes place each year at the January Committee meeting.

When determining the RSP and SPIP awards for executive directors, the Committee takes note of the eligibility criteria and the potential size of awards for executives below director level in all companies within the Group.

At the operating company level, the Company consults with employee representative bodies, including trade unions and works councils. This includes consultation on company strategy, the competitive environment, and employee terms and conditions. In addition, some of the operating companies run employee opinion surveys in order to take into consideration employee views on a variety of subjects, including leadership, management, and the wider employee experience.

The IAG European Works Council (EWC) facilitates communication and consultation between employees and management on transnational European matters. It includes representatives from the different European Economic Area (EEA) countries, meeting regularly throughout the year to be informed and where appropriate, consulted on transnational matters impacting employees in two or more EEA countries.

Proposed changes to Directors' Remuneration Policy

The Committee has reviewed the long-term remuneration element of the Policy in the context of the economic and business environment, to ensure that it continues to drive the performance required to deliver our strategic ambitions and ensure alignment with all stakeholders. As a result of that review, it was determined to propose a change to the long-term incentives elements, to ensure that this continues to incentivise the sustained delivery of our ambitious strategic growth plans, reinforce our high-performance culture and unify the remuneration framework for all our management team.

The business context and the reasons for this proposal, including a description of the shareholder consultation process carried out and the topics discussed in that process are set out in the report from the Remuneration Committee on the proposal prepared in accordance with Article 529 novodecies of the Spanish Companies Law and made available to shareholders on the Company's website from the date of the notice of the 2025 Shareholders' Meeting.

The principal changes from the current Remuneration Policy are as outlined below:

- Provision for executive directors to participate in the new Stretch Performance Incentive Plan (SPIP), which was introduced for 300 senior leaders in 2025. The SPIP has been designed to incentivise the achievement of stretch performance targets ahead of our strategic plan targets, to maintain the focus on transforming the business and to further reinforce our high-performance culture. An executive director may be granted a single SPIP award with a face value of up to 300% of salary.
- An increase to the shareholding requirement for the IAG CEO from 350% of salary to 400% of salary, to reflect that his incentive opportunity has increased as a result of the introduction of the SPIP. The Committee periodically reviews the policy on the operation of the shareholding guidelines. Details of the operation, and the CEO's compliance levels, are provided in the Directors' Remuneration Report each year.

The Policy as shown on the following pages is intended to apply for the following three years, until 2028, taking effect from the date of approval.

Key elements of pay

Executive directors

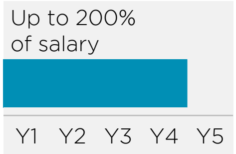
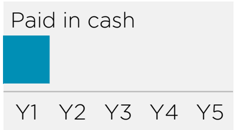
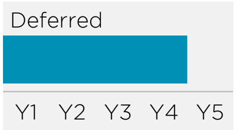
The Company's Policy remains to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework designed to promote the long-term success of IAG, aligned with stakeholder interests. The table below illustrates the components of pay and time period of each element of the Policy for Executive Directors.

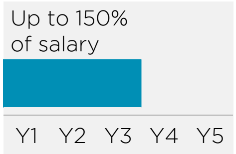
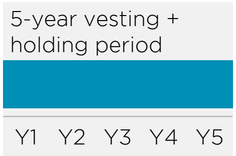
Total pay over 5 years	Year 1	Year 2	Year 3	Year 4	Year 5
Fixed Remuneration	Salary, benefits and pension				
Annual Incentive (Malus and clawback provisions apply)	50% in cash[1]	50% in shares[1] – Three-year deferral period. No further performance conditions			
Restricted Share Plan (Malus and clawback provisions apply)	Up to 150% of salary Three-year vesting period			Two-year holding period No further performance conditions	
Stretch Performance Incentive Plan (Malus and clawback provisions	Up to 300% of salary granted on a one-time basis Three-year performance period			Two year holding period No further performance conditions	
Shareholding requirements	Executive Directors' minimum shareholding requirement (including post-cessation requirements)				

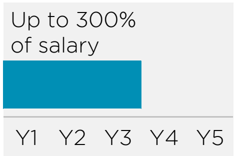
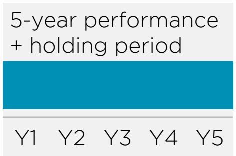
1 Where the IAG CEO has met the 400% shareholding guideline then 80% of the award will be paid out in cash with 20% deferred into shares for three years

