In this section

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

Building an expert and effective governance structure

"We have continued to refresh and strengthen the Board to make sure, as our business grows, we have the right structure and skills to both support and challenge the management team."

Antonio Vázquez
Chairman

On behalf of the Board, I am delighted to present the Corporate Governance report for 2017, a year of high achievement and growth across all parts of International Airlines Group despite some significant external challenges, particularly on the political front.

Firstly, I want to say that I am very happy with the way our corporate governance is evolving. There's always more we can do to improve our structures and procedures, of course. But I can assure you our ambition as a Board, and as a business, is to aim for best practice at all times.

The fact that we are a relatively young company – it is just seven years since British Airways and Iberia merged to form IAG – has helped. Because we are fresh and new, we have been able to establish our particular approach to governance, ensuring that we adopt, as appropriate, the latest recommendations.

In addition, being a company listed in both the Spanish and London stock exchanges also means that we have two demanding codes to comply with and that has added further rigour to our approach. My fellow Board directors and I are also very conscious of the need to achieve best practice in compliance and we strive constantly to show leadership in that regard.

We work in a complex industry, which is undoubtedly more prone to volatility and change than most. IAG's aim has always been to find a way to manage that volatility and continue to grow in a dependable and value-creating way, for the long-term. In that context the role the Board plays in supporting, guiding and challenging the management team is incredibly important. This is vital too in a year when the business is performing well, as was the case in 2017 – a year which saw all of our operating airlines achieve record results and IAG expand its portfolio of airline brands with the launch of LEVEL, our new low-cost, longhaul offering.

I believe we have a very effective approach in place that allows the Board to play a proper supervisory role and add real value to the business.

Key areas of focus

Each year we identify key relevant issues for the Board to focus on, beyond its normal supervisory duties, and these are matched closely to developments within the Group and challenges that the business is facing.

In 2017 the key areas of focus included a review of customers and brand positioning, digital strategy (including the development of the Hangar 51 tech accelerator initiative), Brexit, climate change and our main environmental impact measures, the EU's 261 regulations on compensation for air travellers, and a review of IT and cybersecurity, as well as a number of specific strategy briefings.

In addition, our annual two-day strategy session was both thorough and fruitful, offering directors time to discuss performance, challenges and opportunities in depth and to spend valuable time with senior management.

We improved planning for Board activities during the year, giving Board members and the management team the chance to request and suggest topics for discussion. These are now included in a rolling planner and debated by the Board twice a year.

In 2017 we also staged a number of events and visits to help directors gain a richer understanding of the industry and immerse themselves in key parts of the business. These included a visit to IAG Cargo in February and to Vueling in Barcelona, where we held our May meeting. There was also a special session in July to review and debate macro-economic and industry trends.

Refreshing and regenerating the Board

Over the course of our seven-year history we have adjusted the size of the Board – from 14 to 12 members – and regularly refreshed our, always excellent, cadre of directors.

We do this not only to comply with the rules on tenure set out in the codes with which we abide, but because we do believe that to regenerate the Board regularly, bringing in people with new skills and experience, is a very good thing in itself.

Our succession planning and recruitment approach is thorough, transparent and inclusive, allowing all members of the Board to assess and, if they choose, meet short-listed candidates. We aim always to attract people with a broad and relevant balance of experience, sector knowledge and skills.

This is important because it ensures that we have the right knowledge to engage in meaningful conversations with the management team. If we do not understand the issues, we cannot scrutinise their work or offer proper guidance.

We also look to have a balance of geographic representation, reflecting the main markets that IAG works in. Today our Board includes directors from France, Latin America, the US, Spain and the UK. We are also committed to achieving greater gender diversity by appointing highly skilled women to the Board. There are three female directors currently, but we remain committed to raising that number to four by 2020.

During the year Baroness Kingsmill stepped down from the Board after many years of fantastic service to both British Airways and IAG. I would like to offer her my sincere thanks for all she has contributed to these companies.

We were delighted to appoint Nicola Shaw as her replacement, not least because of her long experience in the transport sector and the fact that she has served on the Board of Aer Lingus, but because she brings other great insights from the worlds of public policy, regulation and the utilities. She joined us in January and on behalf of the Board I would like to offer her a very warm welcome.

Board effectiveness

Our four Board committees – Audit and Compliance, Remuneration, Nominations and Safety - are all functioning very well and I am happy that we have the right balance of skills on these too.

We continue to review the effectiveness of the Board internally every year and commission external reviews at regular intervals to get an outside perspective. I lead the internal evaluation process supported by the Board Secretariat, talking to my colleagues individually and collectively to gather their views on the Board's effectiveness.

We had some very fruitful discussions during this process, which provided an opportunity to review our progress. We have also agreed that two issues should be at the forefront of our work in 2018 – how, as a Board, we can make a meaningful contribution to IAG strategy and executive succession planning.

Remuneration review

In 2017 the Remuneration Committee carried out a thorough review of our remuneration policy to make sure it was in line with best practice and will present a report to our shareholders meeting this year.

We have developed proposals for executive remuneration over the next three years, and after taking soundings with our principal shareholders and the financial community, this will also be presented at the shareholders meeting and put to a binding vote.

Outlook

These are exciting times for IAG but some significant challenges lie ahead.

I am sure that we have an extremely capable and effective Board who can help direct the Company through these challenges and help steer it on its path of sustainable growth.

I thank all of my fellow directors for the superb contribution they make.

Antonio Vázquez
Chairman

Antonio Vázquez
Chairman
N S

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

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

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

Willie Walsh
Chief Executive Officer
S

Key areas of experience:
airline industry

Current external appointments:
Chairman of the National Treasury Management Agency of Ireland. Member of the IATA Board of Governors.

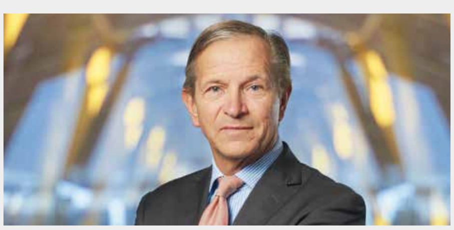
Previous relevant experience:
Chairman, IATA Board of Governors 2016-2017. Chief Executive Officer, British Airways 2005-2011. Chief Executive Officer, Aer Lingus 2001-2005. Chief Operating Officer, Aer Lingus 2000-2001. Chief Executive Officer, Futura (Aer Lingus' Spanish Charter airline) 1998-2000. Joined Aer Lingus as cadet pilot in 1979.

Patrick Cescau
Senior Independent Director
A N

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

Current external appointments:
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 Director, Tesco 2009-2015. Director, INSEAD 2009-2013. Senior Independent Director, Pearson 2002-2012. Group Chief Executive, Unilever 2005-2008. Chairman, Unilever UK. Deputy Chairman, Unilever The Netherlands, 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.



Marc Bolland
Non-Executive Director
R S

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

Current external appointments:
Head of European Porftolio Operations, The Blackstone Group. 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. Director, Manpower USA 2005-2015. Chief Operating Officer 2005-2006, Director 2001-2005 and other executive and non-executive positions, Heineken 1986-2001.

Committee Membership Key

- Committee Chair
- A Audit and Compliance Committee
- N Nominations Committee
- R Remuneration Committee
- S Safety Committee

Enrique Dupuy de Lôme
Chief Financial Officer

Key areas of experience:
finance, airline industry

Current external appointments:
Chairman, Iberia Cards.

Previous relevant experience:
CFO, 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, 2003-2005.

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. Non-Executive Director of AerCap Holdings N.V.

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 CFO, Unilever 2007-2010. Vice Chairman, CFO and Head of International, General Mills 1998-2007. Executive Vice President and CFO, 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
A R

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

Current external appointments:
Senior Vice President, The Kellogg Company. President, Kellogg Latin America. Corporate Officer and member of The Kellogg Company Executive 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 2010-2011, Vice-President Marketing and Innovation Europe/South Pacific Division, Colgate-Palmolive 2005-2010, President and CEO Spain and Spain Holding Company 2003-2005, General Manager Hong Kong and Director, Greater China Management team 2002-2003, Marketing Director Venezuela 2000-2002, Marketing Director Ecuador 1998-2000.

Kieran Poynter
Non-Executive Director
A S

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

Current external appointments:
Chairman, F&C Asset Management, Senior Independent Director and Chairman of the Audit Committee, British American Tobacco.

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

Emilio Saracho
Non-Executive Director
N

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

Current external appointments:
Advisor, Cinven Spain. Director, Altamar Capital Partners. Director, Inditex.

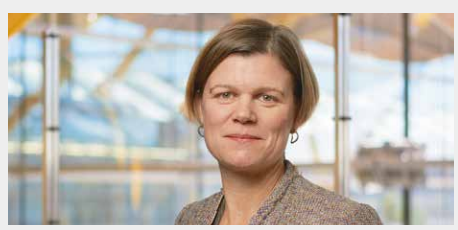
Previous relevant experience:
Chairman, Banco Popular Español, 2017. Vice Chairman and Member Investment Banking Management Committee, JPMorgan 2015-2016. Deputy CEO 2012-2015, CEO Investment Banking for EMEA 2012-2014 and member Executive Committee 2009-2013, JP Morgan. CEO, JP Morgan Private Banking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

Dame Marjorie Scardino
Non-Executive Director
N R

Key areas of experience:
commercial management, government affairs, communications, digital and media, legal services

Current external appointments:
Senior Independent Director, Twitter, 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 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.



Nicola Shaw
Non-Executive Director

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

Current external appointments:
Executive Director, National Grid plc. Member of the Audit and Risk Committee, English Heritage. Director for Major Projects Association.

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

Alberto Terol
Non-Executive Director
A R

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

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

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

IAG as a Group

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

Board*

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

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

Chairman

Antonio Vázquez

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

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

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

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

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

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 on 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.

