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## Corporate governance

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“2016 has really tested the Group. However, the quality of our brands, our core management allied with IAG’s unique structure are our key assets to face these head-winds. The Board remains **enthusiastic and confident** about the future.”

**Antonio Vázquez**  
Chairman

In compliance with the Financial Reporting Council’s UK Corporate Governance Code, the company has prepared the Corporate Governance Report that follows.

# An efficient Board support that creates value



“The IAG Board continues to evolve in important ways and in a challenging economic and political environment over the last 12 months has proved itself to be highly effective in supporting the Group’s management and adding value.”

**Antonio Vázquez**  
Chairman

The main role of the Board of Directors is to supervise the Group’s day-to-day management, helping them to create a profitable and sustainable business and to maximise the value of the Company for the long term.

2016 was in some ways a testing year. The uncertainties caused by the Brexit referendum had a significant and immediate impact on the Group’s share price. However, we took swift action to offer the financial community guidance on the immediate impact of the vote on the business and were able to reassure investors that our long-term financial and operating targets remain robust.

Our annual two-day strategy meeting gave Board members an excellent opportunity to spend time with the Group’s executive teams, to get a detailed update on the performance of the different businesses within the Group and to reflect deeply on the challenges that lie ahead for IAG as a whole. This year’s meeting was particularly important, coming, as it did, at the start of a new five-year strategy cycle for the business.

We were delighted to hold this meeting in Dublin. It gave us a chance to welcome our colleagues from Aer Lingus to the Group and the opportunity to introduce our non-executives to the Aer Lingus team, a meeting that proved very useful for everyone concerned.

## Board changes and succession planning

I am fortunate indeed to be supported by a superb and extremely talented group of fellow directors with a broad range of international experience in commerce, finance and public policy. They bring great strength to the Company and I thank them all for their support and dedication.

During the year Sir Martin Broughton stepped down as Deputy Chairman and Senior Independent Director, having served for six years on the IAG Board and 10 years at British Airways. He is succeeded by Patrick Cescau as Senior Independent Director. César Alierta also retired during the year. On behalf of the Board, I would like to thank them both for their commitment and service to IAG in these very important first six years of the Company’s life.

In seeking new Board members, we were keen to recruit a director with deep corporate finance and M&A experience and one with a detailed knowledge of the retail sector. So we were delighted to welcome Emilio Saracho, Vice Chairman of JP Morgan, and Marc Bolland, the former Marks & Spencer CEO, to the Board. The process we followed in making these appointments is described in detail in the Nominations Committee report on page 72.

We refreshed the composition of the different Board committees following these appointments to make sure we have the right mix of skills and experience on each and that duties are shared in an effective way amongst all of the directors.

We remain committed to recruiting a diverse Board in terms of gender, background and experience around the world. Currently we have three women non-executive directors on the Board, but we are committed to making sure four of our 12 Board members are women by the end of 2020.

All Board members are subject to re-election each year, a practice that is common in the UK but rare in other markets.

The October meeting of the Nominations Committee was particularly devoted to looking at succession plans both for the Board and for the IAG executive team, where of course the Board plays an important role in supporting the Chief Executive.

I think we can be very proud that we've been able to draw on the skills and talents of people within the Group to fill important senior executive positions in our operating businesses in recent times, not least the leaders of British Airways, Vueling and our Cargo business.

Although we are always keen to look at new talent from outside the Group, it is excellent that we are providing such fantastic opportunities for our own people to progress. It is proof that we have a superb inventory of talent within IAG.

We plan to maintain a special focus in this important matter both at Board and management level during 2017.

### **Risk management and control**

As a company listed on both the Spanish and the London Stock Exchanges we are obliged to meet both Spanish and UK listing requirements and to take account of governance standards in both countries. We have brought ourselves into line with new Spanish and UK standards in recent years and continue to do so.

For example, in line with a Spanish Corporate Governance Code recommendation, we arranged for the full Board to review the Group's risk map in 2016 in addition to reviews carried out by the Audit and Compliance Committee and plan to do so on an annual basis. The risk map was presented to the Board by the new Head of Enterprise Risk Management, a position created after this function was centralised at Group level.

The Board also held a special session with the Company's external auditor to review developments and any relevant work undertaken on risk and accounting matters.

### **Evaluating the Board's effectiveness**

We continued to evaluate the effectiveness of the Board, both internally and externally.

I spoke in depth with all my colleagues – as I do each year – to get their feedback on the operation of the Board and their recommendations and ideas on where we might improve our performance.

In addition we staged an external evaluation of Board performance which proved very fruitful and has led to some important discussions.

We engaged the same firm that carried out the first external evaluation of Board performance in 2013 to get a real perspective on how well we have adapted our approach and structures since the Company's earliest days. I'm glad to say that the review confirmed our view that the Board has made meaningful progress and built on its strengths in the last three years. In particular, the review found that there has been a substantial improvement in our ability to add value to the Company.

While that is encouraging, we are always conscious that there is room for further improvement. We constantly challenge ourselves to get better and to set the right tone from the top.

Following internal discussions, we have set ourselves a number of objectives to further strengthen the Board. These are described in more detail on page 64, but would highlight three particular priorities:

In the short term we will place an emphasis on developing Board scrutiny of the risk agenda beyond the Audit and Compliance Committee; Longer term we want to enhance the contribution we make to developing Group strategy; and continuing to play a full and supportive role in succession planning is also high on our agenda:

These are somewhat uncertain times for the world and for our industry. But I am convinced that the Board and the governance structure we have created for the Group are playing an essential role in placing IAG in a position of great and continuing competitive advantage.

**Antonio Vázquez**  
Chairman

## Board of Directors



### Antonio Vázquez

Chairman



#### Key areas of experience:

retail, sales/marketing, finance, governance.

#### Current external appointments:

Member, Advisory Board of Telefónica América Latina. Member, Advisory Board of the Franklin Institute. Member, Advisory Board of Loyola University.

#### Previous relevant experience:

Chairman, Iberia 2012-2013. Chairman and CEO, Iberia 2009-2011. Chairman and CEO, Altadis Group 2005-2008. Chairman, Logista 2005-2008. Non-Executive Director, Iberia 2005-2007. CEO of Altadis Cigars and other various positions in Altadis Group 1993-2005. Various positions at Osborne 1978-1983 and Domecq 1983-1993.



### Willie Walsh

Chief Executive Officer



#### Key areas of experience:

airline industry.

#### Current external appointments:

Chairman of the IATA Board of Governors. Chairman of the National Treasury Management Agency of Ireland.

#### Previous relevant experience:

Chief Executive Officer, British Airways 2005-2011. Chief Executive Officer, Aer Lingus 2001-2005. Chief Operating Officer, Aer Lingus 2000-2001. Chief Executive Officer, Futura (Aer Lingus' Spanish charter airline) 1998-2000. Joined Aer Lingus as cadet pilot in 1979.



### Patrick Cescau

Senior Independent Director



#### Key areas of experience:

retail, finance, sales/marketing, governance.

#### Current external appointments:

Non-Executive Chairman, InterContinental Hotel Group. Trustee, LeverHulme Trust. Member, Temasek European Advisory Panel. Patron, St Jude India Children's Charity.

#### Previous relevant experience:

Senior Independent and Non-Executive Director, Tesco 2009-2015. Director, INSEAD 2009-2013. Senior Independent and Non-Executive Director, Pearson PLC 2002-2012. Group Chief Executive, Unilever 2005-2008. Chairman, Unilever PLC. Deputy Chairman, Unilever NV, Food Director. Prior to being appointed to the Board of Unilever in 1999 as Group Finance Director, he was Chairman of a number of the company's major operating companies and divisions including the USA, Indonesia and Portugal.



### Marc Bolland

Non-Executive Director



#### Key areas of experience:

general management, commercial management/marketing, retail, hospitality industry.

#### Current external appointments:

Head of European Portfolio Operations, The Blackstone Group, L.P. Non-Executive Director, Coca-Cola Company. Non-Executive Director, Exor S.p.A. Vice President, UNICEF UK.

#### Previous relevant experience:

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



### Enrique Dupuy de Lôme

Chief Financial Officer



#### Key areas of experience:

finance, airline industry.

#### Current external appointments:

Chairman, Iberia Cards.

#### Previous relevant experience:

Chief Financial Officer, Iberia 1990-2011. Head of finance and deputy director of financial resources, Instituto Nacional de Industria (INI) and Teneo financial group, 1985-1989. Head of subsidiaries at Enadimsa (INI Group), 1982-1985. Chairman IATA finance committee.



### Baroness Kingsmill CBE

Non-Executive Director



#### Key areas of experience:

government, legal and regulatory affairs.

#### Current external appointments:

Non-Executive Director, Industria de Diseño Textil S.A. (Inditex). Non-Executive Director, EON Supervisory Board. Non-Executive Director, Telecom Italia. Chairman, Monzo Bank Ltd., Member of the International Advisory Board, IESE Business School. Member of the House of Lords since 2006.

#### Previous relevant experience:

Vice Chair and Senior Independent Director, APR Energy 2010-2015. Non-Executive Director, British Airways 2004-2011. Deputy Chairman, Competition Commission 1997-2003. Chairman, Department of Trade and Industry's Accounting for People task force 2003.

## Committee Membership Key

(A) Audit and Compliance Committee

(N) Nominations Committee

(R) Remuneration Committee

(S) Safety Committee

(C) Committee Chair



**James Lawrence**  
Non-Executive Director



**Key areas of experience:**

finance, consumer, airline sector.

**Current external appointments:**

Chairman, Great North Star LLC. Non-Executive Director, Smurfit Kappa Group. Non-Executive Director and Chairman of the Audit Committee, Avnet Inc.

**Previous relevant experience:**

Chairman, Rothschild North America 2012-2015. CEO, Rothschild North America and Co-Head of Global Investment Banking 2010-2012. Non-Executive Director, British Airways 2006-2011. Executive Director and Chief Financial Officer, Unilever 2007-2010. Vice Chairman, Chief Financial Officer and Head of International, General Mills 1998-2007. Executive Vice President and Chief Financial Officer, Northwest Airlines 1996-1998. Executive Vice President and other executive positions, Pepsi-Cola 1992-1996. Chairman and Co-Founder, LEK Consulting 1983-1992. Partner, Bain & Company 1977-1983.



**María Fernanda Mejía**  
Non-Executive Director



**Key areas of experience:**

consumer, customer development, strategic planning, supply chain, innovation, marketing communications, merger and acquisitions.

**Current external appointments:**

Senior Vice President and President of Kellogg Latin America, Corporate Officer and member of Kellogg's Global Leadership Team. Board Member of the Council of the Americas.

**Previous relevant experience:**

Vice-President and General Manager Global Personal Care and Corporate Fragrance Development Colgate-Palmolive Co. 2010-2011, Vice-President Marketing and Innovation Europe/South Pacific Division Colgate-Palmolive Co. 2005-2010, President and CEO Spain and Spain Holding Company 2003-2005, General Manager Hong Kong and Director, Greater China Management team 2002-2003, Marketing Director Venezuela 2000-2002, Marketing Director Ecuador 1998-2000.



**Kieran Poynter**  
Non-Executive Director



**Key areas of experience:**

professional services, finance services, corporate governance.

**Current external appointments:**

Chairman, F&C Asset Management PLC. Senior Independent Director and Chairman of the Audit Committee, British American Tobacco PLC.

**Previous relevant experience:**

Chairman, Nomura International plc 2009-2015. Member, Advisory Committee for the Chancellor of the Exchequer on the competitiveness of the UK financial services sector 2009-2010. Member, President's committee of the Confederation of British Industry 2000-2008. Chairman and Senior Partner, PricewaterhouseCoopers 2000-2008. Managing Partner, PricewaterhouseCoopers 1998-2000 and other executive positions at PricewaterhouseCoopers 1982-1998.



**Emilio Saracho**  
Non-Executive Director



**Key areas of experience:**

corporate finance, investment banking.

**Current external appointments:**

Vice Chairman and Member of the Investment Banking Management Committee, JPMorgan Chase & Co. Non-Executive Director, Industria de Diseño Textil S.A. (Inditex).

**Previous relevant experience:**

Deputy CEO for EMEA 2012-2015, CEO Investment Banking for EMEA 2012-2014 and member of the Executive Committee 2009-2013, JP Morgan Chase & Co. CEO, JP Morgan Private Banking for EMEA 2006-2012. Member of the Board, Cintra 2008. Member of the Board, ONO 2008. Chairman, JP Morgan Spain and Portugal 1998-2006. Global Investment Banking Head, Santander Investment (UK) 1995-1998. Spanish Market Manager, Goldman Sachs International 1990-1995. Investment Banking division Manager, Banco Santander de Negocios 1985-1990. Analyst, Chase Manhattan Bank 1980-1985. Member of the Board, Fiseat 1988.



**Dame Marjorie Scardino**  
Non-Executive Director



**Key areas of experience:**

commercial management, government affairs, communications, digital and media, legal services.

**Current external appointments:**

Senior Independent Director, Twitter, Inc. Senior Independent Director, Pure Tech Health Inc. Member, charitable boards including The MacArthur Foundation (Chairman), London School of Hygiene and Tropical Medicine (Chairman), and The Carter Center. Member, Board of the Royal College of Art. Member of the Visiting Committee for the MIT Media Lab. Member, Board of Bridge International Academies (HQ - Kenya).

**Previous relevant experience:**

Chief Executive Officer, Pearson plc 1997-2012. Chief Executive Officer, The Economist Group from 1993-1996. President, The Economist Group US 1985-1993. Lawyer practising in the US 1975-1985.



**Alberto Terol**  
Non-Executive Director



**Key areas of experience:**

finance, professional services, information technology, hospitality industry.

**Current external appointments:**

Non-Executive Director, Indra Sistemas, S.A. Non-Executive Director, Broseta Abogados. International Senior Advisor, Centerbridge. Executive Chairman of various family owned companies.

**Previous relevant experience:**

Non-Executive Director, OHL 2010-2016. Non-Executive Director, Aktua 2013-2016. Non-Executive Director, N+1 2014-2015. International Senior Advisor BNP Paribas 2011-2014. Member, Global Executive Committee Deloitte 2007-2009. Managing Partner, EMEA Deloitte 2007-2009. Managing Partner, Global Tax & Legal Deloitte 2007-2009. Member, Global Management Committee Deloitte 2003-2007. Managing Partner, Latin America Deloitte 2003-2007. Managing Partner, Integration Andersen Deloitte 2002-2003. Managing Partner, Europe Arthur Andersen 2001-2002. Managing Partner, Global Tax & Legal Arthur Andersen 1997-2001. Managing Partner, Garrigues 1997-2000.

## Corporate governance

### IG as a Group

IG is responsible for the Group's strategy and business plan. It centralizes the Group's corporate functions, including the development of its global platform.

