Directors' Remuneration Policy

This document sets out the Directors' Remuneration Policy of International Consolidated Airlines Group which was approved at the 2021 Shareholders' Meeting and the 2022 Policy amendment to the IAG CEO RSP maximum opportunity that was approved at the 2022 Shareholder's Meeting. The Policy replaces the Directors' Remuneration Policy approved at the 2018 Shareholder's Meeting.

This Directors' Remuneration Policy is adapted to the new wording of article 529 novodecies of the Capital Companies Act, as amended by Law 5/2021 of 12 April, and shall apply, in accordance with the provisions of section 1 of said article 529 novodecies, from the date of its approval by the 2021 Shareholders' Meeting and during the following three financial years (i.e. during financial years 2022, 2023 and 2024). Any amendment or replacement thereof during such period shall require the prior approval of the Shareholders' Meeting in accordance with the procedure established for its approval.

As a Spanish-incorporated company, IAG is not subject to the remuneration reporting regulations that apply to UK-incorporated companies. Nevertheless, the Committee recognises the importance of effective corporate governance and is firmly committed to UK best practice, such that we continue to operate in line with the regulations

Remuneration Principles

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

Consideration of shareholder views

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.

In 2021 and 2022, the Board Chair, Remuneration Committee Chair and executives from the Company held meetings with our major investors on our proposed 2021 new remuneration policy and 2022 policy amendments. These discussions were very useful; the Company carefully considered the views stated and modified the policy as appropriate.

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

The policy as shown on the following pages is intended to apply for three years, until 2024, taking effect from the date of approval.

The principal changes from the current remuneration policy (which was approved at the annual Shareholders' Meeting in 2018) are shown on the following table.

Changes against 2018 policy	Summary of changes
Long-term incentive	Replacement of the existing Performance Share Plan (PSP) with a Restricted Share Plan (RSP). Amendment to the IAG CEO RSP maximum opportunity.
Pension contributions	Upon appointment, the pension contributions for the new CEO and CFO of IAG were revised down to 12.5% of salary, comparable to the rate applicable to the majority of the UK workforce. In this remuneration policy, the Company will formalise the arrangement that pension contributions for executive directors will be aligned with the wider workforce.
Post-cessation shareholding requirements	Introduction of a post-cessation shareholding requirement for executive directors, in line with best practice.
Malus and clawback	Extend the malus and clawback trigger events to include payments based on erroneous or misleading data, serious reputational damage and corporate failure to align with guidance.
Discretion	Additional wording to align to the Corporate Governance Code and allow discretion to adjust formulaic outcomes to reflect corporate performance.
Addressing significant falls in share price under long-term incentives	Additional wording to address windfall gains that may occur for long-term incentives.

These changes:

- Ensures a focus on the long-term performance of the Company, with a primary focus on delivering sustainable shareholder returns.
- Ensures that executives are not discouraged from making timely and difficult strategic decisions that may have short-term impacts, but are in the best interests of the long-term health of the business.
- Support the build-up and maintenance of a long-term shareholding which ensures executives and senior managers focus on recovering and enhancing shareholder value.
- Ensures management have the same ownership experience as shareholders.
- Simplifies remuneration for executive directors and senior managers.
- Ensure the Group is able to offer the IAG Chief Executive a fair and proportionate long-term incentive opportunity, reflective of the complexity of the Group, its strategy, and one that adequately recognises ongoing external challenges.

Key elements of pay

Executive directors

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 factors such as role, skills and contribution. The positioning of base salaries is set with reference to factors such as the external market, as well as the individual's skills and contribution. Basic salaries are reviewed annually, and normally take effect on January 1 each year.	There is no formal maximum. Basic salaries are reviewed annually by the Remuneration Committee by taking into account factors such as: company affordability, the value and worth of the executive, retention risks, and the size of pay increases generally across the whole group of companies.	Individual and business performance are considered in reviewing and setting base salary.
Annual incentive award Incentivises annual corporate financial and non-financial performance and the delivery of role specific objectives. The deferred shares element aligns the interest of executives and shareholders and provides a retention tool	The Board, on a recommendation from the Remuneration Committee, sets the financial and non-financial targets that apply to the annual incentive award. These are set by reference to a number of factors, including the Business Plan (as approved by the Board), and the Group's strategic focus. For the portion based on personal objectives, the Committee will consider the performance of each executive against their role-specific objectives. All performance evaluations for executive directors will be submitted to the Board for final approval. The Board, after considering the recommendation of the Committee, retains the discretion to adjust the formulaic outcome of awards in order to, in its opinion, properly reflect overall corporate performance – see below. 50 per cent of the annual incentive award is deferred into shares. This is designed to align the interests of executives with shareholders by providing a proportion of the annual incentive in shares in the form of a bonus deferral award. On vesting, executives will receive the benefit of any dividends paid over the deferred period in the form of dividend equivalent payments. Malus and clawback provisions apply – see 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. The weighting on role-specific objectives will not exceed 25 per cent, and any remaining portion will be subject to measurable non-financial metrics. For the bonus deferral award, no other performance conditions apply because it is based on performance already delivered.