The table below summarises the main elements of remuneration packages for the executive directors:

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
Base salary To attract and retain talent to help achieve our strategic objectives Y1 Y2 Y3 Y4 Y5	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. Base salaries are normally reviewed annually, and normally take effect on 1 January each year.	Base salaries are normally reviewed annually by the Remuneration Committee by taking into account factors such as: company affordability, the value and worth of the executive, retention risks, and the size of pay increases generally across the wider workforce.	Individual and business performance are considered in reviewing and setting base salary.
Benefits Ensures total package is competitive Y1 Y2 Y3 Y4 Y5	Benefits include, but are not limited to, life insurance, personal travel and, where applicable, a company car, fuel, and private health insurance. Executive directors may also participate in any broad-based employee share plans that may be operated by the Company on the same basis as other eligible employees. Where appropriate, benefits may include relocation, international assignment costs and tax advisory services. Executives will also be reimbursed for all reasonable expenses.	There is no formal maximum. In general, the Company expects to maintain benefits at the current level. The maximum value for any broad-based employee plans will be in line with the maximum value for eligible employees.	
Pension Provides post-retirement remuneration and ensures total package is competitive Y1 Y2 Y3 Y4 Y5	The Company operates a defined contribution scheme as a percentage of salary, and all executive directors are eligible for membership. Executives can opt instead to receive a salary supplement in lieu of a pension (in full or in part).	The level of employer contribution for executive directors, expressed as a percentage of basic salary, will be in line with the rate applicable to the majority of the workforce in the country in which the executive director is based. For the UK workforce, this is currently 12.5% of basic salary.	

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
Annual incentive award Incentivises the delivery of annual KPIs and strategic objectives   	The Board, on a recommendation from the Remuneration Committee, sets the measures and targets that apply to the annual incentive award which are normally measured over a single financial year. 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. The Board, after considering the recommendation of the Committee, retains the discretion to adjust the formulaic outcome of awards in order to, in its opinion, properly reflect overall corporate performance – see the 'Information supporting the policy tables' section. Once the minimum shareholding requirement is met, 20% of the annual incentive award is normally deferred into shares which will normally be released after a period of three years. Where the executive has not met their minimum shareholding requirement, 50% of the annual incentive award is normally deferred into shares which will normally be released after a period of three years. On vesting, executives will receive the benefit of any dividends paid over the deferred period in the form of dividend equivalent payments. Malus and clawback provisions apply – see the 'Information supporting the policy tables' section.	The maximum opportunity in the incentive plan is 200% of salary. Each performance metric in the incentive plan is independent. For each performance metric in the incentive plan, there will normally be no payment at all until performance for that particular metric has reached the threshold level of the target range. 50% of the maximum will be awarded for on-target performance, and the maximum for each element will only be awarded once a stretch target has been reached.	The majority of the annual incentive is subject to financial measures. Measurable non-financial measures may include, but are not limited to, strategic, personal, customer and ESG objectives. For the bonus deferral award, no other performance conditions apply because it is based on performance already delivered.

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
Restricted Share Plan (RSP) Incentivises long-term shareholder value creation, and retention.  	The RSP consists of an award of the Company's shares which normally vests as long as the executive remains employed by the Company at the time of vesting and subject to the assessment of the underpin. Malus and clawback provisions apply – see the 'Information supporting the policy tables' section. Following the assessment of the underpin, there is normally an additional holding period of at least two years.	The face value of the award(s) will not exceed 150% of salary in respect of any financial year.	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, 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. Whilst the RSP provides a greater certainty of reward by its very nature, the Committee 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 Committee's considerations in assessing the underpin will be disclosed in the relevant Directors' Remuneration Report.

