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Ensuring we have the right leadership and culture to achieve sustainable growth



Antonio Vázquez
Chairman

“Our approach to corporate governance is all about ensuring our business can continue to grow sustainably long into the future for the benefit of all our stakeholders.”

I am delighted to welcome you to our latest corporate governance report, which covers a busy year for the Board and a highly significant one for IAG.

2019 – our ninth year as a combined Group – was a year of solid progress for the company despite challenging operating and geo-political conditions. But it was also one of great change for the leadership of the Group and you will not be surprised that succession planning was a major pre-occupation for the Board during the year.

There were many other important items on our agenda as well, of course. They included the proposed acquisition of Air Europa by Iberia, Brexit contingency planning, the make up of our shareholder register, the data breach at British Airways, as well as further work to embed the principles of the 2018 UK Corporate Governance Code and to roll out our new Code of Conduct, Group-wide.

But the overall role of the Board remains the same – to help create long-term sustainable value for the benefit of our shareholders and all the other stakeholders of the company, working in close co-operation with the management team. My fellow Board directors and I remain firmly focused on that task.

Leadership changes

Effective succession planning is a key element of corporate governance, and it has been a growing activity for the Board and our Nominations Committee in recent years.

That work increased during the year, both in terms of the management team and Board membership.

After completing a thorough evaluation, the Nominations Committee recommended in January 2020 that Luis Gallego, Chairman and Chief Executive of Iberia, should be appointed to succeed Willie Walsh as Group Chief Executive following the announcement of his retirement.

Earlier, in April 2019, we announced that our Group Chief Financial Officer, Enrique Dupuy, would step down in June and be replaced by Steve Gunning, British Airways' Chief Financial Officer.

We also appointed Alistair Hartley as the IAG Director of Strategy following the retirement of Robert Boyle, and John Gibbs to a new and important role within the management team, as Group Chief Information Officer.

More recently we have announced important leadership appointments in our airlines, with Javier Sánchez-Prieto, currently Chairman and Chief Executive of Vueling, replacing Luis at Iberia and with Marco Sansavini moving from the post of Chief Commercial Officer at Iberia to take the helm at Vueling.

With the exception of John, who joined us from Rolls-Royce, all of these appointments are internal promotions. They are evidence of the depth and quality of talent we are so lucky to have within the company, and our determination to develop our own leaders and give them new opportunities to shine. Having said that, when planning succession at all levels of the Group, we always map our options, both internally and externally, to ensure we attract the people we need to sustain our success.

Board changes

Since our earliest days, I've always had the support of a diverse, experienced and highly capable group of non-executive directors. When changes occur, we work hard to recruit the right people to the Board, with a blend of relevant sector and market skills.

At our Shareholders' Meeting in June, Patrick Cescau – a Board member since IAG was first formed in 2011 – stepped down and I thank him for his great service as a director, our Senior Independent Director and a long-standing member of the Audit and Compliance Committee. I have always valued his wise advice and unstinting support.

Dame Marjorie Scardino also left our Board in June 2019 at our Shareholders' Meeting. She has made a wonderful contribution, always bringing a fresh perspective and brilliant insights to our deliberations. I will miss that greatly.

We are delighted to have brought two new, first-class directors on to the team, welcoming Margaret Ewing and Javier Ferrán to the Board in June 2019, after an extensive search by the Nominations Committee.

Margaret brings strong financial and accounting experience, including time working within our sector as chief financial officer at BAA, and is making a valuable addition to our Audit and Compliance Committee. Javier, after a long career with the Bacardi Group, is now chairman of Diageo, a top 10 FTSE 100 company, and brings much experience as a non-executive director, offers us both expertise in general management and a deep understanding of consumer markets.

Following these appointments, we have made some changes to the membership of our committees and Alberto Terol has become our Senior Independent Director.

I'm also glad to say we continue to meet our diversity target of having 33 per cent female representation on the Board. You can read full details of these leadership changes and our rigorous approach to succession planning in the Nominations Committee's report.

Maintaining our effectiveness

We are committed to increasing the effectiveness of the Board, always looking for ways to improve the way we work and our ability both to scrutinise and support the management team.