#### Board\*

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

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

#### Chairman

Antonio Vázquez

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

#### Audit and Compliance Committee

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

#### Nominations Committee

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

#### CEO

Willie Walsh

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

#### Remuneration Committee

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

#### Senior Independent Director

Patrick Cescau

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

#### Safety Committee

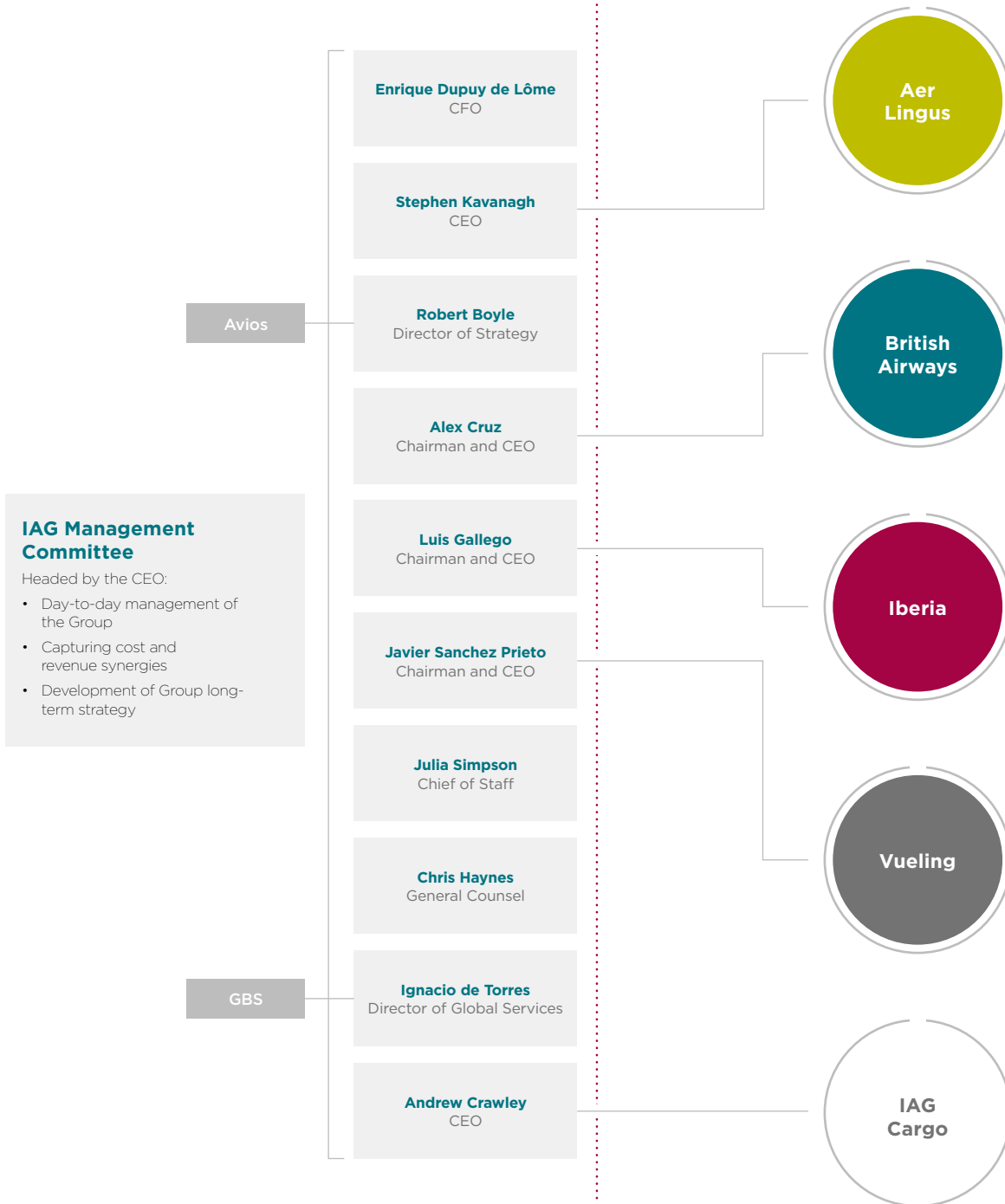
- receives material safety information about any subsidiary or franchise, codeshare or wet lease provider
- exercises a high level overview of the safety activities and resources
- follows up on any safety related measures as determined by the Board

\* List of Board's reserved matters can be found in article 3 of the Board Regulations, available in the Company's website

**The Group operating companies**

Each operating company is responsible for the management of their respective businesses and accountable for the implementation of the joint business and synergy plan.

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



## Corporate Governance continued

### Corporate governance code compliance

As a company incorporated and listed in Spain, IAG is subject to applicable Spanish legislation and to the Spanish corporate governance framework. At the same time, as it has a listing on the London Stock Exchange, IAG 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 as amended from time to time (a copy of which is available from [www.frc.org.uk](http://www.frc.org.uk)).

This Corporate Governance section (the UK Corporate Governance Report) includes an explanation regarding the Company's application of the main principles of the UK Corporate Governance Code. In addition, the Company prepares an Annual Corporate Governance Report according to Spanish legal requirements which includes information regarding compliance with the Spanish Good Governance Code of Listed Companies. This report is included on pages 154 to 214.

The Company considers that during the year it has complied with all the provisions of the UK 2014 Corporate Governance Code but for the following matter: The service contract for Antonio Vázquez does not comply with the recommendation that notice periods should be set at one year or less so as to limit any payment on exit. The terms of Antonio Vázquez's service

contract as Executive Chairman of Iberia were considered at the time of the merger between British Airways and Iberia, and it was determined that an entitlement to lump-sum retirement benefits in excess of one year's salary should be carried over into his IAG service contract. It was thought necessary to continue the Iberia benefits in order to retain this key director and, as such, complying with the UK Corporate Governance Code's principle of only offering a remuneration package sufficient to retain this director. Details can be found in the Directors' Remuneration Report.

The Company complies with the provisions of the Spanish Good Governance Code of Listed Companies, with the exceptions described in the Spanish Annual Corporate Governance Report.

The Company believes that, notwithstanding the above exception, it has a robust governance structure.

The Company's Governance Reports are available on the Company's website.

### Board composition and diversity

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, 2016 the Board composition was:

Name of Board Member	Position/Category	First appointed
Antonio Vázquez	Chairman	May 25, 2010
Willie Walsh	Chief Executive Officer	May 25, 2010
Patrick Cescau	Senior Independent Director	September 27, 2010
Marc Bolland	Director (independent)	June 16, 2016
Enrique Dupuy de Lôme	Chief Financial Officer	September 26, 2013
Baroness Kingsmill	Director (independent)	September 27, 2010
James Lawrence	Director (independent)	September 27, 2010
María Fernanda Mejía	Director (independent)	February 27, 2014
Kieran Poynter	Director (independent)	September 27, 2010
Emilio Saracho	Director (independent)	June 16, 2016
Dame Marjorie Scardino	Director (independent)	December 19, 2013
Alberto Terol	Director (independent)	June 20, 2013

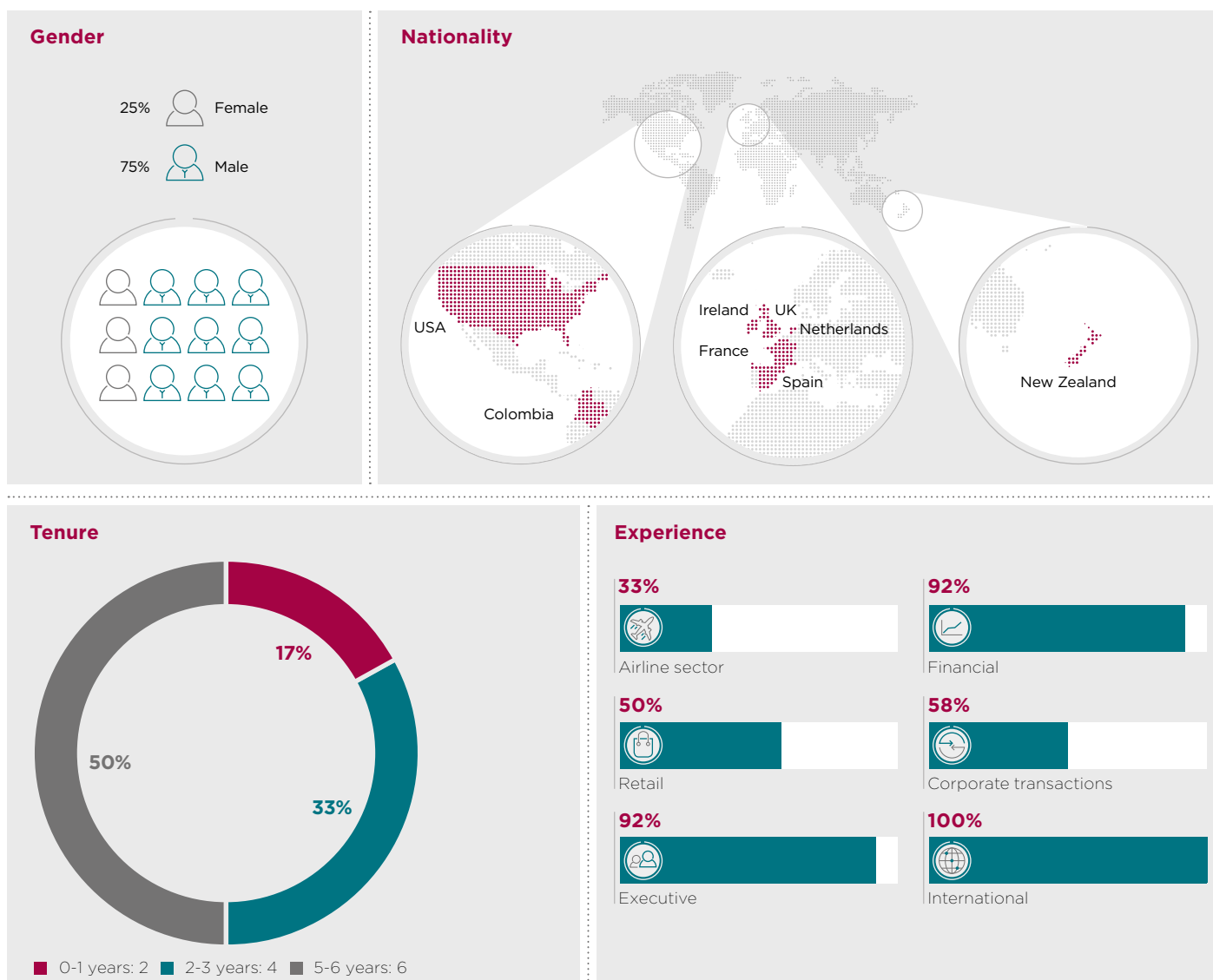
The Board Secretary is Álvaro López-Jorrín, partner of the Spanish law firm J&A Garrigues, S.L.P and the Deputy Secretary is Lucila Rodríguez.

The IAG Board currently comprises ten non-executive directors and two executive directors, IAG's Chief Executive and Chief Financial Officer. The Board composition is regularly refreshed, with half of the non-executive directors appointed within the last three years and none of them having served more than seven years. The non-executive directors provide a strong, independent element on the Board, and contribute a broad range of expertise

and experience, as well as a strong blend of skills. Non-executive directors are drawn from a wide range of industries and backgrounds, including the airline, retail, and travel and leisure sectors and have appropriate experience of complex organisations with global reach, with the majority of them having previous business management experience.

In terms of gender diversity, the Company currently has a 25 per cent female representation on the Board, and in terms of nationality, the IAG Board includes directors from a variety of origins and cultures as set out in the chart below.

### Board diversity



## Corporate Governance continued

In accordance with the Spanish Corporate Governance code recommendation, the Board approved in January 2016 a Directors Selection and Diversity Policy which supersedes the former Board Diversity Policy. The objective of this policy is to ensure that the appointments of directors are based on a prior analysis of the Board's needs and favours a diversity of knowledge, experience and gender. This policy incorporates the former diversity principles while regulating the process for appointing directors. Information on compliance with this policy is included as part of the Nominations Committee Report.

The Directors Selection and Diversity Policy establishes a new female representation objective of 33 per cent by the end of 2020 following the recommendation included in the final Davies Report published in the UK. The Board, through its Nominations Committee, regularly reviews the percentage of

women that sit on the Board and on the IAG Management Committee, as well as the number of women in the Group's workforce worldwide. This information is included on page 49.

### Board and committee meetings

The Board met eleven times during the reporting period. The Board also held its annual two-day strategy meeting in September 2016. During the reporting period, the Chairman and the non-executive directors met three times without the executives present. The Senior Independent Director met with all directors without the Chairman in order to discuss the Chairman's performance.

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

Director	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Safety Committee
<b>Total in the period</b>	11	8	6	3	2
Antonio Vázquez	11	-	6	-	2
Sir Martin Broughton <sup>1</sup>	5	-	4	-	-
Willie Walsh	11	-	-	-	2
César Alierta <sup>1</sup>	2	-	2	-	-
Marc Bolland <sup>2,3</sup>	6	-	-	1	2
Patrick Cescau <sup>4</sup>	11	8	2	-	-
Enrique Dupuy de Lôme	11	-	-	-	-
Baroness Kingsmill	10	-	6	3	-
James Lawrence	11	8	-	-	-
María Fernanda Mejía <sup>5</sup>	11	4	-	3	-
Kieran Poynter	9	8	-	-	2
Emilio Saracho <sup>2,4</sup>	5	-	2	-	-
Dame Marjorie Scardino <sup>4</sup>	8	-	1	2	-
Alberto Terol	11	8	-	3	-

<sup>1</sup> Sir Martin Broughton and César Alierta retired from the Board with effect from June 16, 2016.

<sup>2</sup> Marc Bolland and Emilio Saracho were elected as non-executive directors on June 16, 2016.

<sup>3</sup> Marc Bolland became a member of the Remuneration Committee and of the Safety Committee on June 16, 2016.

<sup>4</sup> Patrick Cescau, Emilio Saracho and Dame Marjorie Scardino became members of the Nominations Committee on June 16, 2016.

<sup>5</sup> María Fernanda Mejía became a member of the Audit and Compliance Committee on June 16, 2016.

### Board information and training

All non-executive directors have access to the Board Secretary and the Group General Counsel for any further information they require. If any of the non-executive directors has any concerns about the running of the Group, they discuss these concerns with one of the executive directors, the Group General Counsel or the Chairman.

In 2016 the Board received specific briefings on key developments, such as the new Market Abuse Regulation and Brexit. In its December meeting, the Board considered the Group risk map and reviewed the effectiveness of its risk management and internal control systems. The Board also included in its December agenda a meeting with the external auditor covering the work undertaken and the developments in the Company's risk and accounting positions.

In addition, a specific safety and security briefing session was held in July. As in previous years, an on-site session was organised at one of the operating companies, Aer Lingus offices in Dublin, designed to help non-executives deepen their knowledge of the Group's operations, as well as providing them with an opportunity to meet with the Aer Lingus management team.

Directors are offered the possibility to update and refresh their knowledge of the business and any technical related matter on an ongoing basis to enable them to continue fulfilling their responsibilities effectively. Directors are consulted about their training and development needs, and given the opportunity to discuss training and development matters as part of their annual individual performance evaluation. Training sessions have been included in the Board annual planner for 2017.

**Induction programme**

New directors receive a comprehensive induction programme that is tailored to individual requirements. The programme includes one-to-one meetings with management both at IAG level and throughout the Group offering directors a complete overview of the businesses, and also the opportunity to visit the Group's key sites.

The induction also covers governance and directors' duties according to both the Spanish and the UK frameworks. As recommended in the 2015 annual evaluation, specific induction sessions were arranged for new committee members, as was the case for the Audit and Compliance Committee and for the Safety Committee.