IAG Management Committee

Headed by the Group CEO:

- Day-to-day management of the Group
- Capturing cost and revenue synergies
- Development of Group long-term strategy

Enrique Dupuy de Lôme
Group Chief Financial Officer

Stephen Kavanagh
Chief Executive Officer

Robert Boyle
Director of Strategy

Alex Cruz
Chairman and CEO

Luis Gallego
Chairman and CEO

Javier Sanchez Prieto
Chairman and CEO

Julia Simpson
Chief of Staff

Chris Haynes
General Counsel

Ignacio de Torres
Director of Global Services

Lynne Embleton
Chief Executive Officer

Andrew Crawley
Chief Executive Officer

Aer Lingus

British Airways

Iberia

Vueling

IAG GBS

IAG Cargo

Avios

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 ("FRC") as amended from time to time. A copy of the current version of the UK Corporate Governance Code (updated and published in April 2016) is available at the website of the FRC (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 can be found in the Corporate Governance section of the Company's website.

The Company considers that during the year it has complied with all the provisions of the UK 2016 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 believes that, notwithstanding the above exception, it has a robust governance structure.

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

The Spanish Annual Corporate Governance Report is part of the Management Report. It is available on the Spanish Comisión Nacional del Mercado de Valores website (wwww.cnmv.es), where it was published together with the Company's annual financial statements.

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, 2017 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
James Lawrence	Director (other external)	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

In addition, the appointment of Nicola Shaw as a non-executive director, which was approved at the Shareholders' Meeting in June 2017, became effective on January 1, 2018.

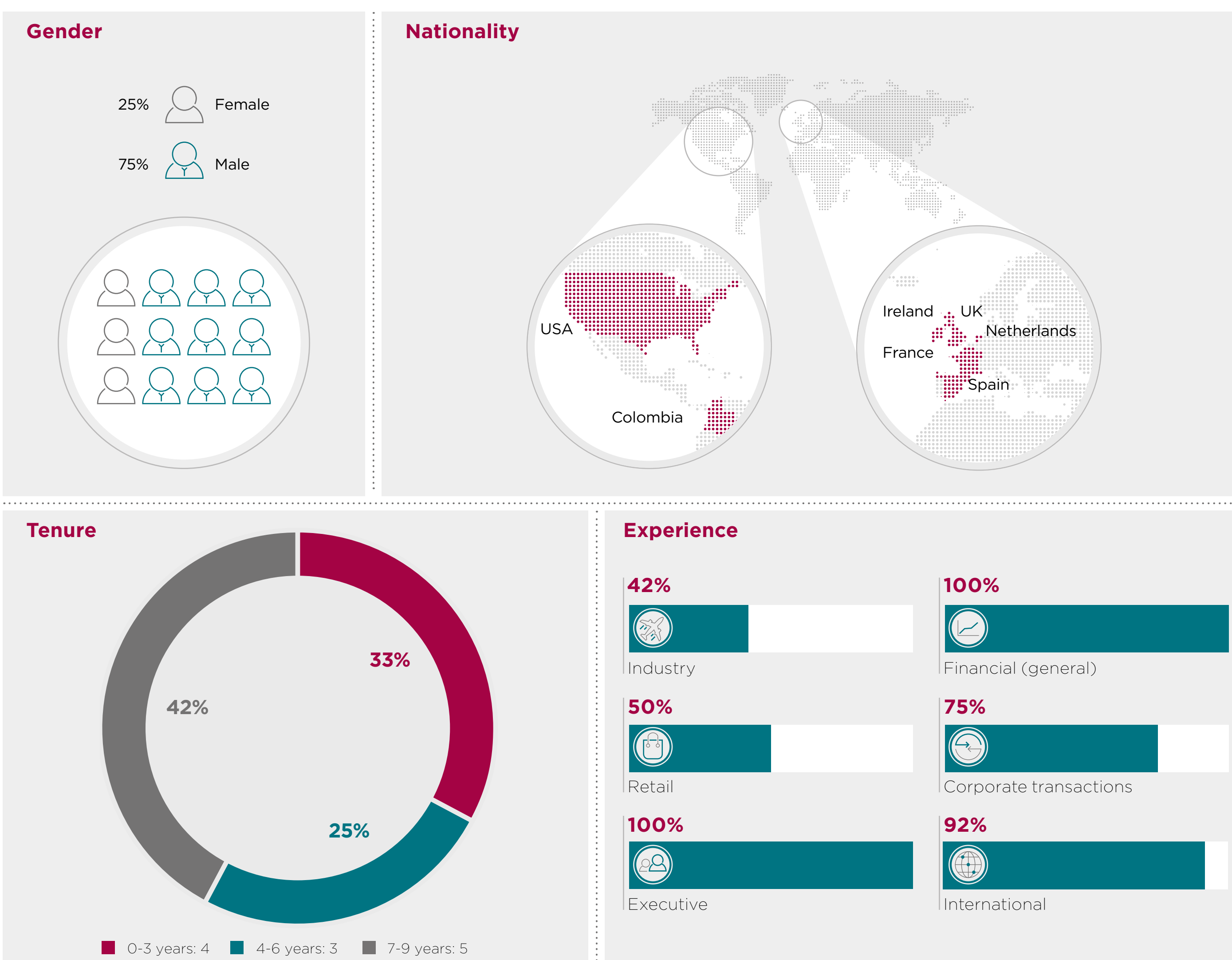
The Board Secretary is Álvaro López-Jorrín, partner of the Spanish law firm J&A Garrigues, S.L.P, and the Deputy Secretary is Lucila Rodríguez.

The IAG Board currently comprises ten non-executive directors and two executive directors, IAG's Chief Executive Officer and Chief Financial Officer.

The Company is attentive to the need for progressive refreshing of the Board and committee membership. Any changes to the Board and the committees are carefully considered and planned so as to minimise disruption to and maintain the continuity of the Board's and committees' work and to ensure that the appropriate balance of skills, experience and stability is preserved in accordance with the Company's circumstances and strategy. The Board's composition is regularly refreshed, with half of the non-executive directors appointed within the last four years. The non-executive directors bring a strong, independent element to 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, having executive business experience. For further details see the Nominations Committee report on pages 76 – 78.

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*



* Board composition as of January 1, 2018.

In accordance with the Spanish Corporate Governance Code the Company has a Directors Selection and 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, detailing the process for appointing directors and the Company's diversity principles. Information on compliance with this policy is included as part of the Nominations Committee Report.

The Directors Selection and Diversity Policy establishes a female representation objective of 33 per cent by the end of 2020 following the recommendation included in the final Davies Report published in 2015 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 53.

Board and committee meetings

The Board met 11 times during the reporting period. The Board also held its annual two-day strategy meeting in September 2017. During the reporting period, the Chairman and the non–executive directors met on two occasions without the executives present. The Senior Independent Director discussed the Chairman's performance with all directors without the Chairman being present.

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

Director	Board[1]	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Safety Committee
Total in the period	11	8	6	5	2
Antonio Vázquez	11	–	6	–	2
Willie Walsh	11	–	–	–	2
Marc Bolland[2]	9	–	–	5	1
Patrick Cescau	10	8	5	–	–
Enrique Dupuy de Lôme[2]	10	–	–	–	–
Baroness Kingsmill[3]	5/5	–	2/4	2/3	–
James Lawrence[4]	11	3/4	–	–	–
María Fernanda Mejía[2]	9	7	–	4	–
Kieran Poynter	11	8	–	–	2
Emilio Saracho[2]	10	–	6	–	–
Dame Marjorie Scardino[2]	9	–	6	5	–
Alberto Terol	11	8	–	5	–

1 In addition to the nine scheduled meetings, there were two additional telephone meetings (extraordinary) that were called at short notice.

2 Marc Bolland, María Fernanda Mejía, Enrique Dupuy, Emilio Saracho and Dame Marjorie Scardino could not attend one of the two extraordinary Board meetings called during the year.

3 Baroness Kingsmill retired from the Board with effect from June 15, 2017.

4 James Lawrence resigned from the Audit and Compliance Committee on June 15, 2017.

The Board maintains a rolling plan including regular and specific upcoming issues. This plan of activities is updated before each meeting and is open to directors' suggestions as a regular item on the Board agenda twice a year. In 2017, in addition to the regular consideration of financial and operating performance, the Board received presentations on a variety of topics including strategy, shareholder and investor updates (including the presence of the Company's brokers), as well as customer and brand matters. In its October meeting the Board considered the Group risk map and reviewed the effectiveness of its risk management and internal control systems. In its December agenda the Board also included a meeting with the external auditor covering the work undertaken and the evolution of the Company's risks and accounting position.

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 2017 the Board received specific briefings on key developments, such as the ongoing negotiations regarding the UK's exit from the EU, climate change and environmental matters and general Corporate Social Responsibility matters, including the impact of EU Regulation 261. Furthermore, a specific industry trends briefing session was held in July with the participation of an external speaker.

In addition, two on-site sessions were organised to help non-executive directors deepen their knowledge of the Group's operations, as well as providing them with an opportunity to meet with various management teams. This year one of the on-site sessions was devoted to IAG Cargo and was held at its offices at Heathrow and another was held in Barcelona with the Vueling 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 2018.

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. In addition to this, specific induction sessions are arranged when a Board member joins one of the committees.

Induction programme prepared for Nicola Shaw

Phase 1

November 2017

Induction pack

Key corporate documents including:

- General corporate information
- IAG Corporate Governance
- 2017 Shareholders' meeting material
- Business information
- Board of Directors historical information (access granted in January 2018)
- Administrative information

Phase 2

First quarter 2018

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 position

General Counsel
- Company's history / IAG dual listing
- Aviation regulation
- Litigation
- Group corporate governance
- Anti-bribery and compliance matters

Chief of Staff
- Communication particulars
- Regulatory and Government Affairs
- Sustainability policy

Director of Global Services
- Evolution from cost synergies to the GBS platform

CEO of Avios
- Presentation and business model
- Strategy and current situation

Head of Investor Relations
- Capital structure
- Main shareholders
- Main analysts' coverage

Board Secretary
- General Board matters
- Spanish corporate governance framework
- Directors' duties

Phase 3

Sites and OpCos visits

2018 Q2
British Airways

2018 Q2
IAG Cargo

2018 Q3
Iberia

2018 Q3
MRO

2019 Q1
Vueling

2019 Q1
Aer Lingus

Board and committee evaluation

Following the external evaluation carried out in 2016, an internal evaluation was facilitated in 2017. The review took the format of a self-assessment survey, including directors' opinions on a number of topics. The Board Secretary prepared a report that was shared with the Nominations Committee, and then submitted to the Board for a more detailed discussion in January 2018, including the outcome of the different committees' specific evaluations.