We completed internal reviews of the Board in 2017 and 2018 during which I talked individually to fellow directors to understand their concerns and to get their ideas on how we can improve our performance. In accordance with recommendations in both the Spanish and the UK corporate governance codes, we open ourselves to external review in the third year to make sure our own conclusions are valid. I am pleased to say the latest review was positive and added good value to our own reflections, as you can read further on in this report.

Compliance, culture and engagement

The Board spent a good deal of time during the year considering how best to embed the principles of the UK Corporate Governance Code, with directors being briefed regularly on its implementation. We also involved the IAG Management Committee in the process to ensure that the day-to-day running of Group conforms to best corporate governance practice.

We believe we are very largely compliant with the code. There are areas relating to culture and engagement with employees and stakeholders that require further work. We are still a young Group made up of distinct airline brands, each with their own values and culture. We see this as a real strength of IAG and one we want to safeguard. But it does make implementing common procedures and principles more challenging for us than might be the case for a company with a more centralised structure.

Good progress was made on implementing our new Code of Conduct across the Group, with activities carried out in all our operating companies and with the Board completing a session on integrity during the year. This project is not about imposing a set of rules and procedures. Rather it is about getting the message clearly out to people across the Group that we must all act with integrity at all times and to demonstrate clearly our aspiration to create a healthy culture across the business.

We are serious about finding ways for the Board to understand the views of employees, without, of course, detracting from the management team's key role in this area. We are doing this in a number of ways. Initially, three Board members – Maria Fernanda Mejia, Nicola Shaw and Alberto Terol – have taken on the role of liaising with employees more closely and were involved in a number of activities during the year.

The Board reviewed its relationship with other key stakeholders, taking into account the issues that are most important to them, not least environmental and sustainability issues where we have made further great progress in 2019.

Non-EU shareholders

Under EU regulations, our airlines must be majority EU owned and controlled to maintain their operating licences. By February 2019, we reached the point where 47.5% of our shares were owned by investors outside the EU so we took swift action to limit non-EU share buying. This move saw the proportion of shares owned by non-EU investors fall to 39.5% during the year and, as a result, we removed the cap with immediate effect on January 17, 2020. The Board will watch this issue carefully. Although it is not an action we like to take, our by-laws permit us to re-impose the permitted maximum, if necessary, to protect our airlines' operating licences.

Sustaining our success

I want to thank my fellow directors for their tremendous work and support during the year. I believe we have a robust corporate governance structure in place and we are all determined to keep it that way.

We want IAG to be a profitable business. But our overriding concern is to make sure we can sustain our success long into the future, for the benefit of those who commit capital to the Group and for our employees and the communities we serve. I think we are well positioned to do just that.

Antonio Vázquez
Chairman



Antonio Vázquez



Willie Walsh



Alberto Terol



Marc Bolland



Margaret Ewing



Javier Ferrán



Steve Gunning



Deborah Kerr



Maria Fernanda Mejia



Kieran Poynter



Emilio Saracho



Nicola Shaw

Antonio Vázquez N S**Key areas of experience:**

Consumer, sales/marketing, finance, governance

Current external appointments:

Chairman, Cooperation Board of Loyola University. Trustee, Loyola University Foundation. Member, Advisory Board of the Franklin Institute. 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 S**Key areas of experience:**

Airline industry

Other Group appointments:

Chairman, Aer Lingus Board of Directors.

Previous relevant experience:

Chairman, Airlines for Europe (A4E) 2016–2019. Chairman, National Treasury Management Agency of Ireland, 2013–2018. 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.

Alberto Terol A N**Key areas of experience:**

Finance, professional services, information technology, hospitality industry

Current external appointments:

Vice Chairman, Leading Independent Director and Chairman of the Nominations, Remuneration and Corporate Governance Committee, Indra Sistemas. Director, Broseta Abogados. International Senior Advisor, Centerbridge. Independent Director, Schindler España. Patron of Fundación Telefónica. Executive Chairman of various family owned companies.

Previous relevant experience:

Chairman of the Supervisory Board, Senvion GmbH 2017–2019. Chairman of the Audit Committee, Senvion S.A. 2017–2019. 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, Managing Partner EMEA Arthur Andersen 2001–2002, Managing Partner Global Tax & Legal Arthur Andersen 1997–2001, Managing Partner Garrigues-Andersen 1997–2000.