**Induction programme prepared for Marc Bolland and Emilio Saracho**

**Phase 1**



**16 to 29 June 2016**

**Induction pack**

Key corporate documents (e.g. strategic plan, financial plan), including:

- General corporate information
- IAG Corporate Governance
- Shareholders' meeting material
- Business information
- Board of Directors historical information
- Administrative information

**Phase 2**



**7 July to 13 October 2016**

**Introduction to IAG MC and other key executives**

A series of meetings with key executives:

**Director of Strategy**

- Introduction to the sector
- Business basics and strategy

**Chief Financial Officer**

- IAG finance particulars and financial targets
- Fleet acquisition model
- Hedging policy and risk map

**CEOs of Operating Companies**

- Presentation of each OpCo
- Business model
- Competitive landscape
- Strategy and current situation

**General Counsel**

- Company's history / IAG dual listing
- Aviation regulation
- Litigation
- Group corporate governance

**Chief of Staff**

- Communication particulars
- Regulatory and Government Affairs
- Sustainability policy

**Director of Global Services**

- Evolution from cost synergies to the new GBS platform

**CEO of Avios**

- Presentation and business model
- Strategy and current situation

**Head of Investor Relations**

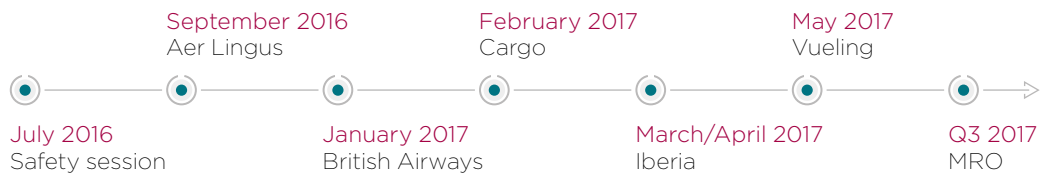
- Capital structure
- Main shareholders
- Main analysts' coverage

**Phase 3**



**July 2016 to Q3 2017**

**Sites and OpCos visits**



## Corporate Governance continued

### Board and committee evaluation

Following the internal evaluations carried out in 2014 and 2015, an external evaluation was conducted this year facilitated by Dr Tracy Long from Boardroom Review Limited, who has no other connection with the Company. Dr Long also facilitated the 2013 evaluation and was re-appointed to provide a degree of continuity to this exercise, enabling the Board to better assess its development and progress since the incorporation of the Company.

The overall conclusions of the review were positive. Over the last three years the Board was considered to have made meaningful progress and to have built on its strengths. The results of the evaluation show that the Board continues to adequately fulfil its responsibilities and that each of its committees continue to be effective and efficient.

The key actions agreed by the Board following this year's evaluation are set out in the table below.

<b>Strategy and business oversight</b>	Provide further context for Board strategy discussions, enhancing visibility of changing environment Enrich non-financial information reporting to the Board Implement suggestions to further improve the effectiveness of the annual strategy session
<b>Risk agenda</b>	Increase coverage and visibility of risk priorities across the Board forward agenda
<b>Board performance</b>	More dynamic management of the Board planning agenda, ensuring focus on agreed priorities, including training and development Continue to encourage site visits and other opportunities to engage with management, not only as an important source of information for non-executive directors but also as it provides context for succession planning and talent development discussions
<b>Succession Planning</b>	Succession planning at both Board and executive level should remain a priority Further formalise the process and reinforce the report to the whole Board Continue analysis of the Board skills matrix and discussions on future domain knowledge priorities At executive level, strengthen focus on talent development

The Senior Independent Director met with the other directors to discuss the performance of the Chairman. Additionally, the Chairman met with each director individually to discuss their contribution to the Board, the functioning of the Board as a whole, as well as an assessment of performance against the objectives agreed for 2016. In general terms, good progress was made against these objectives, namely the improvements introduced regarding the Board agenda and time management, as well as the induction designed and completed this year for new members of the Audit and Compliance and Safety Committees.

### Relations with shareholders

The Board is committed to maintaining an open dialogue with shareholders and recognises the importance of that relationship in the governance process. The Chairman is responsible for ensuring that an effective communication with shareholders takes place and that directors and executives understand and address investors' concerns. The Board is briefed on a regular basis by the Group Head of Investor Relations and analysts' reports are circulated to all directors. During 2016, the Board discussed shareholder matters on five different occasions, two of which included the Company's corporate broker.

The Board approved in January 2016 a Shareholder Communication Policy regarding communication and contacts with shareholders, institutional investors and proxy advisors, following the 2015 Spanish Good Governance Code recommendation. This policy is available on the Company's website.

IAG has a comprehensive investor relations programme which aims to help existing and potential investors understand the Group and its business. Regular shareholder meetings were held with executive directors, and the investor relations team during 2016. During May 2016, the Chairman, the Chair of the Remuneration Committee, along with the Group Head of Investor Relations, met with many of our largest shareholders to discuss, among other matters, governance and remuneration.

The Group's medium to long term plans and targets were discussed in detail in a full day of presentations by the senior management team at the annual Capital Markets day that took place in London on November 4, 2016. Non-executive directors are invited to this meeting, giving major shareholders and investors the opportunity to discuss corporate governance matters with members of the Board. The event was broadcast live via webcast. The presentations are available in full on the Company's website, along with the accompanying transcript.

Both institutional and private shareholders may contact the Company through a dedicated website, via email and directly by telephone.

## Other statutory information

### Directors' conflicts of interests

Directors must disclose to the Board any situation of direct or indirect conflict that they may have with the interests of the Company. In the event of conflict, the affected directors must abstain from participating in the transaction referred to by the conflict. The definition of conflict of interests is set out in the Board Regulations which are available on the Company's website.

### Directors' and Officers' liability insurance

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

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

The Annual General Meeting held on June 16, 2016 authorised the Board, with the express power of substitution, for a term ending at the 2017 Annual General Meeting (or, if earlier, 15 months from June 16, 2016), to:

- (i) increase the share capital pursuant to the provisions of Article 297.1.b) of the Spanish Companies Law, by:
  - (a) up to one-third of the aggregate nominal amount of the Company's issued share capital as at the date of passing such resolution (such amount to be reduced by the amount that the share capital has been increased by and the maximum amount that the share capital may need to be increased by on the conversion or exchange of any securities issued by the Board under the relevant authorisation); and
  - (b) up to a further one-sixth of the aggregate nominal amount of the Company's issued share capital as at the date of passing such resolution in connection with an offer by way of rights issue (such amount to be reduced by the amount that the share capital has been increased by and the maximum amount that the share capital may need to be increased by on the conversion or exchange of any securities issued by the Board under the relevant authorisation).
- (ii) issue securities (including warrants) convertible into and/or exchangeable for shares of the Company, up to a maximum limit of one billion 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:
  - (a) one-third of the aggregate nominal amount of the Company's issued share capital as at the date of passing such resolution (such amount to be reduced by the amount that the share capital has been increased by the Board under the relevant authorisation); and
  - (b) a further one-sixth of the aggregate nominal amount of the Company's issued share capital as at the date of passing such resolution in connection with an offer by way of rights issue (such amount to be reduced by the amount that the share capital has been increased by the Board under the relevant authorisation).

- (iii) exclude pre-emptive rights in connection with the capital increases and the issuance of convertible or exchangeable securities that the Board may approve under the previous authorities for the purposes of allotting shares or convertible or exchangeable securities in connection with a rights issue or in any other circumstances subject to an aggregate maximum nominal amount of the shares so allotted or that may be allotted on conversion or exchange of such securities of five per cent of the aggregate nominal amount of the Company's issued share capital as at June 16, 2016.

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

- (a) the maximum aggregate number of shares which is authorised to be purchased shall be the lower of the maximum amount permitted by the law and such number as represents 10 per cent of the aggregate nominal amount of the Company's issued share capital on June 16, 2016, the date of passing the resolution;
- (b) the minimum price which may be paid for an ordinary share is zero;
- (c) the maximum price which may be paid for an ordinary share is the highest of:
  - (i) an amount equal to five per cent above the average of the middle market quotations for the shares as taken from the relevant stock exchange for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and
  - (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase 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 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.

No shares were purchased under the above mentioned authority during 2016.

## Corporate Governance continued

### Capital structure and shareholder rights

As of December 31, 2016, the share capital of the Company amounted to 1,066,494,371.50 euros (2015: 1,020,039,261.50 euros), divided into 2,132,988,743 shares (2015: 2,040,078,523 shares) of the same class and series and with a nominal value of 0.50 euros each, fully subscribed and paid.

As of December 31, 2016 the Company owned 12,521,662 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.

The Company has a Sponsored Level 1 American Depositary Receipt (ADR) facility that trades on the over-the-counter market in the US. Each ADR is equivalent to two ordinary shares

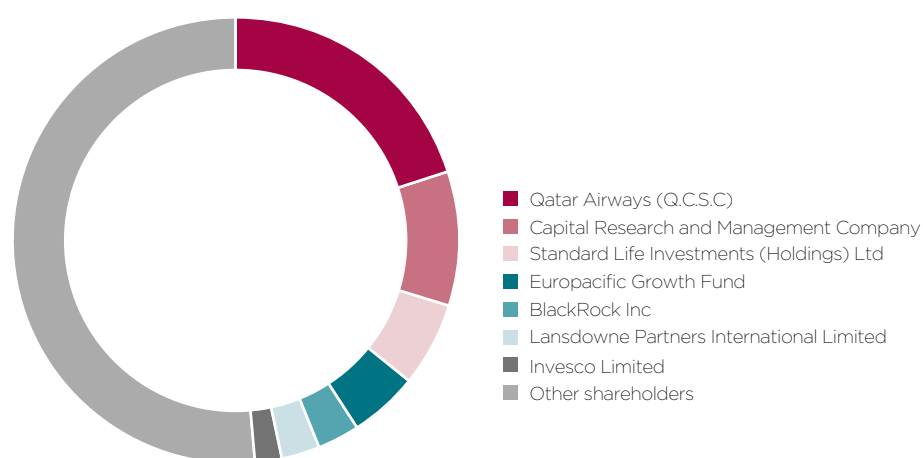
and each ADR holder is entitled to the financial rights attaching to such shares, although the ADR depositary, Deutsche Bank, is the registered holder. During the reporting period the ratio changed from one ADR being equivalent to five ordinary shares to two ordinary shares. As at December 31, 2016 the equivalent of 5.6 million shares was held in ADR form (2015: 18.4 million IAG shares).

During 2016 the Company received three conversion requests in respect of the IAG €390,000,000 1.75 per cent. convertible bonds due 2018 ("Bonds"). On May 6, 2016 the Company exercised its option to redeem the remaining outstanding Bonds giving bondholders the option to exercise their right to convert their Bonds into ordinary shares in IAG. As a result of this, a total of 91,981,118 shares were issued.

### Company's Share Capital

Date of change	Share capital (euros)	Number of shares/voting rights
January 14, 2016	1,020,479,989.50	2,040,959,979
March 1, 2016	1,020,491,901	2,040,983,802
April 1, 2016	1,020,502,812.50	2,041,007,625
June 20, 2016	1,066,494,371.50	2,132,988,743

The significant shareholders of the Company at December 31, 2016, 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)	-	426,811,047	Qatar Airways Luxembourg, S.à.r.l.	426,911,047	20.01%
Capital Research and Management Company	-	212,588,702	Collective investment institutions managed by Capital Research and Management Company	212,588,702	9.967%
Standard Life Investments (Holdings) Ltd	-	125,314,496	Standard Life Investments Limited and Ignis Investment Services Limited	125,314,496	5.875%
Europacific Growth Fund	107,329,400	-	-	107,329,400	5.032%
BlackRock Inc	-	66,227,368	Funds and accounts managed by investors controlled by BlackRock Inc.	66,227,368	3.105%
Lansdowne Partners International Limited	-	58,627,247	Funds and accounts managed by Lansdowne Partners (UK) LLP	58,627,247	2.749%
Invesco Limited	-	42,814,558	Mutual benefit societies and pension funds managed by Invesco Limited and its subsidiaries	42,814,558	2.007%

On February 13, 2017 Deutsche Bank AG notified to the Spanish National Securities Market Commission (CNMV) the acquisition of a shareholding of 3.061 per cent.

## Corporate Governance continued

### Disclosure obligations

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

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

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

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

### Limitations on ownership of shares

In the event that the Board deems it necessary or appropriate to adopt measures to protect an operating right of the Company or of its subsidiaries, in light of the nationality of its shareholders or any persons with an interest in the Company's shares, it may adopt any of the measures provided for such purpose in article 11 of the Bylaws, including the determination of a maximum number of shares that may be held by non-EU shareholders provided that such maximum may not be lower than 40 per cent of the Company's share capital.

The Board may also (i) agree on the suspension of voting and other political rights of the holder of the relevant shares, and (ii) request that the holders dispose of the corresponding shares so that no non-EU person may directly or indirectly own such shares or have an interest in the same. If such transfer is not performed on the terms provided for in the Bylaws, the Company may acquire the corresponding shares (for their subsequent redemption) pursuant to applicable legislation. This acquisition must be performed at the lower of the following prices: (a) the book value of the corresponding shares according to the latest published audited balance sheet of the Company; and (b) the middle market quotation for an ordinary share of the Company

as derived from the London Stock Exchange's Daily Official List for the business day on which they were acquired by the relevant non-EU person.

### Impact of change of control

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

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

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

### Post balance sheet events

No material adjusting post balance sheet events occurred after December 31, 2016.

### Internal control

The directors are responsible for maintaining, and for reviewing the effectiveness of the Company's system of internal control including internal financial control. This is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. This process is in accordance with the Financial Reporting Council's Guidance to Directors and the CNMV's Internal Control over Financial Reporting (ICFR). These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has in place internal control and risk management systems in relation to the Company's financial reporting process and the Group's process for the preparation of consolidated financial statements.

A risk-based audit plan for the Group was approved by the Audit and Compliance Committee. The Audit and Compliance Committee considered control matters raised by management and both the internal and external auditors and reported its findings to the Board. The CNMV standard requires the disclosure of material weaknesses in ICFR: no such weaknesses were identified during the year under review or up until the date of approval of this report.

## Report of the Audit and Compliance Committee



### Dear Shareholder

The Audit and Compliance Committee recognises its role is more important than ever in reviewing the effectiveness of internal controls and promoting strong risk management and compliance practices. The Committee has continued to target known and emerging risk areas for deep dives in 2016 including the rollout of the new British Airways passenger check-in and aircraft boarding system.

I would like to thank James Lawrence, who stood down as the Chairman of the Audit and Compliance Committee in June 2016 after twenty months in the role, and I am pleased to report that he has agreed to continue serving on the Committee. I would also like to welcome María Fernanda Mejía who joined the Committee in June 2016.

Looking forward to 2017, I believe the Committee is well placed to ensure developments in internal control and compliance keep pace with changes in the business, as well as challenges posed by continuing economic and political uncertainty.

### Kieran Poynter

Audit and Compliance Committee Chairman

### The Audit and Compliance Committee

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

### Meetings

The Committee met eight times during 2016. The Committee also holds closed meetings and meets privately with both the external and internal auditors as appropriate.

### Committee members

Date of appointment	Attendance
Kieran Poynter (Chair) September 27, 2010	●●●●●●●●
Patrick Cescau September 27, 2010	●●●●●●●●
James Lawrence September 27, 2010	●●●●●●●●
María Fernanda Mejía June 16, 2016	●●●●
Alberto Terol August 2, 2013	●●●●●●●●

In addition to the Secretary and Deputy Secretary, regular attendees at Committee meetings included the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Head of Group Audit and the Head of Group Reporting together with representatives from the external auditors.

### The Committee's responsibilities

The Committee's principal responsibilities and activities during the year were:

- review of financial statements and announcements relating to the financial performance and governance of the Group;
- review of the effectiveness of the internal control system, provision of assurance on the risk management process and review of the principal risks facing the Group;
- review and agreement of the internal audit programme, resourcing, effectiveness and resolution of issues raised; and
- recommending the appointment of external auditors and reviewing their effectiveness, fees, terms of reference and independence.

An evaluation of the Committee's performance was completed as part of the external evaluation process carried out in 2016. The Committee was found to be operating effectively during the year and will be implementing recommendations to enhance how the Committee supports the Board in its assessment of the risks facing the Group. As suggested in the 2015 annual evaluation, a specific induction session was undertaken for the new Committee member, María Fernanda Mejía.