The review concluded that the Board and the committees continue to operate effectively and progress made against the 2017 action plan was unanimously acknowledged.

	Areas identified for action	Progress/achievements
Strategy and business oversight	Provide further context for Board strategy discussions, enhancing visibility of changing environment	An industry session was organised followed by a discussion with the Group airline's CEOs. More contextual industry and market information has been regularly provided to directors
	Enrich non-financial information reporting to the Board	Operative information and oversight has been reinforced through regular presentations from the operating companies and through regular reporting to the Board
	Implement suggestions to further improve the effectiveness of the annual strategy session	Improvements were implemented in the 2017 two-day strategy session
Risk agenda	Increase coverage and visibility of risk priorities across the Board's forward agenda	Review of the Group risk map and a direct report to the Board from the external auditor were included in the Board agenda. The Audit and Compliance Committee's forward planner identifies future risk based presentations and coordinates reporting to the Board. Particular focus was given in 2017 to cyber and general IT risks as well as to risks related to Brexit
Board performance	More dynamic management of the Board planning agenda, ensuring focus on agreed priorities, including training and development	Rolling calendar with upcoming topics is regularly circulated to directors and reviewed at the May and December Board meetings
	Continue to encourage site visits and other opportunities to engage with management	Two site visits were arranged in 2017 to the IAG Cargo and Vueling teams, including some informal time spent with executives
Succession planning	Succession planning at both Board and executive level should remain a priority	The Nominations Committee predominantly reviewed succession planning in its May and September meetings
	Further formalise the process and reinforce the report to the whole Board	Improvements to the succession planning process were agreed and implemented
	Continue analysis of the Board skills matrix and discussions on future domain knowledge priorities	A Board succession plan and an updated skills matrix was reviewed and discussed by the Nominations Committee and shared with the Board in September 2017. Board composition was also discussed and priorities set as part of the Board evaluation exercise
	At executive level, strengthen focus on talent development	Succession plans and talent development approach for the top 50 positions was reviewed by the Nominations Committee

The Board remains committed to consolidating the improvements achieved last year and making further progress during 2018. The key actions agreed by the Board following this year's evaluation include:

- Identified areas of focus for Board consideration during 2018.
- Create more opportunities for deeper strategic discussions.
- Strengthen contact with senior executives within the Group.
- Maintain focus on executive succession planning, including talent development programmes.

The Senior Independent Director discussed the performance of the Chairman with all the directors. 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 2017.

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 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 2017, the Board discussed shareholder matters on three different occasions, one of which included the Company's corporate brokers.

The Board has 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 businesses.

Regular shareholder meetings were held with executive directors, and the investor relations team during 2017. The Chairman, the Chair of the Remuneration Committee, the Senior Independent Director accompanied by the Group Head of Investor Relations, met with many of IAG's largest shareholders to discuss, amongst other matters, strategy, governance and remuneration.

The Group's medium to long-term plans and targets were discussed in detail in a full day of presentations given by the senior management teams of the Group at the annual Capital Markets day that took place in London on November 3, 2017. 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 15, 2017 authorised the Board, with the express power of substitution, for a term ending at the 2018 Annual General Meeting (or, if earlier, 15 months from June 15, 2017), 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 15, 2017.

(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 15, 2017, 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.

(v) reduce the share capital by means of cancelling up to 190,000,000 shares (8.9 per cent of the share capital).

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 28 to the Group financial statements.

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

Under the above mentioned authority the Company purchased 74,999,449 shares which were cancelled on December 18, 2017 reducing the share capital in the amount of 37,499,724.50 euros.

Capital structure and shareholder rights

As of December 31, 2017, the share capital of the Company amounted to 1,028,994,647 euros (2016: 1,066,494,371.50 euros), divided into 2,057,989,294 shares (2016: 2,132,988,743 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, 2017 the Company owned 9,940,991 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.

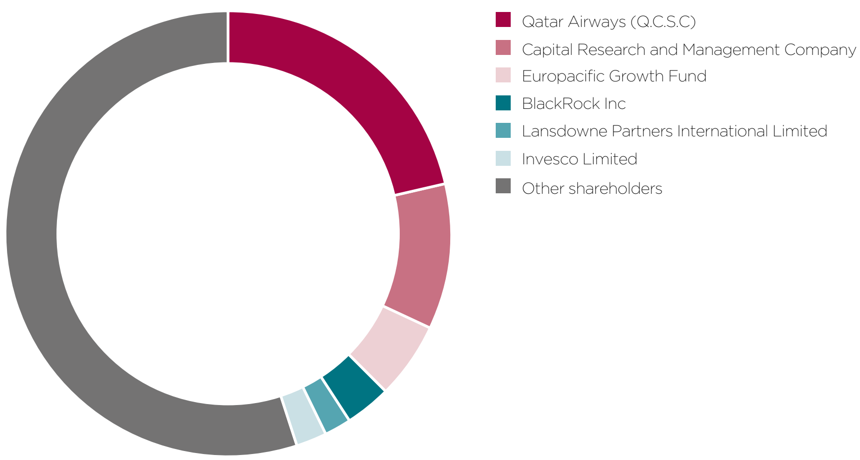
The Company has a Sponsored Level 1 American Depositary Receipt (ADR) facility that trades on the over-the-counter market in the US. Each ADR is equivalent to two ordinary shares and each ADR holder is entitled to the financial rights attaching to such shares, although the ADR depositary, Deutsche Bank, is the registered holder. As at December 31, 2017 the equivalent of 8.0 million shares was held in ADR form (2016: 5.6 million IAG shares).

Company's share capital

During the year the following change to the share capital occurred.

	Share capital (euros)	Number of shares/voting rights
December 18, 2017	1,028,994,647	2,057,989,294

The significant shareholders of the Company at December 31, 2017, 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.	426,811,047	20.739%
Capital Research and Management Company	–	213,580,659	Collective investment institutions managed by Capital Research and Management Company	213,580,659	10.378%
Europacific Growth Fund	107,329,400	–	–	107,329,400	5.215%
BlackRock Inc	–	66,570,416	Funds and accounts managed by investors controlled by BlackRock Inc.	66,570,416	3.235%
Lansdowne Partners International Limited	–	41,828,809	Funds and accounts managed by Lansdowne Partners (UK) LLP	41,828,809	2.032%
Invesco Limited	–	42,364,545	Mutual benefit societies and pension funds managed by Invesco Limited and its subsidiaries	42,364,545	2.059%

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 **one**world, 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, 2017.

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.

Committee members

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

○Absent

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 Spanish regulators released new guidance on audit committees of public interest entities in 2017 to clarify the scope of the functions and responsibilities, communicate good practices and emphasise the necessary independence of the committees. During the year the Audit and Compliance Committee concluded its performance substantially complies with the guidance and has refined its approach to management attendance at Committee meetings.

I would like to thank James Lawrence, who stood down from the Audit and Compliance Committee in June 2017. Jim was reclassified as other external director of IAG as he could no longer continue as an independent director due to his holding of office of non-executive director of Aercap Holdings N.V., a listed company that is a global operator in the aircraft lease market and a supplier of IAG.

The Committee is working well and I am satisfied that we continue to have the right mix of capabilities to constructively challenge the management team of IAG.

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.

The Committee's activities during the year

The Committee met eight times during 2017. This included closed sessions as well as private meetings with both the external and internal auditors as appropriate.

The Committee's responsibilities

The Committee's principal responsibilities:

- reviewing the financial statements and announcements relating to the financial performance and governance of the Group;
- reviewing the effectiveness of the internal control system, provision of assurance on the risk management process and review of the principal risks facing the Group;
- reviewing 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.

In addition to the Secretary and Deputy Secretary, regular attendees at Committee meetings included the Chairman, the Head of Group Audit and representatives from the external auditors. Members of the management team including the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller were invited to attend specific agenda items as required.

During the year, the Committee performed an evaluation of its performance and concluded it is operating effectively. An external evaluation process was carried out in 2016. In addition, the Committee reviewed its compliance with the CNMV Technical Guide 3/2017 on audit committees at public-interest entities. The Committee was found to be substantially in line with the CNMV guidelines and has updated its terms of reference to reflect refinements made to the functioning of the Committee, including review of the agenda in advance of the meeting to ensure the attendees of each item are appropriate and the inclusion of a private session of the Committee members.

Other items reviewed

Business, operational and financial risks

Treasury risk management

The Committee continued to review the Group's fuel and foreign exchange hedging positions on a quarterly basis, including that the approved hedging profile was being adhered to and continued to be appropriate to manage these risks in line with the Group risk appetite.

UK referendum vote to leave the European Union

The Committee monitored management's evaluation and risk assessment of the arrangements around the UK's exit from the European Union as part of the review of the principal risks and uncertainties of the Group, as well as its regular review of fuel price sensitivity and foreign exchange rate fluctuations. While there will continue to be uncertainty until agreements are reached, the Committee agrees with management's current assessment that agreements are likely to be reached which will enable the Group to continue to operate effectively during and after the transition.

UK pensions risk

The Committee received a report on pension risks within British Airways' main UK defined benefit pension schemes, including key sensitivities to asset prices, interest rates, inflation and life expectancy and how these are managed within the schemes. The Committee also reviewed the outcome of a review of British Airways' future pension provision, prior to the launch of a consultation with trade unions and employees.

British Airways power event

In May, British Airways suffered a power failure to its primary data centre, which led to severe disruption to its customers and flights. Management have identified the root causes of the incident and reviewed their business operations and continuity plans to increase resilience. The Committee received regular updates during the year following the event from the Chairman and Chief Financial Officer of British Airways as well as the IT and facilities directors. The updates focused on the status of the investigation, the root cause identification, and the immediate and longer term recovery plan.

Cyber security

The Committee was updated on the fast-developing cyber risk landscape, the level and benchmarking of the Group's cyber security investment and the Group's cyber security priorities for the next five years. The Committee also focused on the cyber risk insurance options available to the Group.