Marc Bolland R N**Key areas of experience:**

General management, commercial management/marketing, retail, hospitality industry

Current external appointments:

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

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.

Margaret Ewing **Key areas of experience:**

Professional services, financial accounting, corporate finance, strategic and capital planning, corporate governance, risk management

Current external appointments:

Senior independent non-executive director and Chairman of the Audit and Risk Committee, Convatec Group Plc. Independent non-executive director and Chair of the Audit and Risk Committee, ITV Plc. Trustee and Chairman of the Finance and Audit Committee, Great Ormond Street Hospital Children's Charity.

Previous relevant experience:

Non-executive director, Standard Chartered Plc 2012–2014. Member of the Audit Committee, John Lewis Partnership Plc 2012–2014. Non-executive director, Whitbread Plc 2005–2007. Vice Chairman, Managing Partner, Public Policy, Quality and Risk and London Practice Senior Partner, Deloitte LLP 2007–2012. Director, Finance, BAA Ltd 2006 and Chief Financial Officer, BAA PLC 2002–2006. Group Finance Director, Trinity Mirror PLC 2000–2002. Partner, Corporate Finance, Deloitte & Touche LLP 1987–1999.

Javier Ferrán  **Key areas of experience:**

Consumer, finance, sales/marketing, governance

Current external appointments:

Chairman, Diageo Plc. Non-executive director, Coca Cola European Partners Plc. Member, Supervisory Board Picard Surgeles.

Previous relevant experience:

Member, International Advisory Board ESADE 2005–2019. Non-executive director, Associated British Foods plc 2005–2018. Non-executive director, SABMiller plc 2015–2016. Member, Advisory Board Agrolimen SA 2005–2016. Vice Chairman, William Grants & Sons Limited 2005–2014. Non-executive director, Louis Dreyfus Holdings BV 2013–2014. Non-executive director, Abbott Group 2005–2008. Non-executive director, Desigual SA. Non-executive director, Chupa Chups SA. Partner, Lion Capital LLC 2005–2018. Management positions with Bacardi Group including tenures as Regional President EMEA and President and Chief Executive Officer.

Steve Gunning**Key areas of experience:**

Finance, airline industry

Current external appointments:

Non-Executive Director, FirstGroup Plc.

Previous relevant experience:

Chief Financial Officer, British Airways 2016–2019. Director, IAG Global Business Services 2017–2019. Chief Executive Officer, IAG Cargo 2012–2015. Pension Trustee, British Airways 2006–2011. Managing Director of World Cargo, British Airways 2007–2012. Head of Internal Control, British Airways 2006–2007. World Cargo Finance Director, British Airways 2004–2006.

Deborah Kerr  **Key areas of experience:**

Technology, digital, marketing, operations, software and services, general management

Current external appointments:

Director, NetApp Inc. Director, Chico's FAS, Inc. Director, ExiService Holdings, Inc. Managing Director, Warburg Pincus.

Previous relevant experience:

Executive Vice President, Chief Product and Technology Officer, SABRE Corporation 2013–2017. Director, DH Corporation 2013–2017. Director, Mitchell International, Inc. 2009–2013. Executive Vice President, Chief Product and Technology Officer, FICO, 2009–2012. Vice President and Chief Technology Officer, HP Enterprise Services 2007–2009. Vice President Business Technology Optimization, Hewlett-Packard Software 2005–2007. Senior Vice President Product Delivery, Peregrine Systems 1998–2005. Prior senior leadership roles with NASA's Jet Propulsion Laboratory, including Mission Operations Manager, US Space VLBI, Nasa Jet Propulsion Laboratory 1988–1998.

Maria Fernanda Mejia  **Key areas of experience:**

General management, marketing and sales, supply chain, strategic planning, corporate transactions

Current external appointments:

Board Member of the Council of the Americas.

Previous relevant experience:

Senior Vice President, The Kellogg Company (2011–2019). President, Kellogg Latin America (2011–2019). Corporate Officer and member of The Kellogg Company Executive Leadership Team (2011–2019). 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  **Key areas of experience:**

Professional services, finance services, corporate governance, corporate transactions

Current external appointments:

Chairman, BMO Asset Management (Holdings) PLC. Senior Independent Director, 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  **Key areas of experience:**

Corporate finance, investment banking, corporate transactions

Current external appointments:

Director, Altamar Capital Partners. Director, Inditex.