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
Restricted Share Plan (RSP) Incentivises long-term shareholder value creation, and retention.	The RSP is a discretionary plan targeted at key senior executives and managers of the Group who directly influence shareholder value. The RSP consists of an award of the Company's shares which vests as long as the executive remains employed by the Company at the time of vesting and subject to the assessment of the underpin. On vesting, in line with the rules of the RSP 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 and clawback provisions apply – see below. Following the assessment of the underpin, there is normally an additional holding period of at least two years.	The face value of the award(s) will not exceed 150 per cent of salary in respect of any financial year.	No performance measures are associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted. In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified. Financial performance may include elements such as revenue, profitability, cash generation, return on capital and benchmarked with comparable airlines. Non-financial performance may include a range of operational and strategic measures critical to the Company's long-term sustainable success. Whilst the RSP provides a greater certainty of reward by its very nature, the Committee will ensure any value delivered to executive directors is fair and appropriate in the context of the performance of the business and experience of our stakeholders and that corporate or individual failure is not rewarded. In the case of significant failure on the part of the Company or the individual, vesting may be reduced, including to nil. Full disclosure of the Committee's considerations in assessing the underpin will be disclosed in the relevant Directors' Remuneration Report at the point of vesting.
Benefits Ensures total package is competitive	Benefits include, but are not limited to, 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. Executives will also be reimbursed for all reasonable expenses.	There is no formal maximum. In general, the Company expects to maintain benefits at the current level.	
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 level of employer contribution for executive directors, expressed as a percentage of basic salary, will be in line with the rate applicable to the majority of the workforce in the country in which the executive director is based. For the UK workforce, this is currently 12.5 per cent of basic salary.	
Performance Share Plan	There will be no further awards made under this plan. Legacy awards will continue to vest		

Information supporting the policy tables

Shareholding requirements

In order to increase alignment with shareholders, executive directors are required to build up a minimum personal shareholding equal to a set percentage of base salary. The share price used to calculate the guideline is either the share price on the date of award or on the date of vesting/exercise. Executive directors 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. 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.

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

Malus and clawback provisions

The Board, following the advice of the Committee, has authority to reduce or cancel awards before they are satisfied (and/or impose additional conditions on awards), and to recover payments, if special circumstances exist. These special circumstances include (but are not limited to) fraud; material breach of any law, regulation or code of practice; an error or a material misstatement of results leading to overpayment or over-allocation; misconduct; failure of risk management; the occurrence of an exceptional event affecting the Company's value or reputation; payments based on results that are subsequently found to be materially financially inaccurate or misleading; serious reputational damage as a result of a participant's behaviour; corporate failure; 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. This is aligned with the latest version of the UK Corporate Governance Code provisions.

For RSP and PSP awards, clawback provisions apply for two years' post vesting (which will usually align with the additional holding period). For the bonus deferral awards, there will be three years from the date of award in which shares can be withheld, i.e. the entire period from the date of the award until vesting. For 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.

Discretion to adjust formulaic outcomes

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

Benefits, expenses and taxation

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

Non-executive directors

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

Purpose and link to strategy	Operation of element of policy	Maximum opportunity
Basic fees Fees take into account the level of responsibility, experience, abilities and dedication required.	Fees are set with reference to market positioning. To acknowledge the key role of the Chair of the Board of Directors, fees are set separately for this role. There is also an additional fee for undertaking the role of Senior Independent Director, and also for holding a Committee chair position. There is no additional fee for Committee membership. 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.
Benefits	Non-executive directors (including the Board Chair) are entitled to use air tickets of the airlines of the Company or related to the Company in accordance with the terms and conditions established in the Company travel scheme. As provided for 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 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' interests with shareholder interests. The amendment to the policy for 2022 sought to increase the opportunity level for long-term incentive component, therefore rebalancing the Executive Director's overall package more towards share-based, deferred remuneration and thereby increasing the proportion of overall remuneration opportunity directly aligned to shareholder's interests.

The chart below shows the 2021 remuneration outturn for the Executive Director set against various remuneration outturn scenarios under the amended 2022 policy opportunity structure. The scenarios illustrated include the minimum remuneration receivable, the remuneration receivable if the director performs in line with the Company's expectations, the maximum remuneration receivable, and the maximum remuneration receivable with 50 per cent share price growth. With the exception of the illustration showing 50 per cent share price growth, no share price variation is taken into consideration in these scenarios

IAG CEO – 2022 remuneration scenario assumptions

Fixed remuneration is basic salary as at January 1, 2022 ((£820,000 (€950,134), plus taxable benefits (est. £275,000 (€318,642), plus pension-related benefits (2022 level of £102,500 (€118,766). The value of 2021 taxable benefits includes a fixed-term transitionary allowance of £250,000 p.a. (payable only until December 2022).