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
Stretch Performance Incentive Plan (SPIP) Incentivises the delivery of stretching performance targets linked to the Group's strategic ambition  	An executive director may be granted an SPIP award on a one-time basis following the 2025 Annual Shareholders' Meeting. The SPIP consists of an award of the Company's shares which vests subject to performance normally assessed over a period of three financial years. Malus and clawback provisions apply – see the 'Information supporting the policy tables' section. An additional holding period of at least two years will normally apply to any award vesting.	The face value of the award(s) granted to an executive director will not exceed 300% of salary.	Awards are normally subject to one or more financial measures, as determined by the Board, following the advice of the Remuneration Committee. An underpin measure will also normally apply, whereby the Committee may scale back vesting if the underpin is not met, to act as a safeguard. For each performance metric in the SPIP, there will normally be no payment at all until performance for that particular metric has reached the threshold level of the target range (which in 2025 will be 20% of the maximum). 50% of the maximum will normally be awarded for on-target performance, and the maximum for each element will only be awarded once a stretch target has been reached (with straight-line vesting in between these points). The Board, after considering the recommendation of the Committee, retains the discretion to adjust the formulaic outcome of awards in order to, in its opinion, properly reflect overall corporate performance – see the 'Information supporting the policy tables' section.

Information supporting the policy tables

Shareholding requirements

In order to increase alignment with shareholders, executive directors are required to build up a minimum personal shareholding equal to a set percentage of base salary. The IAG CEO is required to build up and maintain a shareholding of 400% of basic salary, and other executive directors (to the extent they are appointed to the Board) are required to build up and maintain a shareholding of 200% of basic salary. Executive directors will be required to retain the entire 100% of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained.

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 the date they step down from the Board. Shares will normally be retained in the nominee account administered by the Company to ensure this.

Choice of performance measures

The performance measures selected for the annual bonus are ordinarily set on an annual basis by the Committee, to ensure that they remain appropriate to reflect the priorities for the Company in the year ahead. The targets for the performance measures are set taking into account a number of factors, including the Company's annual operating plan, strategic priorities, the economic environment and market conditions and expectations. Non-financial annual bonus measures may include strategic, personal, customer and ESG objectives. SPIP awards are normally subject to one or more financial measures. SPIP awards granted in 2025 will be subject to operating margin performance, this being a primary measure of performance in the business for which the Group has set robust medium-term targets as part of our strategic ambition.

Malus and clawback provisions	**Circumstances**	The Board, following the advice of the Committee, has authority to reduce or cancel awards before they are satisfied (and/or impose additional conditions on awards), and to recover payments, if special circumstances exist. These special circumstances include (but are not limited to): • Fraud; • Material breach of any law, regulation or code of practice; • An error or a material misstatement of results leading to overpayment or over-allocation; • Misconduct; • Failure of risk management; • The occurrence of an exceptional event affecting the Company's value or reputation; • Payments based on results that are subsequently found to be materially financially inaccurate or misleading; • Serious reputational damage as a result of a participant's behaviour; • Corporate failure; and • Any other circumstances in which the Board considers it to be in the interests of shareholders for the award to lapse or be adjusted.
	Period	• For the cash element of the annual incentive plan, clawback provisions apply for three years from the date of payment; • For the bonus deferral awards, there will be three years from the date of award in which shares can be withheld, i.e. the entire period from the date of the award until vesting; • For RSP and SPIP, clawback provisions apply for two years post vesting; and • The proportion of an award to be withheld or recovered will be at the discretion of the Board, upon consideration of the Committee, taking into account all relevant matters.

Discretion to adjust formulaic outcomes

The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to adjust (including preventing them in their entirety and making no payment) the formulaic outcome of incentive award payments in order to, in its opinion, properly reflect overall corporate performance. This includes where the business has had an exceptional event, in particular events that significantly impact stakeholders. This will include analysing the performance of the participant and the underlying financial performance of the Group to check whether they have been satisfactory in the circumstances and whether vesting levels reflect overall corporate performance. The Remuneration Committee can also take other factors it considers relevant into account. Underlying financial performance is defined as the overall performance of the Company, which may be considered with reference to a range of measures as the Remuneration Committee considers most appropriate at the time. Stakeholders would include shareholders, customers, and the Company's workforce. The Board also has authority to reduce the award levels at grant and/or the vesting outcomes for the RSP and SPIP where the Company has experienced a significant fall in share price, as a result of which it considers that participants have unduly benefited from windfall gains.

Benefits, expenses and taxation

The Board may arrange to settle any taxes and associated expenses payable if it deems such settlement appropriate, including, but not limited to tax on benefits or where, without such settlement, the executive will be subject to double taxation on the same remuneration amount.