## Report of the Audit and Compliance Committee continued

### Other items reviewed

#### Viability statement

The February 2017 Committee reviewed the detailed viability analysis over a five year time horizon, reflecting the Group's Business Plan period and focusing on the risks that should be combined to generate severe but plausible downturn scenarios, how those risks might interact, how solvency is assessed and the period over which viability is considered. The Committee agreed with management's assessment that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 2021.

#### Anti-bribery, sanctions and competition law compliance

The Committee reviewed developments in the anti-bribery compliance programme including the continued refinement of the Group-wide Know Your Counterparty due diligence programme. Competition, Anti-Bribery and Sanctions compliance risk maps were reviewed together with the results of targeted compliance initiatives, training attendance and priorities for 2017.

#### Litigation

The Committee received regular litigation status reports from the General Counsel including the status of the remaining civil claims against British Airways following the 2010 European Commission decision on alleged cartel activity with respect to air cargo prices. The decision was partially annulled against British Airways following an appeal to the General Court of the European Union and the fine was refunded in full. The European Commission expects to adopt a new decision in 2017.

With respect to the civil claims, the Committee agreed with management's view that, given the status of proceedings and the recent General Court decision, it is not possible at this stage to predict the outcome of the proceedings and no financial provision should be made for the civil claims.

#### Sustainability

The Committee reviewed the progress made in the implementation of the sustainability strategy and the performance against targets in key areas such as carbon footprint and noise performance.

#### Accounting matters

Throughout the year, the Committee considers the implications of new accounting standards, reviews complex accounting transactions, and considers the key estimates and judgements used in the preparation of the Group financial statements. In 2016, these included the exceptional item for restructuring costs and the finalisation of the Aer Lingus purchase price allocation.

The exceptional item for restructuring costs is a result of British Airways announcing restructuring plans during 2016. British Airways has embarked on a series of structural transformation proposals to develop a more efficient and cost effective structure. Certain announcements have been made, and the related restructuring costs have been recognised in the financial statements. The Committee has reviewed and agreed with management's rationale for recognising these costs and disclosing them as exceptional items by virtue of their size or incidence.

The Aer Lingus purchase price allocation was finalised in August 2016. The Committee reviewed the valuation methodologies employed by management together with EY's interim report on their audit. The Committee is satisfied with the adjustment made to the preliminary allocation increasing fleet value and that the final purchase price allocation fairly reflects the assets and liabilities acquired.

The Committee also reviewed and agreed with management's decision to remove foreign exchange exposure as a key accounting estimate and judgement. The judgement surrounding the exchange rate applied to the Group's current significant foreign exchange exposures has become less complex and comparable to market observed rates.

#### British Airways Travel Programme

The roll-out of the Travel Programme was finalised in 2016 completing the implementation of a new passenger check-in and aircraft boarding system together with new IT integration technology. The Committee received regular updates during the year from the accountable IT and operations directors focusing on the status of the implementation and the management and resolution of key implementation risks and issues arising.

#### UK Referendum vote to leave the European Union

The Committee received regular updates from management on the risks to the Group leading up to and following the UK Referendum vote to leave the European Union. The Committee continues to monitor the impact of the increasing volatility of the fuel price and foreign exchange as well as management's evaluation and risk assessment of the potential changes following the UK referendum vote.

The Committee agrees with management's initial assessment that the Group can operate effectively during the transition.

#### Cyber Security

The Group Head of IT and the Group IT Security Manager updated the Committee on the fast-developing cyber risk landscape and the implementation and testing of the Group's Cyber Security Strategy. The Committee also focused on the implementation of actions arising from an Internal Audit review and a Management Committee led initiative to ensure consistent cyber security responses across the Group.

#### Treasury risk management

The Committee continued to review the Group's fuel and foreign exchange hedging positions on a quarterly basis, ensuring that the approved hedging profile was being adhered to and continued to be appropriate.

#### Internal Control over Financial Reporting (ICFR)

In 2016, an Internal Control team was established to support process owners across the Group in reviewing and updating their financial process design and control documentation.

ICFR, which is a Spanish Corporate Governance requirement, is a thorough analysis of risks in financial reporting, the documentation of accounting processes, and audit of internal controls. In 2016 no material weaknesses were identified. A full description of ICFR is set out in Section F of the Spanish Corporate Governance Report.

The Committee considers whether the Annual Report and Accounts are fair, balanced and understandable. This review is supported by a process whereby all sections of the Annual Report and Accounts are allocated to senior managers and members of the Management Committee who attest that the sections are fair, balanced and understandable. The Committee also reviews disclosure throughout the year through receiving a quarterly report from the IAG Disclosure Committee outlining all the matters they discuss. The Committee is satisfied that the Annual Report and Accounts are fair, balanced and understandable and has recommended their adoption by the Board.

### Enterprise risk management

The Enterprise Risk Management resources were centralised at the Group level during 2016. The Head of Enterprise Risk Management reported to the Committee on the key risks of the Group and the priorities for 2017.

The Committee reviewed the process by which risk strategy and appetite had been determined as well as the performance of the Group against each of its risk appetite statements. The Committee agreed with management's assessment that the Group has operated within all 19 of the risk appetite statements.

### External audit

The Group's external auditors, EY, audited Aer Lingus in 2016 for the first time. The Committee continues to work closely with EY, with their partners attending seven meetings during the year. The Committee reviewed the engagement letter, fees and the audit plan which included EY's assessment of risk areas within the financial statements. Audit results were reviewed during three meetings; for the half year, for the findings from interim audits and early warning report for year end matters, and for the final report for year end matters. In assessing the effectiveness and independence of the external auditors, the Committee considered relevant professional and regulatory requirements and the relationship with the auditors as a whole.

The Committee monitored the auditors' compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, and assessed their qualifications, expertise, resources and the effectiveness of the audit process, including a report from the external auditor on its own internal quality procedures. The assessment included a detailed questionnaire completed by key directors, managers and a sample of accounting staff throughout the Group. The questionnaire results demonstrated that EY's overall performance was good and that they are providing an effective external audit across the Group. Having reviewed EY's performance during 2016, the Committee concluded that EY were independent and that it was in the Group's and shareholders' interests not to tender the audit in 2017 and recommends their re-appointment.

The Group audit was last tendered on the incorporation of IAG in 2010. The Company intends to comply with the Spanish Act 22/2015, of July 20, on the Auditing requirement to tender the external audit at least every ten years and the transition arrangements that would require the audit to be tendered for the year 2021 at the latest.

Non-audit services provided by the external auditors are subject to a Board approved policy that prohibits certain categories of work and controls the overall level of expenditure. The Committee reviews the nature and volume of projects undertaken by the external auditors on a quarterly basis and the Committee Chairman pre-approves projects over €100,000 or of an unusual nature. The overall volume of work is addressed by a target maximum of €1.4 million with an additional allowance of up to €1.1 million for large projects where EY are uniquely placed to carry out the work. Spend in 2016 was below the target maximum at €838,000 with no additional spend on large projects. 68 per cent of the €838,000 spend related to recurring work on the audit of accounts required by our Joint Business arrangements. Details of the fees paid to the external auditors during the year can be found in note 7 to the Financial statements.

### Whistleblowing

The Committee reviewed procedures whereby staff across the Group can raise confidential concerns regarding accounting, internal control, auditing and other matters. Third-party providers are used to provide whistleblowing channels so that all staff across the Group can report concerns to senior management in their company. The Committee also reviewed the volume and nature of cases reported and noted that there were no significant financial or compliance issues raised.

## Report of the Nominations Committee



### Dear Shareholder

In my role as Committee Chairman, I am pleased to present the Nominations Committee's Report for 2016.

This has been a period of significant activity and the Committee had six meetings during the year.

At the 2016 Shareholders' Meeting, our Deputy Chairman, Sir Martin Broughton, stepped down after serving for more than 16 years at IAG and British Airways. In addition to this, César Alierta also decided to retire. The Board and I expressed our gratitude to both directors for their contribution to the development of the Company since it was formed.

In 2016, we also welcomed the appointment of Marc Bolland and Emilio Saracho. Each of them brings valued skills and experience which contribute to the effectiveness of the Board as a whole. As previously reported, Marc Bolland reinforces the expertise of the Board in consumer product manufacturing and distribution companies. Emilio Saracho brings valuable expertise in international corporate transactions and financial markets.

Following Sir Martin's retirement, the Committee considered it appropriate to redefine this role and to appoint solely a Senior Independent Director. Consistent with the succession planning process, Patrick Cescau was selected for this role.

Following these changes, the Committee focused on the review of the Board committee's composition, and several modifications were introduced, as detailed later in this report.

Although a lot has been done with regard to succession planning we maintained our focus on this matter during the year and will continue to do so in 2017. We will also continue to support the Group Chief Executive in relation to executive succession planning, and particularly in relation to talent development.

### Committee members

Date of appointment	Attendance
<b>Antonio Vázquez (Chair)</b> December 19, 2013	● ● ● ● ● ●
<b>Patrick Cescau</b> June 16, 2016	● ●
<b>Baroness Kingsmill</b> September 27, 2010	● ● ● ● ● ●
<b>Emilio Saracho</b> June 16, 2016	● ●
<b>Dame Marjorie Scardino</b> June 16, 2016	● ○

○ Absent

In this regard, the Group is already benefitting from its structure and is fostering the development of talent from within. As evidence of this, we saw this year the appointment of Javier Sánchez-Prieto as CEO of Vueling, as well as that of Andrew Crawley as CEO of our Cargo business.

As the external 2016 Board performance evaluation was completed in September, we had the opportunity to consider its results as far as the work of our Committee is concerned. The outcome of this exercise determines our main priorities for 2017, principally maintaining the focus on succession plans for both directors and management.

### Antonio Vázquez

Nominations Committee Chairman

### The Nominations Committee

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

These Regulations state that the Nominations Committee shall be made up of no less than three and no more than five non-executive directors appointed by the Board, with the dedication, capacity and experience necessary to carry out its function. A majority of the members of the Nominations Committee must be independent directors. Currently, all members excluding the Chairman of the Board, are considered independent.

### Meetings

During 2016 the Nominations Committee met six times. Directors' attendance at these meetings is shown above and further detailed on page 62.

### The Committee's responsibilities

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

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

### The Committee's activities during the year

The Committee dealt with the following significant issues during 2016:

- approval of the Directors Selection and Diversity Policy;
- performance evaluation of the Chairman and of the Chief Executive;
- annual review of the category of each director;
- assessment of directors re-election;
- appointment of non-executive directors;
- changes to the composition of the Board Committees;
- review of investor feedback from the 2016 Shareholders' Meeting;
- Board succession planning;
- succession planning for the Group Chief Executive, the IAG Management Committee and leadership teams of the Group operating companies;
- update on diversity trends and Group diversity reporting;
- review of appointments to the Group subsidiary boards;
- induction programme for new non-executive directors; and
- annual check of compliance with the Directors Selection and Diversity Policy.

### Board appointments

Two new non-executive directors, Marc Bolland and Emilio Saracho, were appointed in 2016 to fill the vacancies left by Sir Martin Broughton and César Alierta who stood down as directors at the Shareholders' Meeting in June 2016.

The flow chart on the next page describes the process followed for the appointment of these two new non-executive directors, Spencer Stuart, which has no other connections with IAG, was engaged to carry out the search.

As recommended by the Spanish Good Governance Code, the Nominations Committee ran an annual check on compliance with its policy on directors' selection.

After this review, the Committee concluded that:

- the procedure followed was formal, rigorous and transparent;
- the proposals were based on a prior analysis of the needs of the Board. This evaluation was made alongside succession plans for directors and taking into consideration the conclusions from the annual review of Board performance;
- the Company engaged a professional and well-known search firm, Spencer Stuart, which is a signatory to the UK Voluntary Code of Conduct for Executive Search Firms;
- both proposals referred to candidates who satisfy the legal and statutory conditions required to hold office as a director, are of suitable repute and have the appropriate knowledge, experience, skills and availability for the exercise of the functions and duties of such office; and
- gender diversity principles were followed throughout the process, while preserving the general diversity and merit based appointment principles established in the policy.

Following Sir Martin Broughton's retirement, the Board announced the appointment of Patrick Cescau as Senior Independent Director on June 16, 2016, following the recommendation of the Nominations Committee.

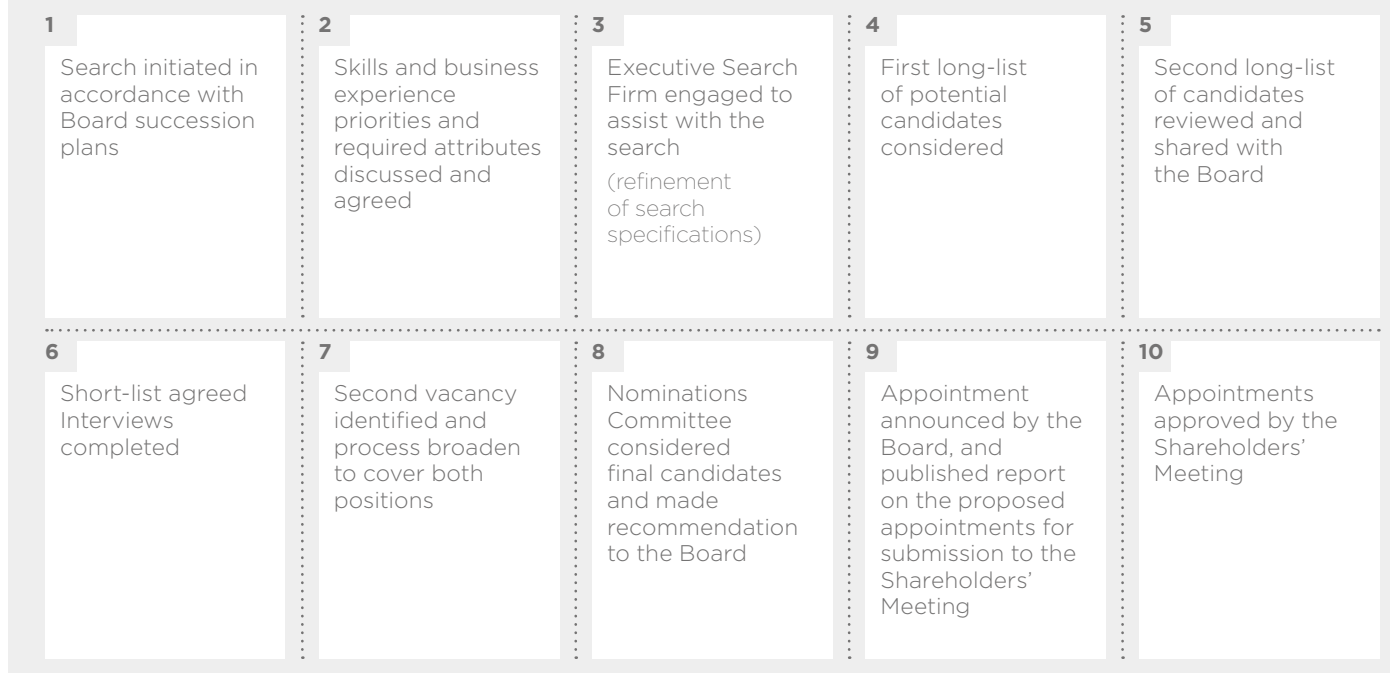
### Board Committee changes

The Committees' configuration was reviewed in accordance with the new Board composition, and the following changes were recommended to the Board and approved:

- the appointment of Kieran Poynter as Chairman of the Audit and Compliance Committee, replacing James Lawrence, who remained as a Committee member, and the appointment of María Fernanda Mejía as a member of that Committee;
- the appointment of Patrick Cescau, Emilio Saracho and Dame Marjorie Scardino as members of the Nominations Committee, with Antonio Vázquez becoming the Committee Chairman; and
- the appointment of Marc Bolland as a member of the Remuneration Committee and of the Safety Committee.