Compliance and regulatory

Anti-bribery, sanctions and competition law compliance

The Committee reviewed the Group's anti-bribery compliance programme including organisational and policy updates and continued enhancements to the Group-wide Know Your Counterparty due diligence programme. Also reviewed were updated Competition, Anti-Bribery and Sanctions compliance risk maps, the key focus areas of 2017 and programme priorities for 2018.

General Data Protection Regulation (GDPR)

The Committee received regular updates on the Group's implementation of the new EU Data Privacy Regulation. The updates focused on key decisions made prior to implementation and the progress against the implementation plan. GDPR becomes enforcable in May 2018 and further Committee updates are planned in the lead up to the end of the two year transition period.

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. This also included a review of progress relating to sustainable alternative fuels, fuel efficiency and improvements in carbon disclosure including work with the Carbon Disclosure Project and the Task Force on Climate Related Financial Disclosure.

Whistleblowing

The Committee reviewed procedures whereby staff across the Group can raise confidential 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.

Financial reporting

Internal Control over Financial Reporting (ICFR)

As part of the Group's internal control framework it complies with the Spanish corporate governance requirement (ICFR), which is an analysis of risks in financial reporting, the documentation of accounting processes, and audit of internal controls. In 2017 the Committee reviewed the results and no material weaknesses were identified. A full description of the Group's ICFR is set out in Section F of the Spanish Corporate Governance Report.

Enterprise risk management

The Committee was updated on the principal risks of the Group. The Committee reviewed the process by which risk strategy and appetite had been determined to confirm that the statements were still relevant and appropriate. They also reviewed the performance of the Group against each of its risk appetite statements and the Committee agreed with management's assessment that the Group has operated within all 19 of the risk appetite statements.

Viability statement

In February 2018, the Committee reviewed the Group's viability assessment which covered a five year time horizon in line with the Group's Business Plan period. The analysis focused on the risks that should be combined to generate severe but plausible downturn scenarios. The Committee considered how solvency and headroom were determined and confirmed the period over which viability is considered. The Committee have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 2022.

Litigation

The Committee received regular litigation status reports from the General Counsel including regarding 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 charges.

British Airways lost its appeal against the General Court decision that the original decision should be only be partially annulled as against British Airways (having been annulled in full against the other appealing airlines) (GC Judgment). British Airways appealed the partial annulment to the Court of Justice. The court has rejected British Airways' Appeal.

In parallel, the European Commission (EC) chose not to appeal the GC Judgment and instead announced the adoption of a new decision in March 2017. The new decision reissues fines against all the participating carriers, which match those contained in the original decision. British Airways has therefore again been fined €104 million. British Airways has appealed the new decision to the General Court again as have other carriers.

With respect to the civil claims, the Committee agreed with management's view that, given the status of proceedings, 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.

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 2017, these included the exceptional items for restructuring costs at British Airways and Iberia, pension transactions, changes to the presentation of the income statement and segmental reporting note.

The exceptional item for restructuring costs is a result of both British Airways and Iberia undertaking structural transformation proposals. British Airways announced their plans during 2016 continuing throughout 2017 into 2018. Iberia concluded negotiations with labour unions during 2017 and as a result the plan covering 2017 to 2019 was approved. 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 and incidence.

The Committee has also reviewed changes made to the income statement presentation and segmental reporting note during the year.

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

External audit

The Committee continues to work closely with EY, with 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 the meetings; for the half year, for the findings from interim audits, 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. Having reviewed EY's performance during 2017, the Committee concluded that EY were independent and that it was in the Group's and shareholders' interests not to tender the audit in 2018 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, 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. The current EY partner is Hildur Eir Jónsdóttir who has held her role since 2016.

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 all projects are either pre-approved or approved by the Committee Chairman for projects over €100,000 or of an unusual nature. The overall volume of work is addressed by a target annual maximum of €1.5 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 2017 was below the target maximum at €619,000 with an additional €296,000 relating to a corporate finance transaction. 78 per cent of the €619,000 spend related to recurring work on the audit of accounts required by our Joint Business arrangements. Details of the fees paid to the external auditors during the year can be found in note 6 to the Group financial statements.

Committee members

Date of appointment	Attendance
Antonio Vázquez (Chair) **December 19, 2013**	●●●●●●
Patrick Cescau **June 16, 2016**	●○●●●●
Emilio Saracho **June 16, 2016**	●●●●●●
Dame Marjorie Scardino **June 16, 2016**	●●●●●●

○Absent

Dear Shareholder

In my role as Committee Chairman, I am pleased to present the Nominations Committee's Report for 2017.

This has again been a busy year with the Committee meeting six times during 2017.

Board composition

We continue working to ensure that the Board's composition meets the challenges of a changing business environment and the specific needs of our business.

At the 2017 Shareholders' Meeting Baroness Kingsmill stepped down from the Board. The Board and I would like to thank her for her dedication and the great contribution she has made as a Board member of IAG and British Airways.

On January 1, 2018 we welcomed Nicola Shaw as a non-executive director. Her personal and professional characteristics will make her an excellent addition, bringing knowledge and experience in the transport sector.

Succession planning continued to be a key area of focus for the Committee during the year. We revisited our Board succession plans to ensure appropriate actions are considered well ahead of the dates on which directors would be retiring in order to adequately plan for any necessary replacements.

Executive succession planning

In addition to Board membership, the Nominations Committee has continued to consider succession plans and development of the senior executive team. A number of site visits and informal events were arranged during the year to facilitate greater contact between Board members and the IAG senior executive team.

In 2017, we saw the appointment of Lynne Embleton as CEO of our cargo business, following the appointment of Andrew Crawley as CEO of Avios. These internal promotions are good examples of the talent and the possibilities for career development that exists within the Group.

Effectiveness review

The performance of the Committee was internally assessed this year as part of the annual Board effectiveness review and I am pleased to report that directors acknowledge the progress made on the actions agreed for our Committee. Our focus for 2018 will be much a continuation exercise, reinforcing the work on succession planning, talent development and corporate culture.

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.

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

During 2017 the Nominations Committee met six times. Directors' attendance at these meetings is shown on the previous page and further detailed on page 66.

The Committee dealt with the following significant issues during 2017:

- 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 a non-executive director;
- changes to the composition of the Board committees;
- review of investor feedback from the 2017 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

One new non-executive director, Nicola Shaw, was appointed at the 2017 Shareholders Meeting to fill the vacancy left by Baroness Kingsmill who stood down as a director at that meeting. The effective date of her appointment was deferred to January 1, 2018, as she did not have the required availability before that date.

The flow chart on the next page describes the process followed for the appointment of Nicola Shaw. 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 proposal was 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;
- the proposal referred to an applicant who satisfies the legal and statutory conditions required to hold office as a director, is of suitable repute and has 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.

The Committees' configuration was reviewed following the 2017 Shareholders Meeting and the only change recommended to the Board and approved by it was the resignation of James Lawrence from the Audit and Compliance Committee.

Board composition and committee changes

The independence, effectiveness and time commitment of each non-executive director is regularly reviewed. A particularly rigorous review, including their independence, was conducted in respect of those non-executive directors who were appointed in 2010. The review concluded that such directors remain independent and continue to make a valuable contribution to the Company.

In addition, the Committee considered the position of James Lawrence whose appointment as non-executive director of AerCap Holdings N.V., a global operator in the aircraft lease market, was considered to be an obstacle to his independence as a non-executive director of the Company. Both the Committee and the Board expressed satisfaction with the commitment and contribution of Mr. Lawrence as a Board member and accordingly he stood for re-election at the 2017 Shareholders' Meeting as other external director.

The appointment of Nicola Shaw

1. Search initiated in accordance with Board succession plans and specifications discussed and agreed
2. Executive Search Firm engaged to assist with the search
3. Long-list of potential candidates considered
4. Short-list agreed and shared with the Board
5. Interviews completed
6. Nominations Committee considered final candidate and made recommendation to the Board
7. Appointment announced by the Board, and published report for submission to the Shareholders' Meeting
8. Appointment approved by the Shareholders' Meeting

Induction of directors

The induction programme for Nicola Shaw has been arranged according to her needs, taking into account her experience in the industry sector. This is described in more detail on page 67.

Succession planning

To ensure the Board has an appropriate mix of skills, experience, knowledge and diversity, the Committee keeps under review the tenure and qualifications of the non-executive directors, while considering the Group's circumstances and changing needs. The conclusions of this analysis forms the basis for any new non-executive director search and for any succession planning arrangements.

The Committee continues to take a keen interest in succession planning for all executive positions across the business. Short to medium-term plans have been reviewed to ensure that key roles can be filled on an interim basis as well as longer term for the Group's top 50 positions.

Board diversity

Diversity remains a basis for any discussion on Board and committee's composition, executive appointments, and succession planning for both Board and management. The Group is strongly supportive of the principle of diversity, of which gender is an important aspect.

Under the Directors Selection and Diversity Policy, the female representation target for the Board has been increased 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 in 2015.

From January 1, 2018 there were again three female directors on the Board, representing 25 per cent of the Board positions with, one of them chairing one of the Board committees.

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

Further details on diversity, can be found on page 65 of this Corporate Governance section and on page 53 of the Sustainability section.

Committee members

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

○Absent

Dear Shareholder

I am pleased to present the Safety Committee's Report for 2017.

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.

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. A good example of this co-operation is the yearly dangerous goods report that was presented to the Committee in July. Primarily, this report aims to promote and develop a 'best practice' approach to dangerous goods management across the Group, highlighting areas of strong performance, areas of risk and identifying where improvement is required.

The Committee has continued to support the work of the safety teams to develop common reporting metrics and methodologies, which is the basis to make further progress in the exchange of knowledge and best practices within the Group.

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 2017, the British Airways Director of Safety and Security, representatives of the Iberia and Vueling safety teams and the Aer Lingus Corporate Safety and Risk Manager attended meetings.

The Committee's responsibilities

Responsibility for safety matters belongs to the Group's airlines. IAG, through its Safety Committee, has an overall view of each airline's safety performance and of any important issues that may affect the industry. The Committee also has visibility 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 and 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 2017, the Committee held two meetings. Directors' attendance at these meetings is shown above and further detailed on page 66.