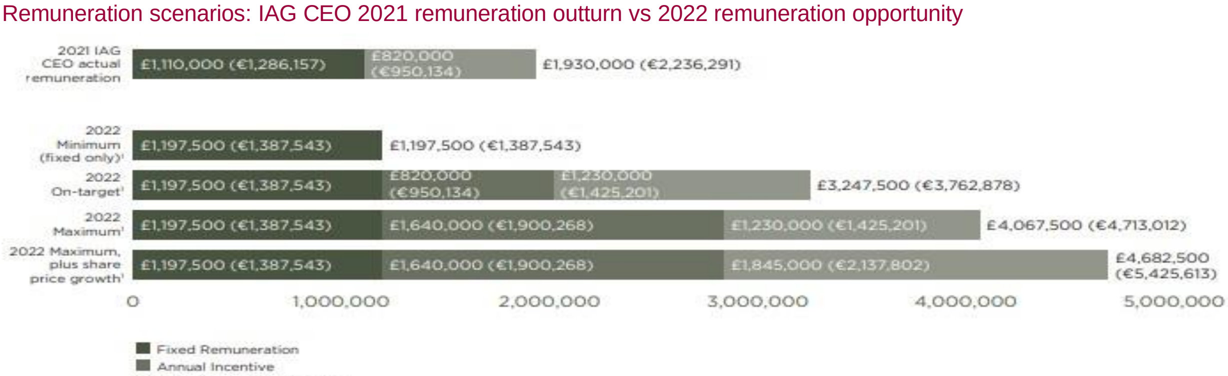
The annual incentive amount is zero at the minimum remuneration level, £820,000 (€950,134) at the on-target level (equivalent to 100 per cent of salary), and £1,640,000 (€1,900,268) at maximum (equivalent to 200 per cent of salary).

The long-term incentive (RSP) opportunity is presented on the basis of the 2022 policy amendment which increases the Executive Director's opportunity from 100 per cent of salary to 150 per cent of salary. RSP outturns are shown as zero at the minimum remuneration level, £1,230,000 (€1,425,201) at the on-target level (equivalent to 150 per cent of salary) and £1,845,000 (€2,137,802) at the maximum level, which includes a 50 per cent share price appreciation, solely for the purpose of illustrating a wider range of potential remuneration outcomes.

In contrast to the reporting of executive director remuneration in the 2021 single total figure of remuneration table where RSP value is shown at vesting rather than grant, for illustrative purposes for the scenario modelling opposite, RSP values for 2021 and 2022 are shown at time of grant rather than time of vesting.

Euro amounts are shown at the 2021 exchange rate GBP 1: EUR 1.1587.

Remuneration scenarios: IAG CEO 2021 remuneration outturn vs 2022 remuneration opportunity



1 Fixed remuneration includes a transitionary allowance of £250,000 p.a. (payable until the end of 2022 only).

Remuneration policy below director level

Managers at the operating companies in the Group participate in their own company annual incentive plans. These all have performance measures specific to their company, and are typically financial, operational, and customer service measures.

Selected senior managers participate in the RSP under Executive Share Plan rules. Employees below senior manager level do not participate in RSP.

Service contracts and exit payments policy

Executive directors

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

The contracts of executive directors are for an indefinite period.

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

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

The period of notice required from the executive is six months; the period of notice required from the Company is 12 months. Where the Company makes a payment in lieu of notice, a payment becomes payable only if, in the Company's opinion, the executive has taken reasonable steps to find alternative paid work and then only in monthly instalments. The payments will comprise base salary only. The Company may reduce the sum payable in respect of any month by any amount earned by the executive (including salary and benefits) referable to work done in that month (for example, as a result of alternative paid work referred to above).

In the event of an executive's redundancy, compensation, whether in respect of a statutory redundancy payment or a payment in lieu of notice or damages for loss of office is capped at an amount equal to 12 months' base salary. The Company will honour the contractual entitlements of a terminated director; however, the Company may terminate an executive's service contract with immediate effect and without compensation on a number of grounds including where the executive is incapacitated for 130 days in any 12 month period, becomes bankrupt, fails to perform his 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 or she is working or ceases to be eligible to work in Spain or the UK (as applicable).

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

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

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

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

Non-executive directors

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

Notes to the policy tables

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

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.

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 Committee is updated on pay and conditions of the employees within the Group and takes this into account when considering executive directors' remuneration.

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

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

At the operating company level, the company consults with employee representative bodies, including trade unions and works councils. This 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 the wider employee experience.