Previous relevant experience:

Chairman, Banco Popular Español 2017. Vice Chairman and Member Investment Banking Management Committee, JP Morgan 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.

Nicola Shaw  **Key areas of experience:**

Transport sector, public policy and regulatory affairs, consumer, general management

Current external appointments:

Executive Director, National Grid plc. Director, Major Projects Association. Director, Energy Networks Association and Energy UK.

Previous relevant experience:

Member of the Audit and Risk Committee, English Heritage 2015–2018. Non-Executive Director, 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.

 Committee Chair

 Audit and Compliance Committee

 Nominations Committee

 Safety Committee

 Remuneration Committee

Governance framework: structure and responsibilities

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

IAG sets the long-term vision for the Group, defines portfolio attractiveness and makes capital allocation decisions, exerting vertical and horizontal influence across the Group.

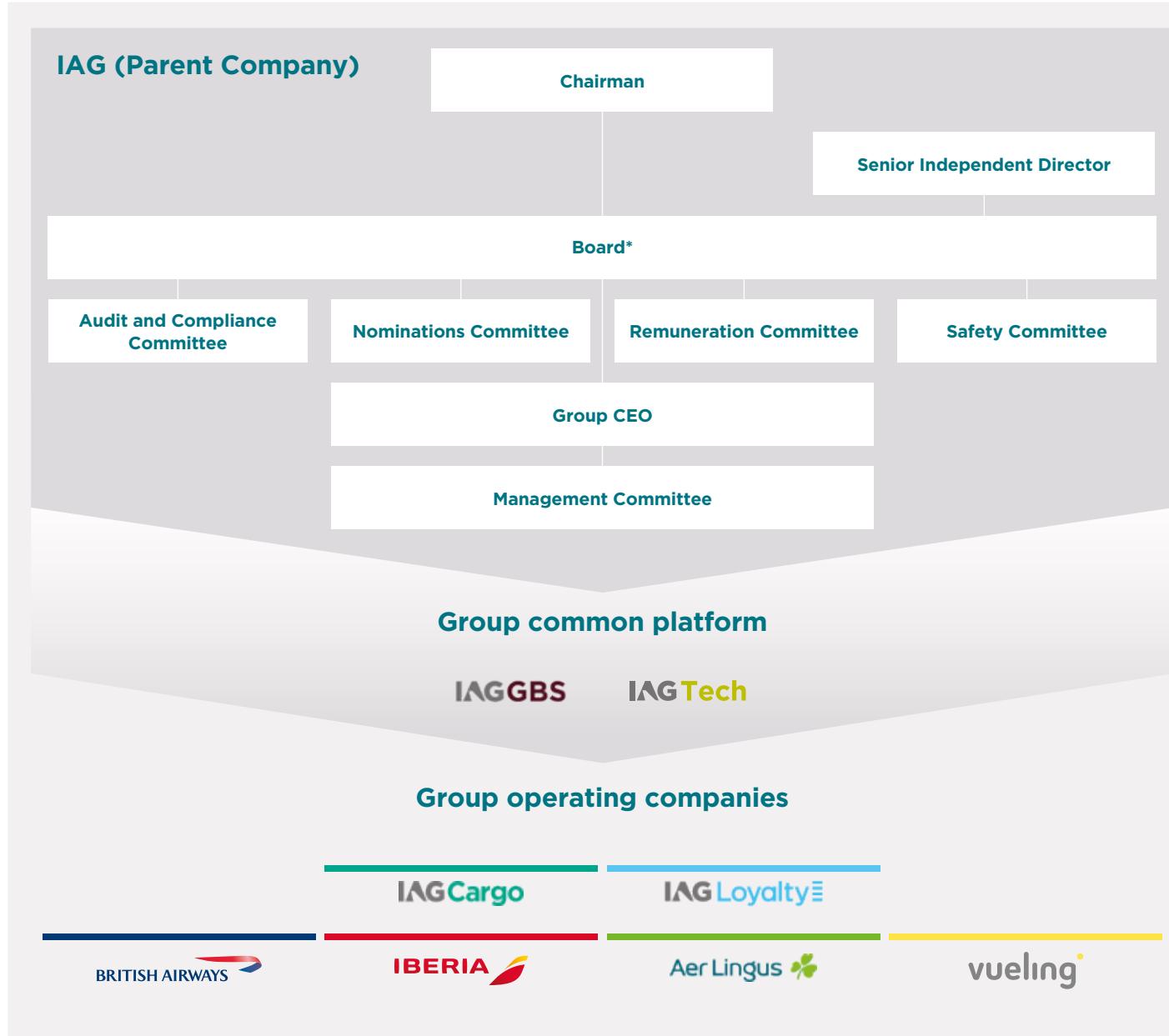
Each operating company is responsible for the management of their respective businesses and accountable for the implementation of the joint business and synergy plans. In particular, each operating company focus is:

- deep and real-time understanding of customer and competitive environment
- define product strategy for target customer segments
- stand alone profit centres and independent credit identities
- individual brand, cultural identity and management teams

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

There is a clear separation of the roles of the Chairman and the Chief Executive. The Chairman is responsible for the operation of the Board and is responsible for its overall effectiveness in directing the company.

The Chief Executive is responsible for the day-to-day management and performance of the Group and for the implementation of the strategy approved by the Board. All the powers of the Board have been permanently delegated to the IAG Chief Executive save for those which cannot be delegated pursuant to the Bylaws, the Board Regulations or the applicable legislation.



* List of Board's reserved matters can be found in Article 3 of the Board Regulations, available on the Company's website.

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

Group 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
- coordinates the activities of the Group

Senior Independent Director

Alberto Terol

- 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 effectiveness of the external auditor process, 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
- assesses 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, the Chairman and the Chief Executive
- oversees and establishes guidelines relating to the recruitment, appointment, 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
- review workforce remuneration and related policies

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

Application of governance codes

As a company incorporated and listed in Spain, IAG is subject to applicable Spanish legislation and to the Spanish corporate governance framework. In accordance with Spanish legal requirements, this Corporate Governance report includes information regarding compliance with the Spanish Good Governance Code of Listed Companies as well as other information related to IAG's corporate governance. This report is part of the IAG Management Report.

At the same time, as IAG has a listing on the London Stock Exchange, it is also subject to the UK Listing Rules, including the requirement to explain whether it complies with the UK Corporate Governance Code published by the UK Financial Reporting Council ("FRC") as amended from time to time. A copy of the current version of the UK Corporate Governance Code applicable to this reporting period (updated and published in July 2018) is available at the website of the FRC (www.frc.org.uk). This Corporate

Governance Report includes an explanation regarding the Company's application of the main principles of the UK Corporate Governance Code.

IAG has prepared a consolidated Corporate Governance Report responding to both Spanish and UK reporting requirements. This Corporate Governance Report is available on the Company's website (www.iairgroup.com), and it is also available on the Spanish Comisión Nacional del Mercado de Valores (CNMV) website (www.cnmv.es). Pursuant to the CNMV regulations, this report has been filed with the CNMV accompanied by a statistical annex covering some legally required data.

During 2019, IAG complied with all the applicable recommendations of the Spanish Corporate Governance Code, with the sole exception of the rules on the composition and operation of non-mandatory Board committees, which is partially non-compliant in relation to IAG's Safety Committee which is chaired by an executive director, the Group Chief

Executive, and not by an independent director as recommended by the Code. The Board believes this is appropriate, taking into consideration that IAG is not an airline but the Group parent company, and its Safety Committee exercises a high-level supervisory role within the Group. Consistent with legal requirements, responsibility for safety matters remains with each Group airline, and the technical nature of the safety issues and the fact that each Group airline has its own particular characteristics makes it advisable that the Group's top executive leads this committee and coordinates the reporting of the different airlines.

As far as the 2018 UK Corporate Governance Code is concerned, the Company considers that it has complied with all of the provisions, although recognising that compliance with some of the more recent changes requires further development both in relation to the provisions and the application of the Code principles.