Key topics discussed included the relevant safety events that occurred during the relevant period, regulatory developments and initiatives from industry associations and their implementation by the Group airlines, along with the regular safety review reports of Aer Lingus, British Airways, Iberia and Vueling.

Committee members

Date of appointment	Attendance
Dame Marjorie Scardino (Chair) **December 19, 2013**	●●●●●
Marc Bolland **June 16, 2016**	●●●●●
María Fernanda Mejía **October 30, 2014**	●●●○●
Alberto Terol **December 19, 2013**	●●●●●

○Absent

Dear Shareholder,

As Chairman of the Remuneration Committee, and on behalf of the Board, I am pleased to present the Remuneration Report for 2017.

Overall strategy and link to remuneration

IAG's aim is to become the world's leading international airline group. Its strategy to achieve that in an increasingly consolidated industry is to create value and sustainable returns through leadership in core markets and the realisation of cost and revenue synergies across our airlines and aviation related businesses.

That strategy is executed and sustained by consistent and strong financial performance and return on investment in each part of the Group. We have transformed programmes through the use of the IAG Platform at each of our airlines, while leveraging opportunities across the Group.

The central focus of the Committee for the past year has been the triennial review of the Company's Remuneration Policy. In reviewing the policy, the Committee's main objective has been ensuring remuneration retains a strong link to the strategy, because we see that as the way to best performance. The outcomes from the review are detailed on the next page.

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

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

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

The *annual incentive plan* has its major focus on strong financial performance, and therefore the primary measure in the plan is the Group's operating profit before exceptional items. A customer measure, Net Promoter Score, was introduced for the first time at the Group level in 2017, and this will shed the necessary light on what progress we are making to please our customers.

The new 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 2018 and beyond is in the best interests of our shareholders.

Summary of 2017 (and the performance period 2015 to 2017)

The PSP that was awarded in 2015 had a three-year performance period (2015 to 2017). This was the first of the Company's PSP awards to have three performance measures: Return on Invested Capital (RoIC) was added to the two existing measures of adjusted EPS and TSR. Performance targets for all three measures were set at the beginning of 2015.

At that time, the Company reported an adjusted EPS of 40.2 euro cents for 2014, and the stretch target (i.e. the level at which maximum pay-out would be achieved) under the 2015 PSP for the adjusted EPS was set at 100 euro cents. RoIC achieved a figure of 7.9 per cent in 2014, with the Company setting a long- term goal (for 2016 to 2020) of RoIC achieving 12+ per cent. The Company set 12 per cent RoIC as the threshold level at which payments would begin for this element for the 2015 PSP, with the maximum only paying out if RoIC achieved 15 per cent. For the final 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 2017 adjusted EPS reaching 102.8 euro cents. As a result, the 2015 PSP has an outcome of 100 per cent of its maximum for the EPS element. RoIC in 2017 reached 16.0 per cent, resulting in an outcome of 100 per cent of its maximum level for the RoIC element. The share price suffered a significant fall in 2016 following the outcome of the UK Referendum on EU membership, but has recovered substantially since then. TSR for the company has grown by 62 per cent over the three years, but has underperformed against the index that the Company measures itself against, resulting in a zero payout for the TSR element. Overall, this has resulted in the 2015 PSP award having an outcome at 67 per cent of the maximum. This is the first PSP award where there is also an additional two year holding period. This applies until the end of 2019.

The financial target for the 2017 annual incentive plan set at the beginning of the year was for an IAG operating profit before exceptional items of €2.67bn. Strong financial performance during this year has led to IAG operating profit exceeding the stretch target and therefore paying out at the maximum level for the two-thirds portion linked to financial performance. The result for Net Promoter Score was slightly above the on-target level – most airlines had customer performance above their target.

Decisions during 2017

The current Remuneration Policy has been in place for the last three years, having been approved at the 2015 annual Shareholders' Meeting. The Committee has undertaken a thorough review of the policy and its implementation for 2018 onwards, to ensure it is appropriate in the light of the feedback already received from shareholders and proxy advisers, as well as considering best practices and market trends. After this review, we have concluded that the core elements of our current remuneration policy remain fit for purpose, and we are not proposing substantial changes to the policy. However, we did find that there were some changes and clarifications that we believe are appropriate. The main changes we are proposing are:

- *Performance measures.* In the annual bonus, we are proposing that the weighting of financial measures (currently IAG operating profit) will be at least 60 per cent and no more than 80 per cent to provide more flexibility than previously when a fixed 66.7 per cent was subject to financial measures. The weighting on role-specific objectives will not exceed 25 per cent (currently 33.3 per cent) and any remaining portion of the bonus will be linked to measurable non-financial measures (e.g. Net Promoter Score).
- *Pension.* Pension contributions for new externally recruited executive directors will be reduced from 25 per cent to 15 per cent of basic salary. This aligns with what is offered to new, externally recruited senior managers.
- *Long-term incentive opportunity.* In line with shareholder feedback previously received, we plan to remove from the policy the additional headroom incorporated into the PSP for exceptional circumstances, which was set at a 300 per cent limit. The maximum PSP opportunity will be capped at 200 per cent of salary, in line with the current opportunity for the CEO of IAG.
- *Shareholding requirements.* Shareholding requirement will be increased to 350 per cent of salary (from 250 per cent of salary) for the CEO of IAG to ensure substantial alignment with shareholders. Shareholding requirement will remain at 200 per cent for other executive directors.

Working with shareholders

We have met with many of the largest shareholders over the past year, and we appreciate their constructive comments about remuneration in general and our consideration about changes in our current policy. They were in our minds as we were reviewing what was considered best practice, and we were very pleased with the support for our final Remuneration Policy changes. Our overall intention has been to ensure that we would have a strong alignment to our strategy because we think that is the way to creation of long-term, sustainable shareholder value.

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 welcome your suggestions and are happy to continue to engage constructively with our major shareholders and other representative bodies during 2018.

Approved by the Board and signed on its behalf by

Dame Marjorie Scardino

Chairman of the Remuneration Committee

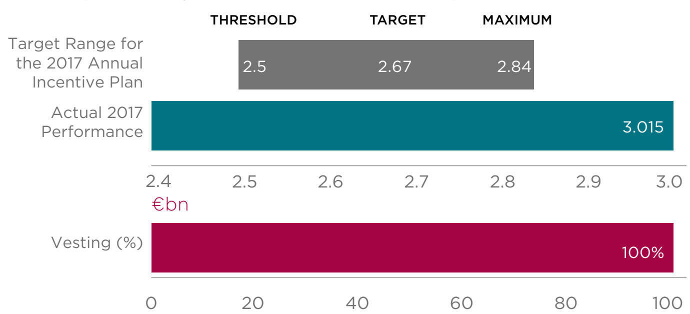
AT A GLANCE

Implementation of remuneration policy in 2017

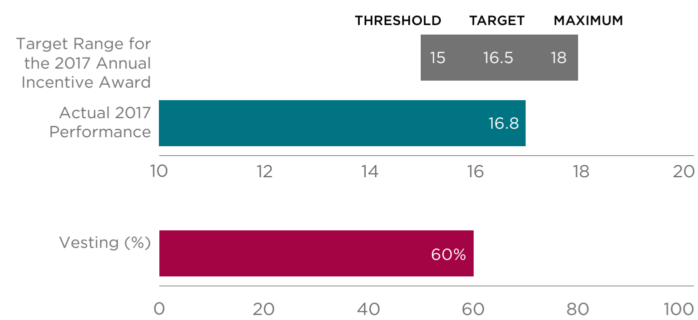
The following two charts show Company performance for the two corporate measures in the 2017 annual incentive plan.

The strong financial performance and good customer performance has resulted in 100 per cent and 60 per cent vesting:

IAG Operating Profit (before exceptional items)

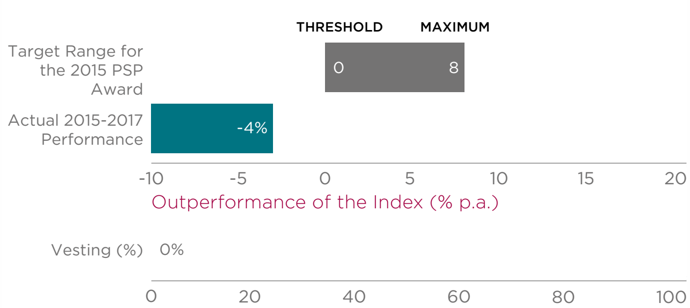


Net Promoter Score

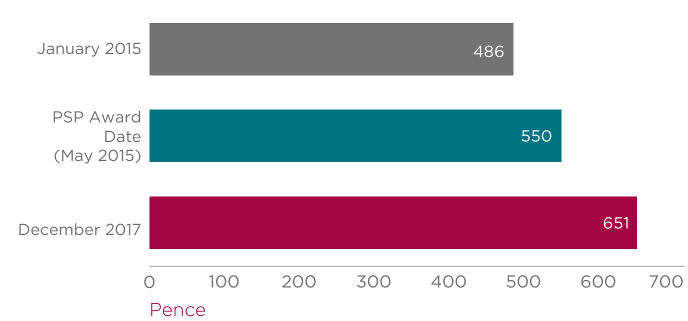


The following four charts show Company performance for the three performance measures in the 2015 PSP award, and share price performance.