## Report of the Nominations Committee continued

### The appointment of Marc Bolland and Emilio Saracho



#### Induction of directors

The induction programme for new directors was reviewed in line with the feedback received from directors and specifically arranged according to the needs of the two non-executive directors appointed this year. This is described in more detailed on page 63.

#### Succession planning

As already stated, the Nominations Committee continued to review and refresh non-executive director succession planning. This year the Committee postponed its full review of succession plans in order to benefit from the conclusions of the external Board performance evaluation that was completed in September. In accordance with this, the Committee reviewed the skills matrix, as well as the likely pattern of Board retirements over the coming years, and agreed on future priorities.

The Committee also continued to review and assess the succession arrangements for executive directors, and for key executive positions at IAG and at the operating companies. Building on the work completed in 2015 in identifying potential candidates for each role, during 2016, much of the work focused on the assessment of the potential candidates identified and the discussion of individual development. During 2017, management will continue with this exercise and will also pay special attention to diversity mix considerations.

#### Annual evaluation of performance

The Committee reviews directors' performance and independence as part of the Committee's assessment of their eligibility for re-election. The performance, commitment, ability and availability of each of the non-executive directors were reviewed and discussed with them privately by the Chairman. The results were shared with the Nominations Committee and

the Committee recommended each director standing for re-election at the 2016 Shareholders' Meeting to be re-elected.

An evaluation of the Committee's performance was completed as part of the external evaluation process carried out in 2016. The Committee was found to be operating effectively. The Committee's objectives for 2017 are described within the Board performance evaluation information on page 64.

#### Board diversity

The Nominations Committee reviewed the new Directors Selection and Diversity Policy which was submitted for Board approval on January 28, 2016. This policy is available on the Company's website.

There are currently three female directors on the Board, representing 25 per cent of the Board positions, and one of them chairs one of the Board committees. Under the new Directors Selection and Diversity Policy, the female representation target has been increased this year to 33 per cent by the end of 2020 in line with the recommendations of the final report of the Women on Boards Davies review published in the United Kingdom.

It is the Nominations Committee's intention to reconcile the achievement of this objective with preserving the general diversity and merit based appointment principles established in IAG's policy.

Further details on diversity, can be found on page 61 of this Corporate Governance section and on page 49 of the Sustainability section.

## Report of the Safety Committee



### Dear Shareholder

I am pleased to present the Safety Committee's Report for 2016.

As a Committee, we have continued with our regular activities, monitoring all matters relating to the operational safety of IAG's airline companies, as well as to the systems and resources dedicated to safety activities across the Group.

As I have mentioned in previous reports, from my perspective, and beyond the oversight of safety matters, the work of this Committee is particularly relevant as a tool for the exchange of best practices, knowledge and experience between the airline companies within the Group. This necessarily implies a need to develop common reporting metrics and methodologies, where I have seen important progress made this year.

During 2016, we said goodbye to an important member of this Committee, Sir Martin Broughton, as he retired from the Board. Following this departure, we were pleased to welcome Marc Bolland to the Committee in June. We used this opportunity to arrange a specific induction session on safety and security matters, which was extended to other non-executive directors. This was completed in July with the valued support of the British Airways safety and security team.

### Willie Walsh

Safety Committee Chairman

### The Safety Committee

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

In addition to Committee members, senior managers with responsibility for safety matters are invited to attend and report at Committee meetings as and when required. During 2016, the British Airways Director of Safety and Security, representatives of the Iberia and Vueling safety teams and the Aer Lingus Corporate Safety & Risk Manager attended meetings.

### Committee members

Date of appointment	Attendance
<b>Willie Walsh (Chair)</b> October 19, 2010	● ●
<b>Antonio Vázquez</b> October, 19 2010	● ●
<b>Marc Bolland</b> June 16, 2016	● ●
<b>Kieran Poynter</b> October 19, 2010	● ●

### The Committee's responsibilities

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

The Committee's duties include:

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

### The Committee's activities during the year

During 2016, the Committee held two meetings. These were attended by all Committee members that were eligible to attend. Key topics discussed included the relevant safety events that occurred during the relevant period, regulatory developments and initiatives from industry associations, along with the regular safety review reports of Aer Lingus, British Airways, Iberia and Vueling.

During the year the Committee received specific and separate presentations on aircraft cyber security, with support from Boeing, and on remote piloted air systems.

## Report of the Remuneration Committee



### Dear Shareholder,

As Chairman of the Remuneration Committee, and on behalf of the Board, I am pleased to present the Remuneration Report for 2016.

### Overall strategy and link to remuneration

IAG's aim is to become the leading international airline group. Its strategy in an increasingly consolidated industry is to create value and deliver higher returns for our shareholders through leadership in core markets and the realisation of cost and revenue synergy opportunities across our airlines and aviation related businesses.

That strategy is executed and sustained by consistent improvement in financial performance and in return on investment in each part of the Group. This requires overseeing transformation programmes through use of the IAG "platform" at each of our airlines, while leveraging cost and revenue opportunities across the Group.

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

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

- earnings per share (EPS), adjusted for exceptional items, as its main financial measure, in order to provide a direct link to our strategy;
- total shareholder return (TSR) to ensure alignment with our shareholders; and
- return on invested capital (RoIC) to emphasise the increased focus on how we use our capital.

### Committee members

Date of appointment	Attendance
<b>Dame Marjorie Scardino (Chair)</b> December 19, 2013	● ○ ●
<b>Marc Bolland</b> June 16, 2016	●
<b>Baroness Kingsmill</b> September 27, 2010	● ● ●
<b>María Fernanda Mejía</b> October 30, 2014	● ● ●
<b>Alberto Terol</b> December 19, 2013	● ● ●

○ Absent

The *annual incentive* plan focuses on improvement in financial performance, and therefore the primary measure in the plan is operating profit before exceptional items at the Group level.

The policy in general is designed to deliver total remuneration that is competitive and with a strong emphasis on "pay for performance". The Committee will continue to ensure that executive remuneration is aligned with our business strategy and that the overall reward framework for 2017 and beyond is in the best interests of shareholders.

### Summary of 2016 (and the performance period 2014 to 2016)

The PSP that vests during 2017 had a three-year performance period (2014 to 2016). Performance targets for the two measures (adjusted EPS and TSR) were set at the beginning of 2014.

At that time, the Company reported an adjusted EPS of 20.8 euro cents for 2013, and the stretch target (i.e. the level at which maximum pay-out would be achieved) for 2016 adjusted EPS was set at 56 euro cents. For the other measure - TSR - the stretch target was set at outperforming an industry index by 8 per cent per annum.

The Company has produced strong financial performance over the last three years, leading to 2016 adjusted EPS reaching 90.2 euro cents. As a result, the performance share plan awarded to executives in 2014 will pay out in 2016 at its maximum level for the EPS element. The share price showed strong growth during the first two and a half years of the three-year performance period, but suffered a significant fall following the outcome of the UK referendum on EU membership.

Despite a growth in share price of around 10 per cent over the three years, plus our first dividend payments, the Company has not outperformed the industry index and therefore there will be no pay-out for the TSR element of the performance share plan.

The financial targets for the 2016 annual incentive plan set at the beginning of the year were very demanding: on-target level increased by 52 per cent over 2015. The Company's performance during 2016, whilst strong, was affected by a tough operating environment with a significant negative currency impact. Operating profit failed to reach the threshold level at which incentive payments begin for the two-thirds portion of the scheme linked to financial performance (the final third portion being focused on individual objectives). The fact that operating profit for 2016 is at a record level for the Company but has still not triggered any payment for that element in the annual incentive plan is a further example of how demanding the Company is when setting targets.

### Decisions during 2016

The Committee has closely monitored the many developments that have taken place in the external marketplace in the past year, including the reports from the Executive Remuneration Working Group and the Investment Association Principles of Remuneration, the 2016 AGM season, and the Green Paper on corporate governance reform.

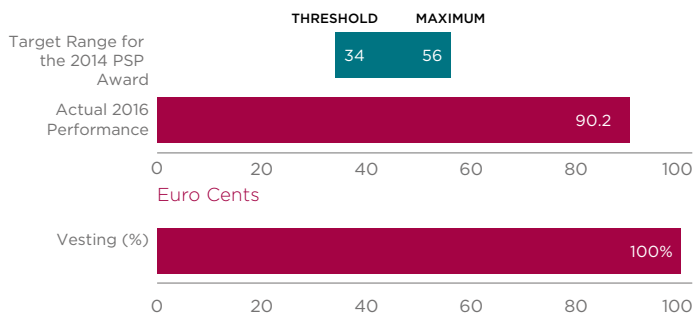
Major matters that were considered by the Committee during 2016 include:

- agreeing to incorporate a customer metric (Net Promoter Score) as part of the one-third based on role specific objectives for the annual incentive plan from 2017;

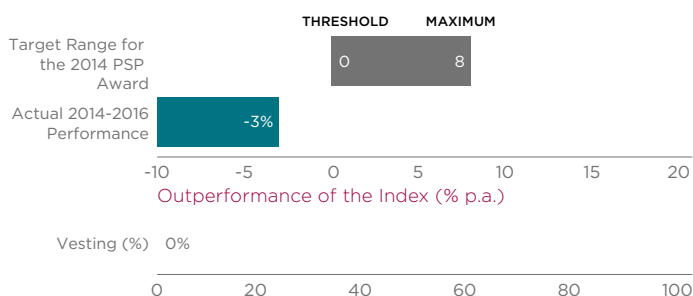
### AT A GLANCE

Implementation of remuneration policy in 2016

#### Adjusted Earnings per Share



#### Total Shareholder Return



- considering reward strategy in the round to inform us well in advance of our future policy review; and
- reviewing the remuneration for the new Senior Independent Director following the retirement of Sir Martin Broughton from the Board, as well as reviewing the Chairman's fees.

### Working with shareholders

The Group Head of Investor Relations, and I, along with the IAG Chairman, met many of our largest shareholders over the last year. As this was my first full year in this chair I very much valued your constructive comments and was very pleased with your strong support for our 2015 Remuneration Report. But more than that I valued your suggestions and ideas about the moving thinking in remuneration. We have noted your views on longer-term and annual pay strategy and will be talking to you more as we consider incorporating these into our new policy thinking for 2018.

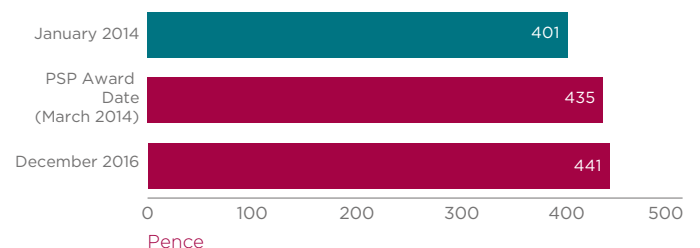
In line with legal requirements, our remuneration policy will be put forward to a binding shareholder vote at the 2018 annual Shareholders' Meeting. As a Committee, we plan to review our remuneration policy and consider any possible changes that may help us ensure a complete alignment to our strategy and the creation of long term sustainable shareholder value. We will engage constructively with our major shareholders and other representative bodies during 2017 to present our thoughts and seek their views.

Approved by the Board and signed on its behalf by

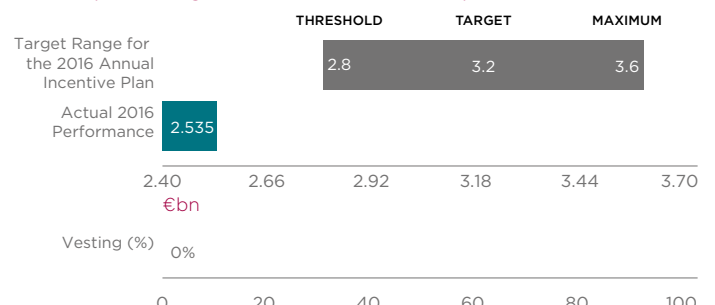
### Dame Marjorie Scardino

Chairman of the Remuneration Committee

#### Share Price



#### IAG Operating Profit (before exceptional items)



## Report of the Remuneration Committee continued

### Introduction

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.

It is the Company's intention once again to comply voluntarily with all reporting aspects of the UK legislation of 2013 and to follow best practice UK standards, for the benefit of our UK shareholder base. Therefore, the Company has prepared a Directors' Remuneration Report in accordance with UK legislation (the UK DRR). Additionally, the Company has prepared a Spanish Directors' Remuneration Report (the Spanish DRR) bearing in mind that our annual Shareholders' Meeting is subject to Spanish corporate law. We have ensured that the UK DRR and the Spanish DRR are totally consistent. The Spanish DRR, prepared in accordance with Spanish legislation, is available on the Company's website.

In addition to the Remuneration Committee Chairman's statement, this Directors' Remuneration Report contains two different sections:

- The first section, the Directors' Remuneration Policy, contains details of the components of the remuneration packages of the Company's directors and how they are linked to the business strategy (this section has no changes from last year). No changes to the policy will be proposed this year.
- The second section, the Annual Remuneration Report, covers the information on Directors' remuneration paid in the reported year.

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

The Company's policy on directors' remuneration was approved by shareholders at the annual Shareholders' Meeting on June 18, 2015. No changes to the policy will be proposed this year. However, certain aspects of how the policy operates in practice were approved by the Board with effect from January 1, 2016. These adjustments to the application of policy were listed in last year's Report at the beginning of the Remuneration Policy section, and are listed again (unchanged) in this Report.

### Directors' Remuneration Policy

#### Key elements of pay

##### Executive Directors

The Company's remuneration policy is to provide total remuneration packages which are linked to the business strategy, competitive, and take into account each individual's performance of their role in the Company's work.

The Company's primary comparator group is the FTSE 26 to 100 (excluding financial services), with a secondary reference to Ibex-35 and global airline companies where appropriate.

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 policy as shown on the following pages was approved by shareholders at the 2015 Shareholders' Meeting. The policy remains unchanged from that disclosed in the last two financial years. However, as was explained last year, listed below is how the policy is applied in practice in respect of certain remuneration elements. Also, notes to clarify adjustments to the practical application of the policy have been added to the Policy section, in italics.

Face value awards for PSP awards will not exceed 200 per cent of salary for the CEO of IAG, and not exceed 150 per cent of salary for other executive directors.

Executive directors below the CEO of IAG (currently, this is just the CFO of IAG) had their shareholding requirement increased to 200 per cent of basic salary, with effect from January 1, 2016.

The maximum value of variable remuneration offered at recruitment will be no more than that awarded to current directors. Therefore, for a new CEO of IAG there will be a 200 per cent maximum opportunity in the annual incentive plan and a 200 per cent maximum face value award for the PSP. For any new executive director other than a new CEO of IAG, the figures will be maxima of 150 per cent and 150 per cent respectively. These figures exclude any buy-out amounts.