Board composition

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, 2019, the Board composition was:

Name of Board Member	Position/Category	First appointed
Antonio Vázquez	Chairman	May 25, 2010 ¹
Willie Walsh	Chief Executive	May 25, 2010 ¹
Alberto Terol	Senior Independent Director	June 20, 2013
Marc Bolland	Director (Independent)	June 16, 2016
Margaret Ewing	Director (Independent)	June 20, 2019
Javier Ferrán	Director (Independent)	June 20, 2019
Steve Gunning	Chief Financial Officer	June 20, 2019
Deborah Kerr	Director (Independent)	June 14, 2018
Maria Fernanda Mejia	Director (Independent)	February 27, 2014
Kieran Poynter	Director (Independent)	September 27, 2010 ²
Emilio Saracho	Director (Independent)	June 16, 2016
Nicola Shaw	Director (Independent)	January 1, 2018 ³

1 Antonio Vázquez and Willie Walsh were formally appointed as directors for the first time on May 25, 2010, although IAG initiated its activities as the holding company resulting from the merger between British Airways and Iberia in January 2011.

2 Kieran Poynter was formally appointed as a director for the first time on September 27, 2010, although IAG initiated its activities as the holding company resulting from the merger between British Airways and Iberia in January 2011.

3 The appointment of Nicola Shaw as a non-executive director was approved by the Shareholders' Meeting on June 15, 2017 but did not become effective until January 1, 2018.

The IAG Board currently comprises ten non-executive directors and two executive directors, IAG's Chief Executive and Chief Financial Officer. The biographies of each member of the Board are set out in the Board of Directors section.

At the Shareholders' Meeting on June 20, 2019, Steve Gunning was appointed as an executive director following the retirement of Enrique Dupuy. Margaret Ewing and Javier Ferrán were also appointed as non-executive directors following the retirement of Patrick Cescau and Dame Marjorie Scardino. Further details of their appointment are set out in the Nominations Committee report. In addition, Alberto Terol was appointed as Senior Independent Director to replace Patrick Cescau.

On January 9, 2020, it was announced that Willie Walsh had decided to retire as Group Chief Executive and would step down at the Board meeting to be held on March 26, 2020 and retire on June 30, 2020. Luis Gallego, Chairman and CEO of Iberia will succeed him as Group Chief Executive.

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.

Appointment, re-election, resignation and removal of directors

The selection and appointment process is described in detail in the Nominations Committee report.

IAG directors are appointed for a period of one year, as set out in the Company's Bylaws. At the end of their mandate, directors may be re-elected one or more times for periods of equal duration to that established in the Bylaws. In this way, the Company complies with the UK Code recommendation that directors should be subject to annual re-election.

Re-election proposals are subject to a formal process, based on the Nominations Committee proposal in the case of non-executive directors, or its recommendation report for executive directors. This proposal or report is prepared having due regard to the performance, commitment, capacity, ability and availability of the director to continue to contribute to the Board with the knowledge, skills and experience required.

Directors cease to hold office when the term of office for which they were appointed expires.

Notwithstanding the above, a director must resign in the cases established in article 16.2 of the Board Regulations, among other things when the director ceases to have the good standing, suitability, reliability, competence, availability or commitment to office necessary to be a director of the Company

Board diversity

Nationality



Spain



Netherlands



Ireland



US



UK



Colombia

Gender

4 females

8 males

33%

67%

Tenure¹

0-3 years

4-6 years

7-9 years

40%

30%

30%

Core areas of expertise¹

Industry 40%

General management 100%

Consumer Brands B2C 50%

Corporate transactions 60%

CEO/Chair experience in a listed company 50%

International 50%

Accounting/Audit 40%

Technology 25%

¹ Non-executive directors only

or when his or her remaining on the Board might affect the Company's credit or reputation or otherwise jeopardises its interests.

According to article 23.2 of the Board Regulations, directors have a number of disclosure obligations, including the duty to inform the Company of circumstances that might harm the Group's name or reputation. In particular, if they become subject to any judicial, administrative or other proceedings. In such circumstances, the Board would consider the case as soon as practicable and adopt the decisions it deems fit, taking into account the corporate interest. As stated previously, if remaining on the Board would affect the Company's reputation, or otherwise jeopardise its interest, a director must place their position at the disposal of the Board and, at its request, formally resign.