Total Shareholder Return

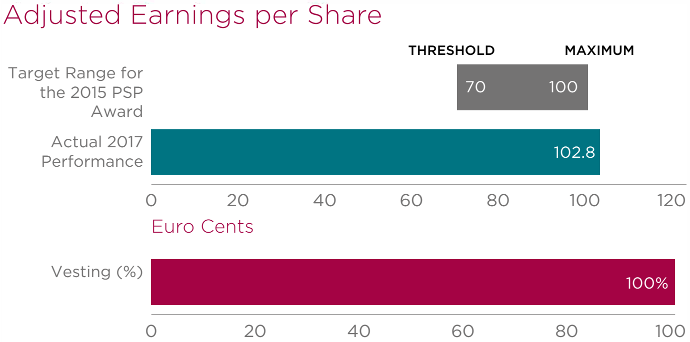


Share Price

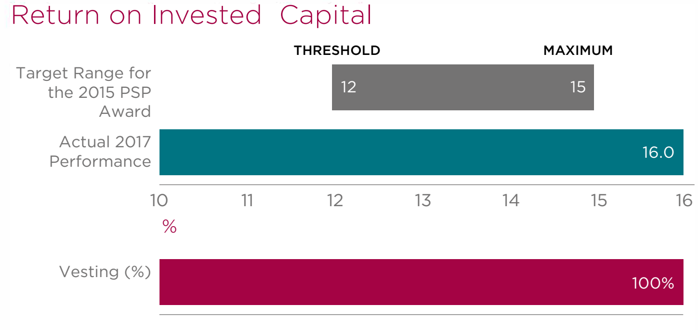


Strong EPS and return performance in 2017 has resulted in very good vesting levels for the following two measures in the 2015 PSP award:

Adjusted Earnings per Share



Return on Invested Capital



Introduction

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

The Company's current policy on directors' remuneration was approved by shareholders at the annual Shareholders' Meeting on June 18, 2015. During 2017, the Committee has undertaken a thorough review of all aspects of the policy and the following pages show the proposed future remuneration policy.

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, and the Spanish National Securities Market Commission'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.
- The second section, the Annual Report on Remuneration, covers the information on directors' remuneration paid in the reported year.

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, are competitive, and take into account each individual's performance of their role in the Company's work.

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 is the proposed future remuneration policy.

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

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
Base salary To attract and retain talent to help achieve our strategic objectives	Takes account of role, skills and contribution. The positioning of base salaries is set with reference to the external market, as well as the individual's skills and contribution. Basic salaries are reviewed annually, to take effect on January 1 each year.	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.	Individual and business performance are considered in reviewing and setting base salary.
Annual incentive award Incentivises annual corporate financial performance and the delivery of role specific objectives	The Board, on a recommendation from the Committee, sets the financial and non-financial targets that apply to the annual incentive award 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 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 performance of other executive directors against their role-specific objectives. All performance evaluations for executive directors will be submitted to the Board for final approval. 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.	The maximum opportunity in the incentive plan is 200 per cent of salary. Each performance metric in the incentive plan is independent. For each performance metric in the incentive plan, there will be no payment at all until performance for that particular metric has reached the threshold level of the target range, 50 per cent of the maximum will be awarded for on-target performance, and the maximum for each element will only be awarded once a stretch target has been reached.	At least 60 per cent and no more than 80 per cent of the annual incentive is subject to financial measures (e.g. IAG operating profit). The weighting on role-specific objectives will not exceed 25 per cent, and any remaining portion will be subject to measurable non-financial metrics (e.g. Net Promoter Score).
Incentive Award Deferral Plan (IADP) Aligns the interest of executives and shareholders and provides a retention tool	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. 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. 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.	Half of any annual incentive plan pay-out is deferred into shares.	No other performance conditions apply because it is based on performance already delivered.

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
Performance Share Plan (PSP) Incentivises long-term shareholder value creation. Drives and rewards delivery of sustained TSR and financial performance	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. 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. 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. 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. Following the performance period, there is an additional holding period of at least two years. Malus and clawback provisions apply – see below.	The face value of awards will not exceed 200 per cent of salary in respect of any financial year of the Company. At the threshold level of the performance target range, no more than 25 per cent will vest.	Any PSP award made will be measured over at least three years. 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. At least one condition is likely to be a measure of the Company's share price performance compared with an index of other companies who are subject to external influences impacting share price similar to those of IAG. One or more measures will provide a strong indicator of the underlying financial performance of the business.
Taxable benefits Ensures total package is competitive	Life insurance, personal travel and, where applicable, a company car, fuel, and private health insurance. Where appropriate, benefits may include relocation and international assignment costs.	There is no formal maximum. The Company determines benefits policy by taking into account company affordability, and with reference to the external market.	
Pension Provides post-retirement remuneration and ensures total package is competitive	The Company operates a defined contribution scheme as a percentage of salary, and all executive directors are eligible for membership. Executives can opt instead to receive a salary supplement in lieu of a pension.	The maximum level of employer contribution for new externally recruited executive directors will be 15 per cent of basic salary. For current executive directors and also for internal promotions who are already on a 25 per cent contribution rate, the employer contribution will remain at their contractual level.	

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 350 per cent of basic salary, and other executive directors are required to build up and maintain a shareholding of 200 per cent of basic salary. These requirements will not be reduced during the lifetime of this policy; however the Remuneration Committee may consider increasing the percentages if it is deemed appropriate.

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.

Underlying financial performance

This is defined as the overall performance of the Company, which may be considered with reference to a range of measures as the Remuneration Committee considers most appropriate at the time.

Non-executive directors

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

Purpose and link to strategy	Operation of element of policy	Maximum opportunity
Basic fees Fees are set to take into account the level of responsibility, experience, abilities and dedication required.	Fees are set with reference to market positioning. To acknowledge the key role of Non-Executive Chairman, fees are set separately for this role. There is also an additional fee paid to the non-executive director for undertaking the role of Senior Independent Director, and also 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.	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.
Taxable benefits	Non-executive directors (including the Chairman) are entitled to use air tickets of the airlines of the Company or related to the Company in accordance with the terms and conditions established in the Company 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 terms and conditions established in the Company 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 of the Group's companies support the delivery of the Group's long-term goals.

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 participate 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 annual 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.

Notes on the above forward-looking policy tables

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

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 2018 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.

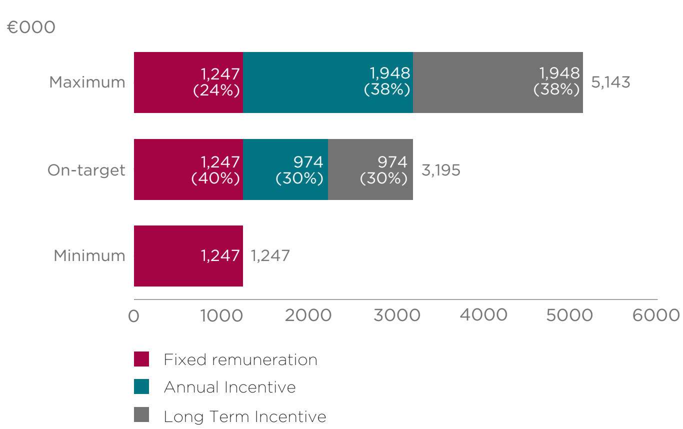
Chief Executive Officer of IAG

Fixed remuneration is basic salary (2018 level of €974,000), plus taxable benefits (2017 actual of €29,000) plus pension related benefits (2017 actual of €244,000).

The annual incentive amount is zero at the minimum remuneration level, €974,000 at the on-target level (100 per cent of salary), and €1,948,000 at maximum (200 per cent of salary).

The long-term incentive amount is zero at the minimum remuneration level, €974,000 at the on-target level (half of the face value award of 200 per cent of salary) and €1,948,000 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 1.1461



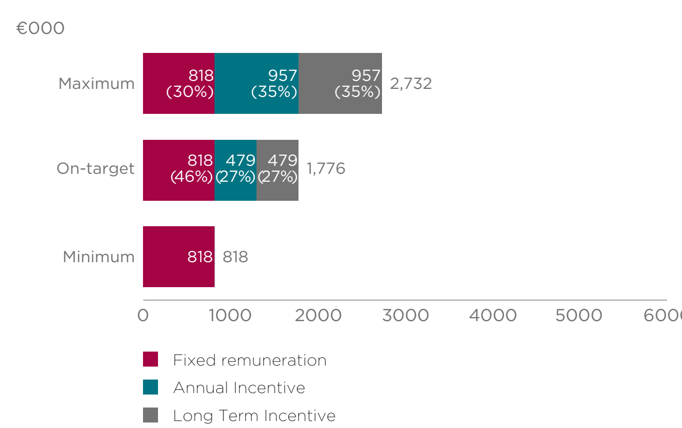
Chief Financial Officer of IAG

Fixed remuneration is basic salary (2018 level of €638,000), plus taxable benefits (2017 actual of €23,000) plus pension related benefits (2017 actual of €157,000).

The annual incentive amount is zero at the minimum remuneration level, €479,000 at the on-target level (75 per cent of salary), and €957,000 at maximum (150 per cent of salary).

The long-term incentive amount is zero at the minimum remuneration level, €479,000 at the on-target level (half of the face value award of 150 per cent of salary) and €957,000 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 1.1461



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 its 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-ration 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 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 15, 2017
Patrick Cescau	September 27, 2010	June 15, 2017
James Lawrence	September 27, 2010	June 15, 2017
Kieran Poynter	September 27, 2010	June 15, 2017
Alberto Terol	June 20, 2013	June 15, 2017
Dame Marjorie Scardino	December 19, 2013	June 15, 2017
María Fernanda Mejía	February 27, 2014	June 15, 2017
Marc Bolland	June 16, 2016	June 15, 2017
Emilio Saracho	June 16, 2016	June 15, 2017
Nicola Shaw	January 1, 2018[1]	–

1 Appointment approved by the annual Shareholders' Meeting 2017 on June 15, 2017 but effective January 1, 2018.

External non-executive directorship

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

Approach to recruitment remuneration

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

On appointment, new executive directors will have their basic salary set by taking into account 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 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 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

The Remuneration Committee

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

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

According to article 31 of the Board Regulations the Remuneration Committee shall be made up of no less than three and no more than five non-executive directors appointed by the Board, with the dedication, capacity and experience necessary to carry out their function. A majority of the members of the Remuneration Committee shall be Independent directors. 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.