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
<p><b>Base salary</b></p> <p>To attract and retain talent to help achieve our strategic objectives</p>	<p>Takes account of role, skills and contribution. The positioning of base salaries is set with reference to market positioning (primarily the FTSE 26 to 100 excluding financial services), as well as the individual's skills and contribution. Basic salaries are reviewed annually, to take effect on January 1 each year.</p>	<p>Although there is no formal maximum, basic salaries are reviewed annually by the Remuneration Committee by taking into account the following factors: company affordability, the value and worth of the executive, retention risks, and the size of pay increases generally across the whole group of companies.</p>	<p>Individual and business performance are considered in reviewing and setting base salary.</p>
<p><b>Annual incentive award</b></p> <p>Incentivises annual corporate financial performance and the delivery of role specific objectives</p>	<p>The Board, on a recommendation from the Committee, sets the financial targets that apply to the annual incentive award (two-thirds of the annual incentive) at the beginning of each year. These are set by reference to a number of factors including the Business Plan (as approved by the Board). For the one-third portion based on personal objectives, the Remuneration Committee, on the proposal of the Chairman, will consider the Chief Executive Officer performance against his role-specific objectives; and the Remuneration Committee, on the proposal of the Chief Executive Officer, will consider the Chief Financial Officer performance against his role-specific objectives. Both performance evaluations will be submitted to the Board for final approval.</p> <p>The Board, on a recommendation from the Committee, retains the discretion to prevent any incentive award payments if, in its opinion, the underlying financial performance of the Company had not been satisfactory in the circumstances. Malus and clawback provisions apply – see below.</p>	<p>The maximum opportunity in the incentive plan is 200 per cent of salary. 50 per cent of this will be awarded for on-target performance, and there will be no payment at all until financial and personal performance have reached the threshold level of the target range.</p>	<p>Two-thirds of the annual incentive is subject to a financial measure (e.g. IAG operating profit), and one-third is based on role specific objectives.</p>
<p><b>Incentive Award Deferral Plan (IADP)</b></p> <p>Aligns the interest of executives and shareholders and provides a retention tool</p>	<p>The IADP operates over 50 per cent of the annual incentive award. It is designed to align the interests of executives with shareholders by providing a proportion of the annual incentive in deferred shares.</p> <p>The shares will be subject to forfeiture if the executive leaves during the three year deferral period, except if the executive is granted Good Leaver status. This is covered in the section below on exit payment policy.</p> <p>On vesting, executives will receive the benefit of any dividends paid over the deferred period. In line with the rules of the IADP and IAG's philosophy to encourage and facilitate employee shareholding, participants may elect to self-fund any tax due rather than sell a portion of their share award to meet tax liabilities. Malus provision applies – see below.</p>	<p>Half of any annual incentive plan pay-out is deferred into shares.</p>	<p>No other performance conditions apply because it is based on performance already delivered.</p>

## Report of the Remuneration Committee continued

Purpose and link to strategy	Operation of element of policy	Maximum opportunity,	Performance metrics
<p><b>Performance Share Plan (PSP)</b></p> <p>Incentivises long-term shareholder value creation. Drives and rewards delivery of sustained TSR and financial performance</p>	<p>The PSP is a discretionary plan targeted at key senior executives and managers of the Group who directly influence shareholder value. The PSP consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions which are designed to reflect the creation of long term value within the business.</p> <p>These performance conditions are measured over a performance period of at least three financial years. No payment is required from individuals when the shares are awarded or when they vest.</p> <p>The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to prevent any PSP award payments if, in its opinion, the underlying financial performance of the Company had not been satisfactory in the circumstances.</p> <p>On vesting, in line with the rules of the PSP and IAG's philosophy to encourage and facilitate employee shareholding, participants may elect to self-fund any tax due rather than sell a portion of their share award to meet tax liabilities.</p> <p>Following the performance period, there is an additional holding period of two years.</p> <p>Malus and clawback provisions apply – see below.</p>	<p>The face value of awards will not normally exceed 200 per cent of salary in respect of any financial year of the Company (with the Board having the discretion to award up to 300 per cent of salary in exceptional circumstances).</p> <p><i>Note: this discretion will not be used.</i></p> <p>At the threshold level of the performance target range, either 10 per cent or 25 per cent will vest depending on which performance measure is being tested.</p>	<p>Any PSP award made will be measured over at least three years.</p> <p>Each year, the Board, following the advice of the Committee, will determine appropriate performance conditions, with appropriate and stretching target ranges. These will take into account market conditions and also ensure alignment with shareholder interests.</p> <p>At least one condition is likely to be a measure of Group share performance compared with an index of other companies who are subject to external influences impacting share price similar to those of the Group.</p> <p>One or more measures will provide a strong measure of the underlying financial performance of the business.</p>
<p><b>Taxable Benefits</b></p> <p>Ensures total package is competitive</p>	<p>Life insurance, personal travel and where applicable, a company car, fuel, occasional chauffeur services, and private health insurance.</p> <p>Where appropriate, benefits may include relocation and international assignment costs.</p>	<p>Although there is no formal maximum, the Company determines benefits policy by taking into account company affordability, and with reference to the external market.</p>	
<p><b>Pension</b></p> <p>Provides post-retirement remuneration and ensures total package is competitive</p>	<p>The Company operates a defined contribution scheme as a percentage of salary.</p> <p>Executives can opt instead to receive a salary supplement in lieu of a pension.</p> <p>The Chief Executive Officer of IAG and the Chief Financial Officer of IAG are eligible for membership of the pension scheme.</p>	<p>The level of employer contribution is 25 per cent of basic salary.</p>	

### Shareholding Requirements

In order to increase alignment with shareholders, executives are required to build up a minimum personal shareholding equal to a set percentage of base salary. The CEO of IAG is required to build up and maintain a shareholding of 250 per cent of basic salary, and other executive directors are required to build up and maintain a shareholding of 150 per cent of basic salary (*note: with effect from January 1, 2016, executive directors other than the CEO of IAG are required to build up and maintain a shareholding of 200 per cent of basic salary*).

Executives will be required to retain the entire 100 per cent of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained.

### Malus and Clawback Provisions

The Board, following the advice of the Committee, has authority under the malus provisions of the PSP and the Incentive Award Deferral Plan to reduce or cancel awards before they vest, and authority under the clawback provisions of the PSP to recover payments during the additional holding period, if special circumstances exist. These special circumstances include fraud; material breach of any law, regulation or code of practice; misstatement of results; misconduct; failure of risk management; or any other circumstances in which the Board considers it to be in the interests of shareholders for the award to lapse or be adjusted.

For the PSP, clawback provisions apply during the two years' additional holding period. For the IADP, 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 the cash element of the annual incentive plan, clawback provisions apply for three years from the date of payment. 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.

### 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,
<b>Basic Fees</b> Fees are set to take into account the level of responsibility, experience, abilities and dedication required.	Fees are set with reference to market positioning (primarily the IBEX 35 and the FTSE 26 to 100, excluding financial services). To acknowledge certain key roles at Board level, fees are set separately for the Non-Executive Chairman, and the Non-Executive Deputy Chairman. There is also an additional fee paid to any non-executive director for holding a Committee Chairmanship. There is no additional fee for Committee membership. 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. There has been no change to fee levels since IAG came into existence in 2011.	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 October 19, 2010, in accordance with article 37.3 of the Company's Bylaws.
<b>Taxable Benefits</b>	Non-executive directors (including the Chairman and Deputy Chairman) are entitled to use air tickets of the airlines of the Company or related to the Company in accordance with the applicable travel scheme. As foreseen under article 37.8 of the Company's Bylaws this benefit may also be provided to non-executive directors after they have vacated office in accordance with the applicable travel scheme.	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 enjoy this benefit at any given time).

### Remuneration Policy below Director Level

IAG employees at all levels participate in the discretionary Annual Incentive Plan. Both the size of award and weighting of performance conditions vary by level, with some business unit specific measures incorporated where relevant. The financial targets are the aggregate of the financial targets of the Group's companies, ensuring alignment between the Group's head office and the Group's companies.

All senior managers across the Group participate in the IADP (currently 50 per cent of any annual incentive payment deferred in IAG shares for three years) and certain selected senior managers in the PSP in line with the executive directors. Employees below senior manager level do not participate in either.

The same performance conditions and weightings apply to all participants of the PSP. The size of award varies by performance and level in the business.

Managers at the airlines in the Group participate in their own airline short-term incentive plans. These all have performance measures specific to their airline, and are typically financial, operational, and customer service measures. Most companies within the Group have profit share schemes, designed to give employees below manager level an opportunity to share in the success of their company within the Group.

## Report of the Remuneration Committee continued

### Notes on the above forward-looking policy tables

Notwithstanding the forward-looking policy detailed herein, and always in compliance with applicable law, the Company will make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Board, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted which may include different performance measures to those outlined in the forward-looking policy table above.

### Remuneration scenarios

A significant portion of the Company's total remuneration package is variable, with emphasis placed on longer-term reward to align closely executive directors' and senior managers' interests with shareholder interests. The charts below show, for 2017 and for each executive director, the minimum remuneration receivable, the remuneration receivable if the director performs in line with the Company's expectations, and the maximum remuneration receivable. Share price variation during the performance period is not taken into consideration in these scenarios.

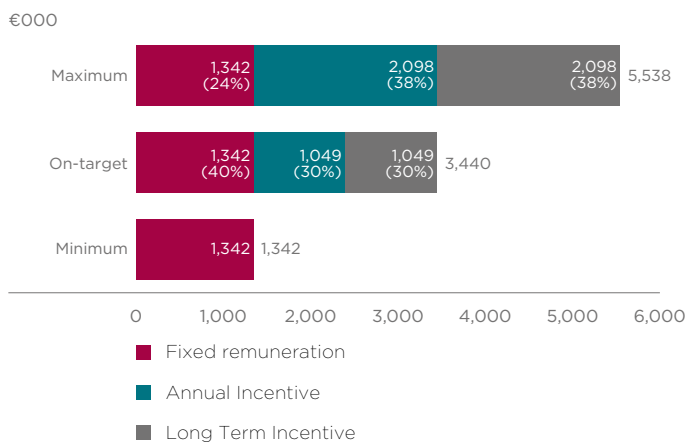
#### Chief Executive Officer of IAG

Fixed remuneration is basic salary (2017 level of €1,049,000), plus taxable benefits (2016 actual of €30,000) plus pension related benefits (2016 actual of €263,000).

The annual incentive amount is zero at the minimum remuneration level, €1,049,000 at the on-target level (100 per cent of salary), and €2,098,000 at maximum (200 per cent of salary).

The long-term incentive amount is zero at the minimum remuneration level, €1,049,000 at the on-target level (half of the face value award of 200 per cent of salary) and €2,098,000 at maximum (200 per cent of salary).

All amounts are actually paid in sterling, and are shown here in euro at the €:£ exchange rate of 1.2347



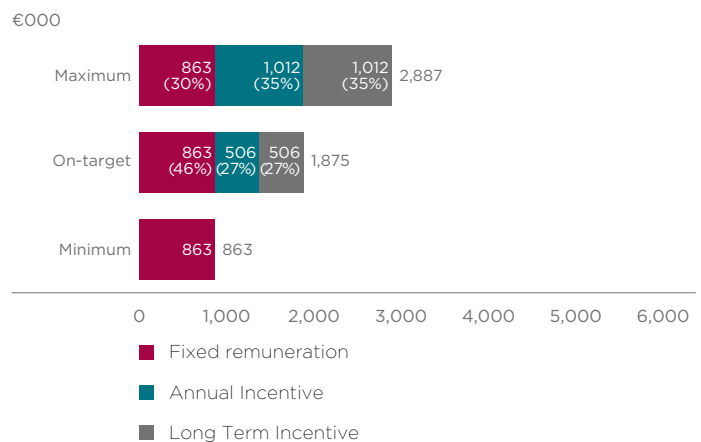
#### Chief Financial Officer of IAG

Fixed remuneration is basic salary (2017 level of €675,000), plus taxable benefits (2016 actual of €23,000) plus pension related benefits (2016 actual of €165,000).

The annual incentive amount is zero at the minimum remuneration level, €506,000 at the on-target level (75 per cent of salary), and €1,012,000 at maximum (150 per cent of salary).

The long-term incentive amount is zero at the minimum remuneration level, €506,000 at the on-target level (half of the face value award of 150 per cent of salary) and €1,012,000 at maximum (150 per cent of salary).

All amounts are actually paid in sterling, and are shown here in euro at the €:£ exchange rate of 1.2347



## 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
Willie Walsh	January 21, 2011	12 months
Enrique Dupuy de Lôme	January 21, 2011	12 months

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 lump sum in lieu of the first six months base salary is payable within 28 days of the date of termination of employment. A payment in respect of base salary for the second six month period only becomes payable if, in the Company's opinion, the executive has taken reasonable steps to find alternative paid work and then only in six monthly instalments. The Company may reduce the sum payable in respect of any month by any amount earned by the executive (including salary and benefits) referable to work done in that month.

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 duties to a reasonable standard, acts dishonestly, is guilty of misconduct or persistent breach of his 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 service contract where there is a transfer of the business in which he is working or ceases to be eligible to work in Spain or the UK (as applicable).

Under the PSP and IADP, if a director leaves, the Board, after considering the recommendation of the Remuneration Committee, may exercise their discretion (within the rules of the two 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, redundancy, retirement, or death. Executive directors leaving with Good Leaver status will receive shares awarded to them under the IADP scheme, and a pro-rata amount of their PSP shares subject to the company performance conditions being met. The pro-rata is calculated according to what proportion of the performance period the executive director spent in company service. If Good Leaver status is not granted to an executive director, all outstanding awards made to them under the PSP and IADP will lapse.

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 six 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 (1) year. The dates of the Chairman's and current non-executive directors' appointments are as follows:

Non-Executive Director	Date of the first appointment	Date of last re-election
Antonio Vázquez	May 25, 2010	June 16, 2016
Patrick Cescau	September 27, 2010	June 16, 2016
Baroness Kingsmill	September 27, 2010	June 16, 2016
James Lawrence	September 27, 2010	June 16, 2016
Kieran Poynter	September 27, 2010	June 16, 2016
Alberto Terol	June 20, 2013	June 16, 2016
Dame Marjorie Scardino	December 19, 2013	June 16, 2016
María Fernanda Mejía	February 27, 2014	June 16, 2016
Marc Bolland	June 16, 2016	June 16, 2016
Emilio Saracho	June 16, 2016	June 16, 2016

## Report of the Remuneration Committee continued

### 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.

### 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 the external market, their peers, and their level of experience. New executive directors will participate in the annual and long-term incentives on the same basis as existing directors.

The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to deviate from the stated remuneration policy as necessary to ensure the hiring of candidates of the appropriate calibre with due regard to the best interests of shareholders. For example, to facilitate recruitment, the Board, after considering the recommendation of the Committee, may make one-off awards to "buy out" variable pay or contractual rights forfeited on leaving a previous employer. 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 to any new executive director will be 500 per cent of base salary, in line with the stated policy. Note: the maximum value of variable remuneration will be no more than that awarded to current directors.

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 will be recruited in line with the Company's remuneration policy principles outlined before.

### Consideration of employment conditions elsewhere in the Group

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

When determining the PSP 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 IAG.

At the operating company level, the company consults with employee representative bodies, including trade unions and works councils. This will include 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 pay and benefits.

### Consideration of shareholder views

The Committee discusses at its October meeting each year the issues and outcomes from the annual Shareholders' Meeting held in June, and determines any appropriate action required as a result.

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

## Annual Remuneration Report

### Committee terms of reference

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

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

### Remuneration Committee membership and activity

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

### Key topics covered at Remuneration Committee meetings

In 2016, the Committee met three times and discussed, amongst others, the following matters:

Meeting	Agenda items discussed
January	Review of IAG Management Committee members' basic salaries Approval of the 2016 annual incentive plan Approval of the 2016 Performance Share Plan
February	2015 annual incentive plan payments to IAG Management Committee members Vesting outcome of the Performance Share Plan 2013 award Final review of 2015 Directors' Remuneration Report
October	Executive remuneration market update Remuneration strategy for 2017 Review of non-executive directors' remuneration

### Advisers to the Committee

The Committee appointed Towers Watson (now known as Willis Towers Watson) as its external advisers in 2014. This appointment ceased on September 19, 2016. Willis Towers Watson reported directly to the Committee. The fees paid to Willis Towers Watson for advice provided to the Remuneration Committee during 2016 until their appointment ceased were €29,633. Willis Towers Watson is a signatory to the voluntary UK Code of Conduct for executive remuneration consultants. Willis Towers Watson also provides other services to the Company in terms of the valuation of awards under the PSP for accounting purposes.