Non-executive directors

The table below summarises the main elements of remuneration for non-executive directors:

Purpose and link to strategy	Operation of element of policy	Maximum opportunity
Basic fees Fees take into account the level of responsibility, experience, abilities and dedication required.	Fees are normally set with reference to factors such as market positioning. To acknowledge the key role of the Chair of the Board of Directors, fees are set separately for this role. Additional fees may be paid for undertaking additional Board responsibilities such as undertaking the role of Senior Independent Director or for holding a Committee chair position. Non-executive director fees will take into account external market conditions to ensure it is possible to attract and retain the necessary talent. There is no specific review date set, but it is the Company's intention to review fees from time to time.	The maximum annual aggregate gross remuneration (including annual basic fees and benefits, including travel benefits) payable to directors shall not exceed €3,500,000 as approved by the Shareholders' Meeting on 19 October 2010, in accordance with article 37.3 of the Company's Bylaws.
Benefits	Non-executive directors (including the Board Chair) are entitled to use air tickets of the airlines of the Company or related to the Company in accordance with the terms and conditions established, from time to time, in the Personal Travel Policy for IAG non-executive directors approved by the Board. As provided for under article 37.8 of the Company's Bylaws and by way of development of that article, this benefit may also be provided to non-executive directors after they have ceased to hold office if the Board considers it appropriate and in accordance with the terms and conditions set out from time to time in the Personal Travel Policy for IAG non-executive directors approved by the Board. The terms and conditions applicable to former non-executive directors may differ from those applicable to current directors and may be subject to additional conditions or restrictions (such as a minimum period of service or a maximum period of entitlement, fixed or variable, after leaving office) as determined by the Board from time to time.	The maximum total annual gross amount of the personal travel benefit is €500,000 for all non-executive directors taken together (including any former non-executive director who may be entitled to this benefit at any given time).

Remuneration scenarios

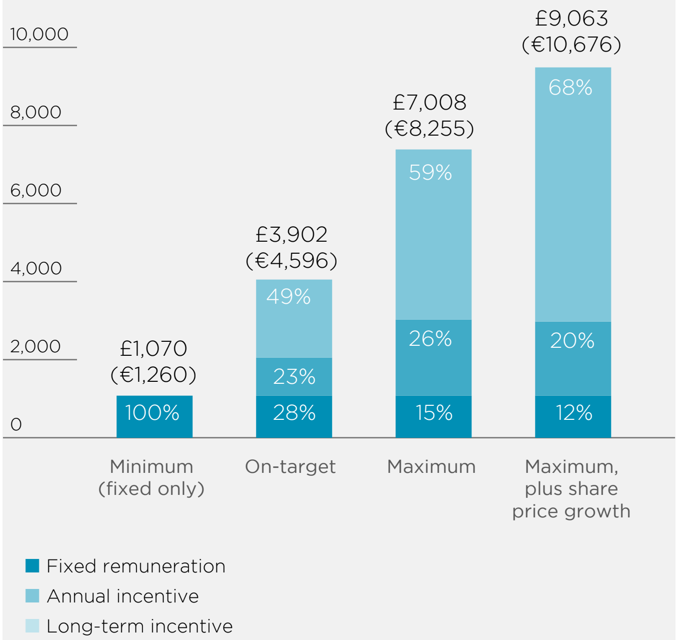
The chart below shows the potential total remuneration for the executive director in respect of the application of our Remuneration Policy. The scenarios illustrated include the minimum remuneration receivable, the remuneration receivable if the director performs in line with the Company's expectations, the maximum remuneration receivable, and the maximum remuneration receivable with 50% share price growth. With the exception of the illustration showing 50% share price growth, no share price variation is taken into consideration in these scenarios.

IAG CEO – 2025 remuneration scenario assumptions

The assumptions underlying each scenario are described below.