The Committee's activities during the year

In 2017, the Committee met five times and discussed, amongst others, the following matters:

Meeting	Agenda items discussed
January	Review of IAG Management Committee members' basic salaries Approval of the 2017 annual incentive plan, including approval of the inclusion of a customer measure Approval of the 2017 Performance Share Plan
February	2016 annual incentive plan payments to IAG Management Committee members Vesting outcome of the Performance Share Plan 2014 award Final review of 2016 Directors' Remuneration Report
May	Approval of remuneration for a new Management Committee member Preparation for the AGM
July	Initial review of the new remuneration policy
October	Executive remuneration market update Remuneration strategy for 2018, and review of the new remuneration policy

Advisers to the Committee

The Committee appointed Deloitte as its external adviser in September 2016. Deloitte report directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2017 were €49,280, charged on a time and materials basis. Deloitte is a member of the Remuneration Consultants Group and a signatory to the voluntary UK Code of Conduct. As well as advising the Remuneration Committee, other Deloitte teams provided advice in relation to remuneration, pensions, global employment programmes, data governance, internal audit and tax to the Group in 2017. 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.

Single total figure of remuneration for each director

Subject to full audit

Non-executive directors

Director (€'000)	2017 fees	Taxable benefits	Total for year to December 31, 2017	2016 fees	Taxable benefits	Total for year to December 31, 2016
Antonio Vázquez[1]	645	35	680	511	35	546
Sir Martin Broughton[2]	–	–	–	162	33	195
Patrick Cescau[3]	150	47	197	136	22	158
César Alierta[2]	–	–	–	55	–	55
Marc Bolland[4]	120	6	126	65	–	65
Baroness Kingsmill[5]	55	12	67	120	27	147
James Lawrence[6]	120	13	133	129	9	138
María Fernanda Mejía	120	17	137	120	3	123
Kieran Poynter	140	21	161	131	35	166
Emilio Saracho[4]	120	26	146	65	4	69
Dame Marjorie Scardino	140	89	229	140	55	195
Alberto Terol	120	36	156	120	33	153
Total (€'000)	1,730	302	2,032	1,754	256	2,010

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

2 Retired from the Board on June 16, 2016.

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

4 Joined the Board on June 16, 2016.

5 Baroness Kingsmill retired from the Board on June 15, 2017.

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

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, 2017, €:£ exchange rate applied is 1.1461 (2016: 1.2347).

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.

2017

Director ('000)	Base salary	Taxable benefits	Pension related benefits	Annual incentive award	Long-term incentive vesting	Total for year to December 31, 2017
Executive directors						
Willie Walsh (GBP)[1]	850	25	213	1,580	1,286	3,954
Willie Walsh (euro)	974	29	244	1,810	1,474	4,531
Enrique Dupuy de Lôme (GBP)[1]	547	20	137	732	467	1,903
Enrique Dupuy de Lôme (euro)	627	23	157	839	535	2,181
Total (€'000)	**1,601**	**52**	**401**	**2,649**	**2,009**	**6,712**

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

Additional explanations in respect of the single total figure table for 2017

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, 2017 (accrued at December 31, 2017, but cash payments (50 per cent of the award) not paid until March 2018). 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 2017 annual incentive plan, these will vest in March 2021.

Long-term incentive vesting

This relates to the IAG PSP 2015 award based on performance measured to December 31, 2017, although the shares vested will not be delivered until March 2018. For the purposes of this table, the award has been valued using the average share price in the three months to December 31, 2017 of 624.0 pence. The outcomes of the performance conditions which determined vesting are described below.

For the year to December 31, 2017, €:£ exchange rate applied is 1.1461 (2016: 1.2347).

2016

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

1 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, 2017 the Company paid contributions of €16,839 (2016: €18,555).

Variable pay outcomes

Subject to audit

2017 Annual Incentive Plan

At the beginning of 2017, the Board, upon a recommendation by the Committee, set IAG operating profit before exceptional items 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, outcomes were calculated based on a customer measure which had been introduced to the annual incentive plan for the first time (Net Promoter Score, with a weighting of 8.33 per cent), and personal performance against objectives (weighting of 25 per cent). NPS is used to gauge the loyalty of the Group's customer relationships. It is calculated based on survey responses, by subtracting the percentage of customers who are 'Detractors' from the percentage of customers who are 'Promoters'. The 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 22, 2018.

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).

The outcomes of the performance conditions were as follows:

Measure		Chief Executive Officer of IAG	Chief Financial Officer of IAG
IAG operating profit (before exceptional items) (66.67 per cent)	Payout	€1,298,913 £1,133,333	€626,917 £547,000
	per cent of maximum awarded	100 per cent Please see below for details of the performance target ranges	100 per cent Please see below for details of the performance target ranges
Role-specific objectives (33.33 per cent), of which: Group Net Promoter Score (8.33 per cent)	Outcomes versus targets	€97,419 £85,000 Please see below for details of the performance target ranges	€47,019 £41,025 Please see below for details of the performance target ranges
	per cent of maximum awarded	60 per cent	60 per cent
Personal performance against objectives (25 per cent)	Outcomes versus targets	€419,029 £361,250 Please see below for details of the extent of the achievement of objectives.	€164,566 £143,588 Please see below for details of the extent of the achievement of objectives.
	per cent of maximum awarded	85 per cent	70 per cent
Details of any discretion exercised			
Overall outcome		€1,810,361	€838,502
		£1,579,583	£731,613

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 2017 (two-thirds of the annual incentive) exceeded the stretch target level, and therefore this has resulted in the maximum paying out for this element of the incentive (2016: 0 per cent). The target range for 2017 was as follows: the threshold level at which payments would begin was €2,500 million, the on-target level at which 50 per cent of the maximum would pay out was €2,670 million, and the stretch target level at which the maximum would pay out was €2,840 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. Net Promoter Score for 2017 achieved 16.8, and this is between the on-target level and the stretch target level, resulting in a pay-out of 60 per cent of the maximum for this element. The target range for 2017 was as follows: the threshold level at which payments would begin was 15.0, the on-target level at which 50 per cent of the maximum would pay out was 16.5, and the stretch target level at which the maximum would pay out was 18.0. There was a straight line sliding scale between the threshold level and the on-target level, and between the on-target level and the stretch target level.

Personal Performance

In assessing personal performance, the Committee considers a range of factors to ensure there is a holistic and detailed assessment of the executive directors' contribution to the overall strategic priorities of the Group. This is summarised below for executive directors:

Chief Executive Officer of IAG

Unrivalled customer proposition

- Leading the successful launch of LEVEL in record time
- Sustained focus and actions across all airlines to improve customer experience, and strengthen our brand portfolio
- Drive Net Promoter Score (NPS) performance
- Personally ensuring the Group learns from the power outage challenge and formulating and executing a comprehensive plan to improve business continuity planning and Group IT resilience
- Bringing digital initiatives to winning outcomes that better address customer needs e.g. New Distribution Capability (NDC), Hangar 51, Commercial in-flight

Value accretive and sustainable growth

- Under Willie Walsh's leadership the Group delivered a strong performance in 2017 with operating profit up 18.9% vs last year and all airlines delivering their best financial performance ever
- Overseeing the turnaround in Vueling, which has restored operational and financial performance

Efficiency and innovation

- Continued to reap efficiencies, driving organisational health and culture
- Leveraging the IAG Platform with both Aer Lingus and Vueling now fully integrated under his leadership
- Continued progress in fleet harmonisation and capturing maintenance opportunities

Chief Financial Officer of IAG

Unrivalled customer proposition

- Focussed investment to support enhancing the value of our brands and customer proposition and investing in the resilience of our business models
- Leveraging the strong positions in our main strategic markets and developing our new corporate units such as LEVEL

Value accretive and sustainable growth

- Supporting the CEO as the Group delivered a strong performance in 2017 with operating profit up 18.9% vs last year and all airlines delivering their best financial performance ever
- Under his leadership, the Company significantly increased shareholder cash potential, delivering sustainable returns to shareholders in excess of €1 billion in 2017
- Ensuring the Company maintains a strong balance sheet leading to a high level of financial strength and liquidity to enable improved shareholder returns and M&A opportunities

Efficiency and innovation

- Driving improved asset utilisation and capex efficiencies, leading to a better return on investment
- Continuing the development of the IAG platform to create future value and delivering operating company cost cutting and efficiency plans

IAG PSP award 2015

The IAG PSP award granted on May 28, 2015 was tested at the end of the performance period which began on January 1, 2015 and ended on December 31, 2017. 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.

One-third of the award was subject to a TSR performance condition measured against an index, one-third subject to achievement of the Company's adjusted EPS targets (diluted EPS, adjusted for exceptional items), and one-third subject to a RoIC performance condition. 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 2015)
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one-third)	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	IAG underperformed the index by 4 per cent p.a.	0 per cent
Adjusted earnings per share (EPS) (one-third)	2017 EPS of 70 €cents (10 per cent of award vests)	2017 EPS of 100 €cents (100 per cent of award vests)	102.8 €cents	100 per cent
Return on Invested Capital (RoIC) (one-third)	2017 RoIC of 12 per cent (10 per cent of award vests)	2017 RoIC of 15 per cent (100 per cent of award vests)	16.0 per cent	100 per cent
Details of any discretion exercised				
Overall outcome				66.67 per cent

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 (as defined above in the 2015 award) 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)
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)	IAG underperformed the index by 3 per cent p.a.	0 per cent
Adjusted earnings per share (EPS) (50 per cent)	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
Details of any discretion exercised				
Overall outcome				50 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 6, 2017. The table in this section sets out the key details of the award.

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

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

The Company uses rolling Return on Invested Capital (RoIC) as a profitability indicator to assess efficient return on the Group's asset base. It quantifies how well the Group generates cash flow in relation to the capital invested in the business together with its ability to fund growth and to pay dividends.

PSP 2017 – 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	£5.46		
Performance period	January 1, 2017 to December 31, 2019		
Performance conditions	Adjusted 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	2019 EPS of 100 €cents 10 per cent vests	2019 RoIC of 12 per cent 10 per cent vests	IAG's TSR performance equal to the index 25 per cent vests
Target	2019 EPS between 100 €cents and 130 €cents (straight line vesting between threshold and maximum)	2019 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	2019 EPS of 130 €cents 100 per cent vests	2019 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		

Adjusted EPS measure is as defined for the 2015 PSP award earlier in the report. The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to review and, if appropriate, revise the EPS targets and/or definition in the context of any corporate transactions, provided that, in its view, any revised targets are no more or less challenging than the original targets. To the extent that any such adjustments are made, the Committee will disclose the basis for any adjustments and the rationale in subsequent reports.