The Committee appointed Deloitte as its external advisers following a tender process, effective from September 20, 2016. Deloitte report directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee from their appointment date until the end of 2016 were €37,616, 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, Deloitte provided remuneration advice, pension advice, internal audit advisory and tax consulting services to the Group in 2016. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent.

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

## Report of the Remuneration Committee continued

### Single total figure of remuneration for each director

Subject to full audit

Non-Executive Directors

Director (€'000)	Fees	Taxable benefits	Total for year to December 31, 2016	Fees	Taxable benefits	Total for year to December 31, 2015
Antonio Vázquez <sup>1</sup>	511	35	546	484	19	503
Sir Martin Broughton <sup>2</sup>	162	33	195	350	56	406
Patrick Cescau <sup>3</sup>	136	22	158	120	34	154
César Alierta <sup>4</sup>	55	-	55	120	-	120
Marc Bolland <sup>5</sup>	65	-	65	-	-	-
Baroness Kingsmill	120	27	147	135	25	160
James Lawrence <sup>6</sup>	129	9	138	140	37	177
María Fernanda Mejía	120	3	123	120	8	128
José Pedro Pérez-Llorca <sup>7</sup>	-	-	-	60	6	66
Kieran Poynter	131	35	166	120	29	149
Emilio Saracho <sup>8</sup>	65	4	69	-	-	-
Dame Marjorie Scardino	140	55	195	125	72	197
Alberto Terol	120	33	153	120	26	146
<b>Total (€'000)</b>	<b>1,754</b>	<b>256</b>	<b>2,010</b>	<b>1,894</b>	<b>312</b>	<b>2,206</b>

1 Antonio Vázquez took a voluntary 25 per cent reduction in his fee from December 1, 2012 until October 31, 2016

2 Sir Martin Broughton retired from the Board on June 16, 2016

3 Patrick Cescau was appointed as Senior Independent Director on June 16, 2016

4 César Alierta retired from the Board on June 16, 2016

5 Mark Bolland joined the Board on June 16, 2016

6 James Lawrence chaired the Audit and Compliance Committee until June 16, 2016 when he was replaced in this position by Kieran Poynter

7 José Pedro Pérez-Llorca was no longer a director from June 18, 2015

8 Emilio Saracho joined the Board on June 16, 2016

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

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

#### Fees

Fees paid in the year for non-executive directors.

#### Taxable benefits

Taxable benefits including personal travel.

For the year to December 31, 2016, €:£ exchange rate applied is 1.2347

For the year to December 31, 2015, €:£ exchange rate applied is 1.3742

### Executive Directors

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

#### 2016

Director ('000)	Base salary	Taxable benefits	Pension related benefits	Annual incentive award	Long-term incentive vesting	Total for year to December 31 2016
<b>Executive Directors</b>						
Willie Walsh (GBP) <sup>1</sup>	850	24	213	567	808	2,462
Willie Walsh (euro)	1,049	30	263	700	998	3,040
Enrique Dupuy de Lôme (GBP) <sup>1</sup>	536	19	134	241	294	1,224
Enrique Dupuy de Lôme (euro)	662	23	165	298	363	1,511
<b>Total (€'000)</b>	<b>1,711</b>	<b>53</b>	<b>428</b>	<b>998</b>	<b>1,361</b>	<b>4,551</b>

**Additional explanations in respect of the single total figure table for 2016**

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

**Base salary**

Salary paid in year for executive directors.

**Taxable benefits**

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

**Pension related benefits**

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

**Annual incentive plan**

Annual incentive award for the period ended December 31, 2016 (accrued at December 31, 2016, but cash payments (50 per cent of the award) not paid until March 2017). The outcomes of the performance conditions which determined the award are described in the next section. Half of the annual incentive award is deferred into shares for three years (Incentive Award Deferral Plan (IADP)). For the 2016 annual incentive plan, these will vest in March 2020.

**Long-term incentive vesting**

This relates to the IAG PSP 2014 award based on performance measured to December 31, 2016, although the shares vested will not be delivered until March 2017. For the purposes of this table, the award has been valued using the average share price in the three months to December 31, 2016 of 425.9 pence. The outcomes of the performance conditions which determined vesting are described below.

For the year to December 31, 2016, €:£ exchange rate applied is 1.2347

For the year to December 31, 2015, €:£ exchange rate applied is 1.3742

**2015**

Director ('000)	Base salary	Taxable benefits	Pension related benefits	Annual incentive award	Long-term incentive vesting	Total for year to December 31, 2015
Executive Directors						
Willie Walsh (GBP) <sup>1</sup>	850	27	213	1,360	4,005	6,455
Willie Walsh (euro)	1,168	37	293	1,869	5,504	8,871
Enrique Dupuy de Lôme (GBP) <sup>1</sup>	525	19	131	483	1,456	2,614
Enrique Dupuy de Lôme (euro)	721	26	180	664	2,001	3,592
Total (€'000)	1,889	63	473	2,533	7,505	12,463

<sup>1</sup> Willie Walsh and Enrique Dupuy de Lôme remuneration is paid in sterling and expressed in euro for information purposes only.

**Life Insurance**

The Company provides life insurance for all executive directors. For the year to December 31, 2016 the Company paid contributions of €18,555 (2015: €28,230).

**Variable pay outcomes****Subject to audit****2016 Annual Incentive Plan**

At the beginning of 2016, the Board, upon a recommendation by the Committee, set IAG operating profit as the financial target to be applied to the two-thirds of the Annual Incentive Plan for that year. Operating profit was considered to be the most appropriate financial measure in aligning shareholder interests with the Company and individual performance. For the one-third portion

based on role-specific objectives, the Remuneration Committee, on the proposal of the Chairman, considered the Chief Executive Officer's performance against his objectives; and the Remuneration Committee, on the proposal of the Chief Executive Officer, considered the Chief Financial Officer's performance against his objectives. Both performance evaluations were submitted to the Board for final approval on February 23, 2017.

The maximum award for the Chief Executive Officer of IAG was 200 per cent of salary (100 per cent of salary for on-target performance), and for the Chief Financial Officer of IAG 150 per cent of salary (75 per cent of salary for on-target performance).

## Report of the Remuneration Committee continued

The outcomes of the performance conditions were as follows:

Measure		Chief Executive Officer of IAG	Chief Financial Officer of IAG
<b>IAG Operating Profit (before exceptional items) (67 per cent)</b>	Payout	€0 £0	€0 £0
	per cent of maximum awarded	0 per cent Please see below for details of the performance target ranges	0 per cent Please see below for details of the performance target ranges
<b>Role-specific objectives (33 per cent)</b>	Outcomes versus targets	€699,663 £566,667 Please see below for details of the extent of the achievement of objectives.	€297,699 £241,110 Please see below for details of the extent of the achievement of objectives.
	per cent of maximum awarded	100 per cent	90 per cent
<b>Details of any discretion exercised</b>			
<b>Overall outcome</b>		€699,663 £566,667	€297,699 £241,110

Half of the overall outcome of the annual incentive detailed above is payable in deferred shares in the Company vesting after three years (under the Incentive Award Deferral Plan). IAG operating profit (before exceptional items) for 2016 (two-thirds of the annual incentive) did not reach the threshold level at which payments begin, and therefore this has resulted in zero per cent of the maximum paying out for this element of the incentive (2015: 70 per cent). The target range for 2016 was as follows: the threshold level at which payments would begin was €2,800 million, the on-target level at which 50 per cent of the maximum would pay out was €3,200 million, and the stretch target level at which the maximum would pay out was €3,600 million. 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.

### Performance against role-specific objectives: Chief Executive Officer of IAG

Willie Walsh provided strong and effective leadership of IAG throughout 2016 in a tough external environment. He continued to drive strategic transformational change across the Group and maintained the focus on cost control and capacity management. He is widely recognised as an industry leader and in 2016 he was appointed chairman of the IATA Board of Governors and was also one of the founding CEOs of Airlines for Europe (A4E).

Achievements in 2016 included an improvement in financial performance leading to an increase of 10% in the interim dividend and continued growth across the Group which flew a record of over 100 million passengers in 2016. However, various external headwinds meant the Group did not reach all its targets, notably operating profit was below the threshold level, despite achieving a year on year improvement. Succession planning was a significant area of focus for the CEO in 2016 with several key internal appointments being made to leadership positions.

### Performance against role-specific objectives: Chief Financial Officer of IAG

Enrique Dupuy delivered strong personal performance throughout 2016 and provided effective financial leadership of the Group throughout the year. Initiatives led by him during 2016 led to a 10 per cent (€2 billion) structural saving in long-term invested capital.

Despite missing the Group's operating profit targets for the year, achievements included the delivery of cost savings and maintaining a strong balance sheet and equity free cash flow to strengthen the sustainability of the dividend. Succession planning was also an important area of focus for the CFO, with appointments made in key finance positions.

### IAG PSP Award 2014

The IAG PSP award granted on March 6, 2014 was tested at the end of the performance period which began on January 1, 2014 and ended on December 31, 2016. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG and 120 per cent of salary for the Chief Financial Officer of IAG.

50 per cent of the award was subject to achievement of the Company's adjusted EPS targets and 50 per cent subject to a TSR performance condition measured against an index. The vesting of any award was subject to the Board being satisfied that the Group's underlying financial performance was satisfactory in the circumstances prevailing over the three year period.

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2014)
<b>TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (50 per cent)</b>	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	IAG underperformed the index by 3 per cent p.a.	0 per cent
<b>Adjusted Earnings per Share (EPS) (50 per cent)</b>	2016 EPS of 34 €cents (10 per cent of award vests)	2016 EPS of 56 €cents (100 per cent of award vests)	90.2 €cents	100 per cent
<b>Details of any discretion exercised</b>				
<b>Overall outcome</b>				50 per cent

### IAG PSP Award 2013

The IAG PSP award granted on March 6, 2013 was tested at the end of the performance period which began on January 1, 2013 and ended on December 31, 2015. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG and 120 per cent of salary for the Chief Financial Officer of IAG.

50 per cent of the award was subject to achievement of the Company's adjusted EPS targets and 50 per cent subject to a TSR performance condition measured against an index. The vesting of any award was subject to the Board being satisfied that the Group's underlying financial performance was satisfactory in the circumstances prevailing over the three year period.

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2013)
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (50 per cent)	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	Performance exceeded index by 35 per cent p.a.	100 per cent
Adjusted Earnings per Share (EPS) (50 per cent)	2015 EPS of 30 €cents (10 per cent of award vests)	2015 EPS of 52 €cents (100 per cent of award vests)	71.4 €cents	100 per cent
Details of any discretion exercised				
Overall outcome				100 per cent

### Scheme interests awarded during the financial year

#### Subject to Audit

The IAG PSP is a discretionary plan targeted at key senior Group executives and managers who directly influence shareholder value. The Company granted an award under the PSP on March 7, 2016. The table in this section sets out the key details of the award.

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

## Report of the Remuneration Committee continued

The Committee believes that EPS performance provides a strong measure of the underlying financial performance of the business.

Return on Invested Capital (RoIC) is a financial measure that quantifies how well a company generates cash flow relative to the capital it has invested in its business. The Committee believes that it also provides a strong measure of the underlying financial performance of the business. It is one of the main areas that the Company wishes to focus on improving for the long-term.

### PSP 2016 - eligibility, metrics, and targets

Type of award	Shares		
Basis of determination of the size of award	Awards only made to those executives who are consistently high-performing, and/or are in key roles, and/or whom the Company wishes to retain in the long term.		
Face value awarded (per cent of salary)	CEO of IAG - 200 per cent	Other executive directors - 150 per cent	
Grant price	£5.41		
Performance period	January 1, 2016 to December 31, 2018		
Performance conditions	EPS performance targets	RoIC performance targets	TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index
Weighting	One-third	One-third	One-third
Threshold	2018 EPS of 105 €cents 10 per cent vests	2018 RoIC of 12 per cent 10 per cent vests	IAG's TSR performance equal to the index 25 per cent vests
Target	2018 EPS between 105 €cents and 145 €cents (straight line vesting between threshold and maximum)	2018 RoIC between 12 per cent and 15 per cent (straight line vesting between threshold and maximum)	IAG's TSR performance between index return and 8 per cent p.a. outperformance (straight line vesting between threshold and maximum)
Maximum	2018 EPS of 145 €cents 100 per cent vests	2018 RoIC of 15 per cent 100 per cent vests	IAG's TSR performance exceeds index by 8 per cent p.a. 100 per cent vests
Holding period	Additional period of two years after the performance period		

EPS is based on diluted EPS adjusted for exceptional items. The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to review and, if appropriate, revise the EPS targets and/or definition in the context of any corporate transactions, provided that, in its view, any revised targets are no more or less challenging than the original targets. To the extent that any such adjustments are made, the Committee will disclose the basis for any adjustments and the rationale in subsequent reports.

### Total pension entitlements

#### Subject to Audit

The Company operates a defined contribution scheme in which the executive directors are entitled to receive a contribution of 25 per cent of base salary. Executives may opt to receive a salary supplement in lieu of such contributions.

Willie Walsh was a member of the Company's pension scheme until March 31, 2016 and the Company paid contributions during the reporting period of £9,987 (2015: £39,950), plus cash in lieu of contributions of £202,513 (2015: £172,550).

Enrique Dupuy de Lôme is not a member of the Company's pension scheme, and the Company therefore did not pay any contributions during the reporting period (2015: zero). He received cash in lieu of contributions of £133,950 (2015: £131,325).

### Payments for loss of office

No executive directors have left office during 2016. There were no payments made to non-executive directors after they left office during 2016.

### Payments to past directors

José Pedro Pérez-Llorca received travel benefits worth €4,380 during 2016 after he had left the Company.

## Statement of Voting

The table below shows the consultative vote on the 2015 annual Directors' Remuneration Report at the 2016 annual Shareholders' Meeting, and the binding vote on the Directors' Remuneration Policy at the 2015 annual Shareholders' Meeting:

	Number of votes cast	For	Against	Abstentions/Blank
2015 Annual Directors' Remuneration Report	1,400,009,837	1,328,811,284 (94.914 per cent)	18,478,393 (1.320 per cent)	52,720,160 (3.766 per cent)
Directors' Remuneration Policy	1,313,200,803	973,503,807 (74.132 per cent)	49,560,764 (3.774 per cent)	290,136,232 (22.094 per cent)

## Statement of Directors' Shareholding and Share Interests

### Subject to Audit

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

Under the Group's shareholding guidelines, the CEO of IAG is required to build up and maintain a shareholding of 250 per cent of salary. Other executive directors are required to build up and maintain shareholdings of 200 per cent of salary. In addition, they are required to retain the entire 100 per cent of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained. The Committee has reviewed executive directors' progress against the requirements and notes that both executive directors are well above the shareholding requirement. There has been a significant improvement in shareholding for the executive directors over the past three years, as a result of PSP awards vesting, and deferred shares awards from annual incentive plans.

Shares which count towards the guideline include shares already held by the executive, vested and exercised shares, vested and unexercised shares, and unvested deferred annual incentive shares. The table below summarises current executive directors' interests as of December 31, 2016:

Executive Director	Shareholding requirement	Shares owned	Shares already vested from performance share plans	Shares already vested from deferred annual incentive plans	Unvested shares from deferred annual incentive plans	Total qualifying shareholding
Willie Walsh	250 per cent of salary	72,000	1,457,328	126,754	225,375	1,881,457 (1017 per cent of salary)
Enrique Dupuy de Lôme	200 per cent of salary	100	413,967	52,740	77,263	544,070 (523 per cent of salary)

## External Non-Executive Directorship

The Company's consent is required before an executive director can accept an external non-executive appointment and permission is only given in appropriate circumstances. During the reporting period in question no executive director held a directorship from which they retained a fee.