The Board may only propose the removal of a non-executive director before the end of the mandate when it considers there is just cause, following a report by the Nominations Committee. For these purposes, just cause is deemed to exist

when the director takes up new positions or enters into new obligations that prevent them from dedicating the necessary time to the performance of his or her duties as a director, otherwise breaches his or her duties as a director or unexpectedly becomes subject to any of the circumstances provided for in article 16.2 of the Board Regulations. The removal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that determine a material change of control.

A director who stands down before the end of their term of office must state his or her reasons in a letter to be sent to all the directors. In addition, these explanations need to be included in the Company's Annual Corporate Governance Report.

A copy of the Board Regulations is available on the Company's website (www.iairgroup.com), as well as on the website of the Spanish Comisión Nacional del Mercado de Valores (www.cnmv.es).

Board and committee meetings

The Board met 10 times during the reporting period. The Board also held its annual two-day strategy meeting in September 2019. During the reporting period, the Chairman and the non-executive directors met on two occasions without the executives present.

As stated in the Board Regulations, directors shall make their best efforts to attend Board meetings. If this is not possible, they may grant a proxy to another director, although non-executive directors may only grant their proxy to another non-executive director. These proxies need to be in writing and specifically granted for each meeting. No director may hold more than three proxies, with the exception of the Chairman, who cannot represent more than half of the Board members. As far as possible, proxies should be granted including voting instructions.

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

Director	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Safety Committee
Total in the period	10	7	7	7	2
Antonio Vázquez	100%	–	100%	–	100%
Willie Walsh	100%	–	–	–	100%
Marc Bolland ¹	75%	–	50%	100%	–
Patrick Cescau ²	100%	100%	100%	–	–
Enrique Dupuy de Lôme ^{2,3}	83%	–	–	–	–
Margaret Ewing ⁴	100%	100%	–	–	–
Javier Ferrán ^{4,5}	100%	–	–	50%	100%
Steve Gunning ⁴	100%	–	–	–	–
Deborah Kerr ⁴	100%	86%	100%	–	–
Maria Fernanda Mejia	100%	100%	–	100%	–
Kieran Poynter	100%	100%	–	–	100%
Emilio Saracho ^{3, 4, 6}	90%	–	86%	100%	–
Dame Marjorie Scardino ²	100%	–	100%	100%	–
Nicola Shaw	90%	–	–	86%	50%
Alberto Terol	100%	100%	100%	100%	–

1 Marc Bolland was only able to attend the second day of the annual two-day strategy meeting in September. He was appointed as a member of the Nominations Committee on June 20, 2019 and could not attend one of the two Committee meetings due to a prior commitment. He was replaced as a member of the Safety Committee on June 20, 2019, prior to the two 2019 meetings of this Committee.

2 Enrique Dupuy, Patrick Cescau and Dame Marjorie Scardino retired from the Board on June 20, 2019.

3 Enrique Dupuy and Emilio Saracho could not attend the extraordinary Board meeting held on April 14, 2019 called at a short notice by the Board Secretary at the request of the Chairman.

4 On June 20, 2019 Steve Gunning was appointed as an executive director, Margaret Ewing was appointed as a non-executive director and member of the Audit and Compliance Committee, Javier Ferrán was appointed as a non-executive director and member of the Remuneration and Safety Committees, Deborah Kerr was appointed as a member of the Nominations Committee and Emilio Saracho as a member of the Remuneration Committee.

5 Javier Ferrán was appointed as a member of the Remuneration Committee on June 20, 2019, he could not attend one of the two Remuneration Committee meetings due to a prior commitment.

6 Emilio Saracho could not attend the extraordinary Nominations Committee meeting held on April 14, 2019 called at a short notice by the Board Secretary at the request of the Chairman.

The Board maintains a 12-month agenda planner that ensures that strategic, operational, financial, corporate governance and any other relevant matters are discussed at the appropriate time at Board meetings. This planner is updated and distributed to directors before each Board meeting, giving them

the opportunity to suggest or recommend any specific topics of interest.

Each Board meeting starts with a report from each of the committee's chairs on the key discussions and decisions considered by the respective committees, providing an opportunity for directors to comment

or ask questions on the matters dealt with by each committee. This is followed by a general update from the Group Chief Executive and subsequently, from the Chief Financial Officer.