Minimum (fixed only)	Consists of basic salary, taxable benefits and pension-related benefits				
	Basic salary is at 1 January 2025				
	Benefits are valued using the figures in the single figure table				
	Pensions are valued by applying cash allowance rate of 12.5% of basic salary at 1 January 2024				
		Basic Salary (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)
	IAG CEO	914	41	114	£1,070.00
On-target	If the director performs in line with the Company's expectations.				
	The opportunity for the annual incentive is 100% of basic salary under this scenario.				
	The opportunity for the RSP is 150% of basic salary.				
	Given the degree of stretch in the SPIP targets, the opportunity for the SPIP is 60% of basic salary (or 20% of maximum) under this scenario.				
Maximum	The maximum award opportunity for annual incentive is 200% of basic salary under this scenario.				
	The opportunity for the RSP is 150% of basic salary.				
	The maximum award opportunity for the SPIP is 300% of basic salary under this scenario.				
Maximum plus share price growth	The same assumptions apply as for 'Maximum' but with a 50% share price appreciation, solely for the purpose of illustrating a wider range of potential remuneration outcomes.				
All scenarios	Euro amounts are shown at the 2024 exchange rate £:€ 1.1780. Long-term incentives consist of share awards only which are measured at face value, i.e. no assumption is made for dividend equivalents which may be payable.				

Remuneration scenarios
(£'000)



1 The percentages shown in the chart represent the weight of each element vs the total in each scenario.

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 service contracts are available for inspection, on request, at the Company's registered office.

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	8 September 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).

The Committee reserves the right to make any other payments (including, for example, appropriate legal or outplacement fees) in connection with an executive director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of an executive director's office or employment.

Under any of the Company's share plans, save in respect of bonus deferral 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 normally receive a pro-rata amount of their SPIP shares subject to the performance condition(s) being met, and a pro-rata amount of their RSP shares, subject to the underpin being met, in accordance with the plan rules. The pro-ration is normally calculated according to what proportion of the vesting 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 normally 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 normally paid in the normal manner following the 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 Chair) 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 non-executive directors' letters of appointment are available for inspection, on request, at the Company's registered office.

Notes to the policy tables

The Board may make any remuneration payments and payments for loss of office (and exercise any discretions available to it in connection with such payments) which are not in line with this remuneration policy, where the terms of the payment were agreed (i) before this policy came into effect (provided that they were in line with any applicable directors' remuneration policy in force at the time they were agreed) or (ii) at a time when the relevant individual was not a director of the Company and such payment was not, in the Board's opinion, in consideration of the individual becoming a director. For these purposes 'payments' include the Board satisfying awards of variable remuneration and, in respect of a share award, the terms of the payment are agreed at the time the award is granted. The Board may also make remuneration payments and payments for loss of office outside of the policy set out above if such payments are required by law in a relevant country.

Common award terms

Awards granted under the share plans may be adjusted in the event of any variation of the Company's share capital or any demerger, special dividend or other event that may affect the current or future value of the awards.

Executives may receive the benefit of any dividends paid over the deferral period (for deferred annual incentive awards) or vesting period (for RSP and SPIP awards) in the form of dividend equivalent payments.

All discretions under the rules of any share plan operated by the Company will be available under this Policy, except where explicitly limited under this Policy.

External non-executive directorship

The Company's consent is required before an executive can accept an external non-executive appointment and permission is only given in appropriate circumstances. The Company allows the executive to retain any fee from such appointments.

Approach to recruitment remuneration

The remuneration for new executive directors will be in line with the policy for current executive directors as far as possible, as expressed in the policy table earlier in this report.

On appointment, new executive directors will have their basic salary set by taking into account factors such as the external market, their peers, and their level of experience. New executive directors will participate in the annual incentive and RSP on the same basis as existing directors. They may also participate in the SPIP at the Committee's discretion (and within the parameters set out in the policy table).

To facilitate recruitment, the Board, after considering the recommendation of the Committee, may make one-off awards to buy out a candidate's remuneration arrangements that are forfeited as a result of joining the Company. Generally, such buy-out awards will be made on a comparable basis to those forfeited giving due regard to all relevant factors (including value, performance targets, the likelihood of those targets being met and vesting periods). In such circumstances, shareholders will be provided with full details and rationale in the next published remuneration report.

Excluding the value of any potential buy-out, the maximum value of variable remuneration offered at recruitment will be no more than the maxima shown in the remuneration policy table.

In the case of an internal promotion to executive director, the Company will continue to honour any commitments made before promotion.

Other than that, the remuneration arrangements on recruitment will be as above.

Non-executive directors recruited will be remunerated in line with the Company's remuneration policy principles outlined before.

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