Willie Walsh is a non-executive director of the Irish National Treasury Management Agency, for which he has declined a fee.

## Non-Executive Directors

Non-executive directors are paid a flat fee each year. The Non-Executive Chairman's fee is €645,000, and this was voluntarily reduced by 25 per cent to €483,750 from December 1, 2012 until October 31, 2016 (when the Chairman accepted the proposal of the Board of Directors to reverse the voluntary 25 per cent reduction of his remuneration). Other non-executive directors have a fee of €120,000. The additional fee for holding a Committee chairmanship is €20,000. As regards the position of Senior Independent Director, the functions of this role were previously performed by the Deputy Chairman and embedded in his remuneration (an annual fee of €350,000). Given that the newly appointed Senior Independent Director does not hold the position of Deputy Chairman, the additional fee for discharging the functions of Senior Independent Director has been reduced to €30,000.

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

## Report of the Remuneration Committee continued

### Directors' interests in shares

Subject to audit

	Total shares and voting rights	Percentage of capital
Antonio Vázquez	512,291	0.024
Willie Walsh	1,656,082	0.078
Marc Bolland	0	0.000
Patrick Cescau	0	0.000
Enrique Dupuy de Lôme	466,807	0.022
Baroness Kingsmill	2,000	0.000
James Lawrence <sup>1</sup>	326,500	0.016
María Fernanda Mejía	100	0.000
Kieran Poynter	15,000	0.001
Emilio Saracho	0	0.000
Dame Marjorie Scardino	100	0.000
Alberto Terol	16,900	0.001
<b>Total</b>	<b>2,995,780</b>	<b>0.140</b>

<sup>1</sup> Held as IAG ADSs (one IAG ADS equals two IAG shares).

There have been no changes to the shareholdings set out above between December 31, 2016 and the date of this report.

### Share scheme dilution limits

The Investment Association sets guidelines that restrict the issue of new shares under all the Company's share schemes in any ten year period to 10 per cent of the issued ordinary share capital and restrict the issues under the Company's discretionary schemes to 5 per cent in any ten year period. At the annual Shareholders' Meeting on June 18, 2015 the Company was given authority to allocate up to 67,500,000 shares (3.31 per cent of the share capital) in 2015, 2016, 2017 and 2018. Of this a maximum of 7,650,000 shares could be allocated to executive directors under all IAG share plans for awards made during 2015, 2016, 2017 and 2018. At December 31, 2016, 2.33 per cent of the share capital had been allocated under the IAG share plans.

The highest and lowest closing prices of the Company's shares during the period and the share price at December 31, 2016 were:

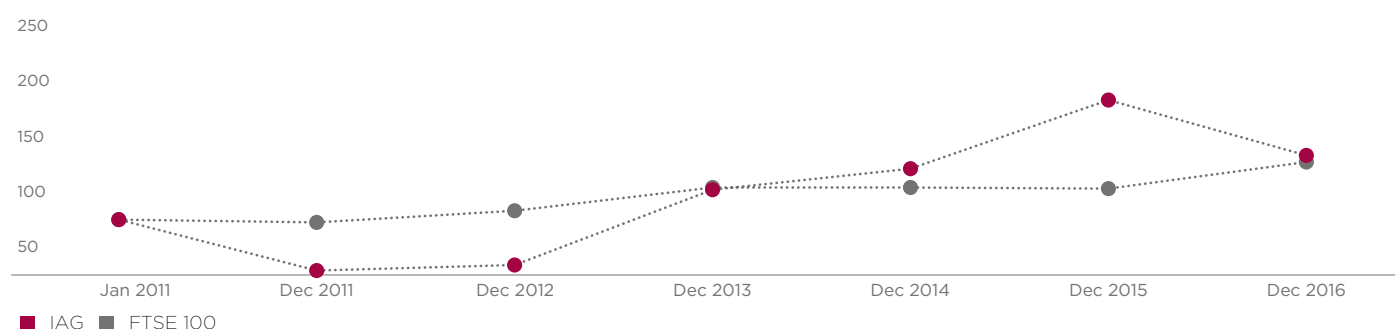
At December 31 2016	441p
Highest in the period	611p
Lowest in the period	344p

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

The chart shows the value by December 31, 2016 of a hypothetical £100 invested on listing compared with the value of £100 invested in the FTSE 100 index over the same period. A spot share price has been taken on the date of listing, and a three month average has been taken prior to the year ends.

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

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



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

	CEO of IAG - 'total single figure' of remuneration	Annual incentive	Long-term incentive
2011	£1,550,000	Includes annual incentive payment of £302,000 (18 per cent of maximum).	Includes £251,594 value of long-term incentives vesting (35 per cent of maximum).
2012	£1,083,000	No annual incentive payment.	Zero vesting of long-term incentives.
2013	£4,971,000	Includes annual incentive payment of £1,299,375 (78.75 per cent of maximum).	Includes £2,593,569 value of long-term incentives vesting (100 per cent of maximum).
2014	£6,390,000	Includes annual incentive payment of £1,662,222 (97.78 per cent of maximum).	Includes £3,640,135 value of long-term incentives vesting (85 per cent of maximum).
2015	£6,455,000	Includes annual incentive payment of £1,360,000 (80 per cent of maximum).	Includes £4,405,185 value of long-term incentives vesting (100 per cent of maximum).
2016	£2,462,000	Includes annual incentive payment of £566,667 (33.33 per cent of maximum).	Includes £807,741 value of long-term incentives vesting (50 per cent of maximum).

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

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

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

The table below shows how the remuneration of the Chief Executive Officer of IAG has changed for 2016 compared to 2015.

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

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

	Chief Executive Officer of IAG	UK employees
Basic salary	No basic salary increase for 2016.	Basic salary awards in 2016 at UK companies in the Group averaged around 2 per cent.
Annual incentive	Decrease from £1,360,000 in March 2016 (covering the 2015 performance period) to £566,667 in March 2017 (covering the 2016 performance period). This represents a 58 per cent decrease.	Changes in overall annual incentive payments for 2016 vs. 2015 varied considerably around the Group, depending on the incentive design, financial performance, and non-financial performance at each individual company.
Taxable benefits	No change in benefits policy. Actual payments decreased to £24,000 in 2016 from £27,000 in 2015.	No change in benefits policy. Overall costs 2016 vs. 2015 increased very slightly in line with inflation.

## Report of the Remuneration Committee continued

### Relative importance of spend on pay

The table below shows, for 2016 and 2015, total remuneration costs, operating profit, and dividends for the Company.

	2016	2015
Total employee costs, IAG	<b>€4,731,000,000</b>	€4,905,000,000
Total remuneration, directors (including non-executive directors)	<b>€6,561,000</b>	€14,669,000
IAG Operating Profit (before exceptional items)	<b>€2,535,000,000</b>	€2,300,000,000
Dividend declared	<b>€233,000,000</b>	€407,000,000
Dividend proposed	<b>€265,000,000</b>	-

Total employee costs are before exceptional items.

The figure used for IAG operating profit for 2015 excludes Aer Lingus' contribution to the Company.

### Implementation of remuneration policy for 2017

#### Basic Salary

Basic salaries for executive directors are reviewed from January 1 each year. After careful consideration of Company affordability, the worth of each executive, retention risks, and the size of pay increases generally across the Group for 2017 (which varied across the Group from 2 per cent to 2.5 per cent), the Board, following the recommendation of the Remuneration Committee, approved the following:

Executive Director	Basic salary review
Chief Executive Officer of IAG	£850,000 (€1,049,000) (no increase from 2016).
Chief Financial Officer of IAG	£547,000 (€675,000) (in UK sterling terms, an increase of 2.1% from 2016).

The Remuneration Committee agreed to offer the Chief Executive Officer a salary increase in line with that applied to other executives, however it was respectfully declined by him.

#### 2017 annual incentive plan

For 2017, the maximum award for the Chief Executive Officer of IAG will be 200 per cent of salary and for the Chief Financial Officer of IAG 150 per cent of salary. The weighting for the IAG operating profit measure will remain at two-thirds. The role-specific objectives measure (weighting: one-third) will include 25 per cent on personal performance and 8.33 per cent based on a customer measure, Net Promoter Score (NPS). NPS is used to gauge the loyalty of the Group's customer relationships. NPS is calculated based on survey responses, by subtracting the percentage of customers who are 'Detractors' from the percentage of customers who are 'Promoters'. The Board, after considering the recommendation of the Committee, has approved a stretching target range for IAG operating profit and NPS for 2017 at the threshold, on-target and maximum levels. At threshold, there will be a zero pay-out, 50 per cent of the maximum will pay out at the on-target level, and 100 per cent of the maximum will pay out at the stretch target level. There will be a straight line sliding scale between threshold and on-target, and on-target and the stretch target. For commercial reasons, the target range for IAG operating profit will not be disclosed until after the end of the performance year. It will be disclosed in next year's Remuneration Report.

#### 2017 Performance Share Plan award

The Board, on the Committee's recommendation, has approved a PSP award for 2017, with a performance period of January 1, 2017 to December 31, 2019.

For 2017, the face value of awards for the Chief Executive Officer will be 200 per cent of salary and for the Chief Financial Officer 150 per cent of salary.

The Board has approved the use of three performance conditions, each with a one-third weighting. These are the same three performance conditions and weightings that were used in 2015 and 2016.

The first is based on IAG TSR performance relative to the MSCI European Transportation Index. This condition is considered appropriate because the companies in the index are subject to external influences impacting share price similar to those of the Group. The target range is identical to 2016, and is outlined earlier in this report.

The second performance condition is based on adjusted EPS. This condition is considered appropriate because it provides a strong measure of the underlying financial performance of the business. The Board and the Committee have agreed that the earnings per share (EPS) target range for the 2017 PSP award should be slightly decreased compared to the 2016 PSP award, reflecting the challenging long-term market conditions. However, the target range remains appropriately stretching. The adjusted EPS measure will be as follows:

Weighting	One-third
Threshold	2019 adjusted EPS of 100 €cents 10 per cent vests
Target (straight line vesting between threshold and maximum)	2019 adjusted EPS between 100 €cents and 130 €cents
Maximum	2019 adjusted EPS of 130 €cents 100 per cent vests

The third performance condition is Return on Invested Capital (RoIC). This is a financial measure that quantifies how well a company generates cash flow relative to the capital it has invested in its business, and is considered an appropriate measure because it also provides a strong measure of the underlying financial performance of the business. The RoIC measure will be as follows:

Weighting	One-third
Threshold	2019 RoIC of 12 per cent 10 per cent vests
Target (straight line vesting between threshold and maximum)	2019 RoIC between 12 per cent and 15 per cent
Maximum	2019 RoIC of 15 per cent 100 per cent vests

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

#### Taxable benefits and pension related benefits

Taxable benefits and pension related benefits (as a percentage of basic salary) remain unchanged for 2017.

#### Non-Executive Director Fees

Non-executive director fees were reviewed in 2016 but remain unchanged for 2017. The fees have remained unchanged since 2011.

#### Supplementary Information

##### Directors' conditional awards

The following directors held conditional awards over ordinary shares of the Company granted under the IAG PSP.

Director	Plan	Date of award	Number of awards at January 1, 2016	Awards vested during the year	Awards lapsed during the year	Awards made during the year	Number of awards at December 31, 2016
<b>Executive Directors</b>							
Willie Walsh	IAG PSP	March 6, 2013	684,647	684,647	-	-	-
	IAG PSP	March 6, 2014	379,310	-	-	-	379,310
<b>Total</b>			<b>1,063,957</b>	<b>684,647</b>	<b>-</b>	<b>-</b>	<b>379,310</b>
<b>Non-Executive Directors</b>							
Enrique Dupuy de Lôme	IAG PSP	March 6, 2013	248,963	248,963	-	-	-
	IAG PSP	March 6, 2014	137,931	-	-	-	137,931
<b>Total</b>			<b>386,894</b>	<b>248,963</b>	<b>-</b>	<b>-</b>	<b>137,931</b>

The performance conditions for the 2014 PSP award above were tested by the Remuneration Committee, and reported to the Board, in their meetings held in February 2017.

The award granted on March 6, 2013 was tested at the end of the performance period, and as a result 100 per cent of the award vested, as detailed earlier in this report in the section on Variable Pay Outcomes.

The values attributed to the Company's ordinary shares in accordance with the plan rules on the dates of the PSP awards were as follows: 2014: 435 pence; and 2013: 241 pence.

## Report of the Remuneration Committee continued

### Directors' share options

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

Director	Date of grant	Number of options at January 1, 2016	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, 2016
<b>Executive Directors</b>									
Willie Walsh	May 28, 2015	309,091	-	-	-	-	January 1, 2020	December 31, 2024	309,091
	March 7, 2016	-	-	-	-	314,233	January 1, 2021	December 31, 2025	314,233
<b>Total</b>		<b>309,091</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>314,233</b>			<b>623,324</b>
Enrique Dupuy de Lôme	May 28, 2015	112,364	-	-	-	-	January 1, 2020	December 31, 2024	112,364
	March 7, 2016	-	-	-	-	145,647	January 1, 2021	December 31, 2025	145,647
<b>Total</b>		<b>112,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,647</b>			<b>258,011</b>

The performance conditions for both the 2015 and 2016 PSP awards above will be tested to determine the level of vesting. For both these awards, one-third of the award is subject to TSR performance measured against an index, one-third is subject to adjusted Earnings per Share (EPS) performance, and one-third is subject to Return on Invested Capital (RoIC) performance. The performance conditions will be measured over a single three year performance period. For both these awards, following the performance period there is an additional holding period of two years.

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

### Incentive Award Deferral Plan

The following directors held conditional awards over ordinary shares of the Company granted under the IAG IADP (awarded as a result of IAG performance for the periods that ended December 31, 2013; December 31, 2014 and December 31, 2015).

Director	Relates to incentive award earned in respect of performance	Date of award	Number of awards at January 1, 2016	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of awards at December 31, 2016
<b>Executive Directors</b>								
Willie Walsh	2013	March 6, 2014	149,353	-	March 6, 2017	-	-	149,353
	2014	May 28, 2015	151,111	-	March 8, 2018	-	-	151,111
	2015	March 7, 2016	-	-	March 7, 2019	-	125,693	125,693
<b>Total</b>			<b>300,464</b>	<b>-</b>		<b>-</b>	<b>125,693</b>	<b>426,157</b>
<b>Non-Executive Directors</b>								
Enrique Dupuy de Lôme	2012	March 6, 2013	62,241	62,241	March 6, 2016	-	-	-
	2013	March 6, 2014	50,862	-	March 6, 2017	-	-	50,862
	2014	May 28, 2015	50,252	-	March 8, 2018	-	-	50,252
	2015	March 7, 2016	-	-	March 7, 2019	-	44,665	44,665
<b>Total</b>			<b>163,355</b>	<b>62,241</b>		<b>-</b>	<b>44,665</b>	<b>145,779</b>

There are no performance conditions to be tested before vesting for the IADP, except that the director must still be employed by the Company at the time of vesting.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2016 IADP award was 541 pence (2015: 550 pence; 2014: 435 pence; and 2013: 241 pence).

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2013 IADP award was 241 pence. The share price on the date of the vesting of this award (March 7, 2016) was 540 pence. The money value of the shares received was the share price on the date of the vesting multiplied by the number of shares in respect of the award vested, as shown in the table above.