Total pension entitlements

Subject to audit

Willie Walsh was a member of the Company's pension scheme until March 31, 2016. The Company did not pay any contributions during the reporting period (2016: £9,987). He received cash in lieu of contributions of £212,500 (2016: £202,513).

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 (2016: zero). He received cash in lieu of contributions of £136,750 (2016: £133,950).

Payments for loss of office

No executive directors have left office during 2017. There were no payments made to non-executive directors after they left office during 2017.

Payments to past directors

José Pedro Pérez-Llorca received travel benefits worth €4,940 during 2017 after he had left the Company.

Baroness Kingsmill received travel benefits worth €10,788 during 2017 after she had left the Company.

Statement of voting

The table below shows the consultative vote on the 2016 annual Directors' Remuneration Report at the 2017 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
2016 Annual Directors' Remuneration Report	1,419,239,541	1,246,756,022 (87.847 per cent)	120,810,395 (8.512 per cent)	51,673,124 (3.641 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. This will increase to 350 per cent of salary from 2018, subject to shareholder approval of the new Directors' Remuneration Policy at the 2018 annual Shareholders' Meeting. 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 four 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, 2017:

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 (350 per cent of salary from 2018)	72,000	1,562,759	209,781	174,209	2,018,749 (1,116 per cent of salary)
Enrique Dupuy de Lôme	200 per cent of salary	100	452,305	81,013	62,008	595,426 (569 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. He is also a member of the IATA Board of Governors. Enrique Dupuy de Lôme is Chairman of Iberia Cards.

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. Other non-executive directors have a fee of €120,000. The additional fee for holding a Committee chairmanship is €20,000, and the additional fee for discharging the functions of Senior Independent Director is €30,000.

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

Directors' interests in shares

Subject to audit

	Total shares and voting rights	Percentage of capital
Antonio Vázquez	512,291	0.025
Willie Walsh	1,844,540	0.090
Marc Bolland	0	0.000
Patrick Cescau	0	0.000
Enrique Dupuy de Lôme	533,418	0.026
James Lawrence[1]	752,300	0.037
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	26,537	0.001
Total	3,684,286	0.179

1 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, 2017 and the date of this report, other than Nicola Shaw (joined the Board on January 1, 2018) who purchased 1,495 shares on January 2, 2018.

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, 2017, 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, 2017 were:

At December 31 2017	651p
Highest in the period	670p
Lowest in the period	441p

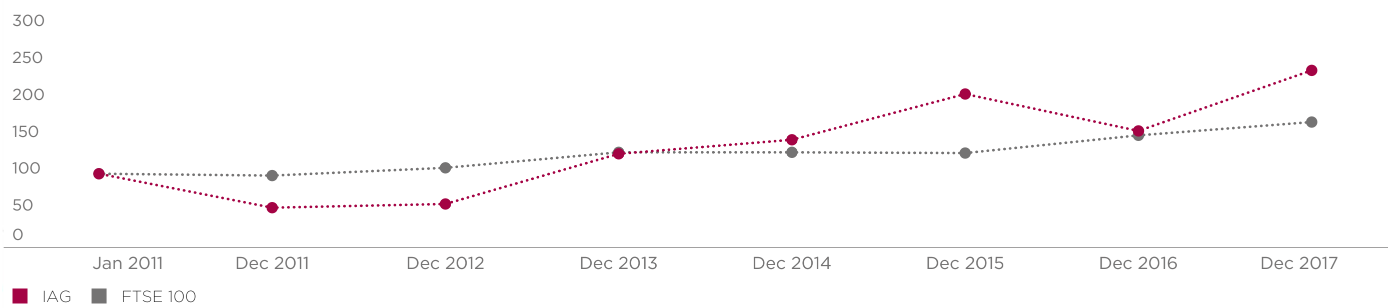
Company performance graph and Chief Executive Officer of IAG 'single figure' table

The chart shows the value by December 31, 2017 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).
2017	£3,954,000	Includes annual incentive payment of £1,579,583 (92.92 per cent of maximum).	Includes £1,285,819 value of long-term incentives vesting (66.67 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 2017 compared to 2016.

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

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

	Chief Executive Officer of IAG	UK employees
Basic salary	No basic salary increase for 2017.	Basic salary awards in 2017 at UK companies in the Group averaged around 2 per cent.
Annual incentive	Increase from £566,667 in March 2017 (covering the 2016 performance period) to £1,579,583 in March 2018 (covering the 2017 performance period). This represents a 179 per cent increase.	Changes in overall annual incentive payments for 2017 versus 2016 varied considerably around the Group, depending on the incentive design, financial performance, and non-financial performance at each individual company.
Taxable benefits	No change in benefits policy. Actual payments increased to £25,000 in 2017 from £24,000 in 2016.	No change in benefits policy. Overall costs 2017 versus 2016 increased very slightly in line with inflation.

Relative importance of spend on pay

The table below shows, for 2017 and 2016, total remuneration costs, operating profit and dividends for the Company.

	2017	2016
Total employee costs, IAG	**€4,740,000,000**	€4,731,000,000
Total remuneration, directors (including non-executive directors)	**€8,744,000**	€6,561,000
IAG operating profit (before exceptional items)	**€3,015,000,000**	€2,535,000,000
Dividend declared	**€256,000,000**	€495,000,000
Dividend proposed	**€298,000,000**	–

Total employee costs are before exceptional items.

Implementation of remuneration policy for 2018

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 2018 (which varied across the Group from 2 per cent to 4.1 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 (€974,000) (no increase from 2017).
Chief Financial Officer of IAG	£557,000 (€638,000) (in UK sterling terms, an increase of 1.8% from 2017).

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

2018 annual incentive plan

The design of the 2018 annual incentive plan is part of the new Remuneration Policy, and is subject to approval at the 2018 annual Shareholders' Meeting. For 2018, 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 (before exceptional items) measure will be 60 per cent, and for role-specific objectives will be 25 per cent. The remaining 15 per cent weighting will be for the Net Promoter Score (NPS) measure. The Board, after considering the recommendation of the Committee, has approved a stretching target range for IAG operating profit and NPS for 2018 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.

2018 Performance Share Plan award

The Board, on the Committee's recommendation, has approved a PSP award for 2018, with a performance period of January 1, 2018 to December 31, 2020.

For 2018, 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, 2016 and 2017. The reasons for the Board considering these measures to be appropriate are the same reasons as those mentioned for the 2017 PSP award earlier in the report.

The first is based on IAG TSR performance relative to the MSCI European Transportation Index. The target range is identical to 2017, and is outlined earlier in this report.

The second performance condition is based on adjusted EPS (as defined in the 2015 award). The Board and the Committee have agreed that the adjusted earnings per share (EPS) target range for the 2018 PSP award will be increased compared to the 2017 PSP award. The adjusted EPS measure will be as follows:

Weighting	One-third
Threshold	2020 adjusted EPS of 130 €cents 10 per cent vests
Target (straight line vesting between threshold and maximum)	2020 adjusted EPS between 130 €cents and 170 €cents
Maximum	2020 adjusted EPS of 170 €cents 100 per cent vests

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

Weighting	One-third
Threshold	2020 RoIC of 13 per cent 10 per cent vests
Target (straight line vesting between threshold and maximum)	2020 RoIC between 13 per cent and 16 per cent
Maximum	2020 RoIC of 16 per cent 100 per cent vests

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

Taxable benefits and pension related benefits

Taxable benefits remain unchanged for 2018. Pension related benefits as a percentage of basic salary will decrease for new externally recruited executive directors as stated in the remuneration policy.

Non-executive director fees

Non-executive director fees were reviewed in 2017 but remain unchanged for 2018. 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, 2017	Awards vested during the year	Awards lapsed during the year	Awards made during the year	Number of awards at December 31, 2017
Executive directors							
Willie Walsh	IAG PSP	March 6, 2014	379,310	189,655	189,655	–	–
Enrique Dupuy de Lôme	IAG PSP	March 6, 2014	137,931	68,965	68,966	–	–

The award granted on March 6, 2014 was tested at the end of the performance period, and as a result 50 per cent of the award vested, as detailed earlier in this report in the section on Variable pay outcomes.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2014 PSP award was 435 pence.

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, 2017	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, 2017
Executive directors									
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
	March 6, 2017	–	–	–	–	311,355	January 1, 2022	December 31, 2026	311,355
Total		**623,324**	**–**	**–**	**–**	**311,355**			**934,679**
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
	March 6, 2017	–	–	–	–	147,198	January 1, 2022	December 31, 2026	147,198
Total		**258,011**	**–**	**–**	**–**	**147,198**			**405,209**

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

The value attributed to the Company's ordinary shares in accordance with the plan rules on the dates of the PSP awards were as follows: 2017: 546 pence; 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, 2014, December 31, 2015 and December 31, 2016).

Director	Relates to incentive award earned in respect of performance	Date of award	Number of awards at January 1, 2017	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of awards at December 31, 2017
Executive directors								
Willie Walsh	2013	March 6, 2014	149,353	149,353	March 6, 2017	–	–	–
	2014	May 28, 2015	151,111	–	March 8, 2018	–	–	151,111
	2015	March 7, 2016	125,693	–	March 7, 2019	–	–	125,693
	2016	March 6, 2017	–	–	March 6, 2020	–	51,893	51,893
Total			**426,157**	**149,353**		**–**	**51,893**	**328,697**
Enrique Dupuy de Lôme	2013	March 6, 2014	50,862	50,862	March 6, 2017	–	–	–
	2014	May 28, 2015	50,252	–	March 8, 2018	–	–	50,252
	2015	March 7, 2016	44,665	–	March 7, 2019	–	–	44,665
	2016	March 6, 2017	–	–	March 6, 2020	–	22,080	22,080
Total			**145,779**	**50,862**		**–**	**22,080**	**116,997**

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

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2017 IADP award was 546 pence (2016: 541 pence; 2015: 550 pence; and 2014: 435 pence).

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2014 IADP award was 435 pence. The share price on the date of the vesting of this award (March 6, 2017) was 548.5 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.