The key areas of Board activity during 2019 are outlined below:

Board activities

Strategy and planning

- Joint Board/ Management Committee two-day strategy session, including:
 - review of the Group operating model
 - share price performance review and diagnosis
 - competitive landscape
 - market strategic positioning review (customer focus)
 - strategic investments beyond the core
 - distressed scenario planning
 - sustainability review
 - IT review
- Introductory session to the Group Business Plan
- 2020-2022 Group Business Plan and 2020 Financial Plan
- Group IT model
- Updates on corporate strategy and transactions

Performance and monitoring

- Reports from each of the operating companies, including customer and commercial review as well as HR updates
- Quarterly and full year financial reporting
- Monthly financial report (reviewed at the relevant meeting or distributed to all Board members)
- Customer metrics
- Review of different joint business agreements and franchise agreements.
- Level growth and development plans.
- British Airways pensions update

Significant transactions, investments and expenditures

- Norwegian potential deal
- Air Europa acquisition proposal
- Launch of new products and fleet reconfigurations
- Significant aircraft acquisitions, lease-backs and aircraft-related financing arrangements
- Significant maintenance, supply and inventory and engine agreements
- Financing arrangement for the acquisition or lease of aircrafts
- British Airways long-haul fleet
- British Airways litigation review

Risk management and Internal controls

- Risk appetite framework review
- Review risk map and risk appetite statements
- Group cyber security update
- British Airways data incident and possible ICO fine
- Approve going concern and viability statements
- Effectiveness review of the internal control and risk management systems
- Updates and review of the uncertainties arising from the Brexit process
- External auditor yearly report to the Board

Shareholders, stakeholders and governance

- Updates on the permitted maximum of non-EU shares
- Communication strategy
- Review feedback from institutional shareholders, roadshows as well as analyst reports
- IAG Code of Conduct - business standards and values
- Board and management succession planning
- Management Committee remuneration scheme and individual performance (salary review 2019 short and long-term plans, 2018 outcome of variable remuneration plans)
- Changes to Group company boards
- AGM call notice and proposed resolutions
- Review of the Board committee's composition
- Board and committees effectiveness evaluation, and agreed improvement priorities
- UK Corporate Governance Code implementation updates

Board information and training

All Board and committee meeting documents are available to all directors, including the minutes of each meeting. All directors have access to the advice of the Board Secretary and the Group General Counsel. Directors may take independent legal, accounting, technical, financial, commercial or other expert advice at the Company's expense when it is judged necessary in order to discharge their responsibilities effectively. No such independent advice was sought in the 2019 financial year.

In 2019 the Board received specific briefings on key developments, such as the ongoing negotiations regarding the UK's exit from the EU and the new UK Corporate Governance Code. In October, a specific training session was also held on cyber security.

In addition, an on-site session was organised at British Airways which gave directors the opportunity to hear first-hand about the events and activities organised by the airline to celebrate its centenary anniversary.

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.

Board induction

According to the induction guidelines, approved by the Nominations Committee, on joining the Board every newly appointed director has a thorough and appropriate induction. Each programme is based on the individual director's needs and include meetings with other directors, senior management and key external advisors. The induction is designed to provide a wide overview of the industry and the sector, including particulars of each of the markets in which the Group operates, as well as an understanding of the Group business model and its different businesses. The programme is also a useful tool to introduce the new director to the IAG Management Committee as well as to the different operating companies' teams. Once they have met all the relevant positions at the Company, directors then have the opportunity to visit the Group's key sites and to meet with each operating company's leadership team, as a deep dive in each of the Group businesses. In addition to individual relevant topics as applicable, the basic content of the programme is:

- origin of the Group. Business basics and strategy



IAG and the airline industry has many complexities that are unique to it. The induction programme highlighted these complexities, as well as providing an excellent introduction to all aspects of the Group's strategy, operations, functions, and the Board and Committee agendas, including visits to observe aspects of the day to day operations of certain of the operating companies. Commencing the programme with a session with the Chairman, who provided extremely valuable insight to the history of the Group, its evolution, the key strategic challenges it faces and, very importantly, the priorities for the Board during the next 12 to 18 months, was extremely helpful and enabled me to put the subsequent induction meetings with senior management and other Board members in context. My induction programme was enhanced and tailored to my specific knowledge requirements as a member of the Audit and Compliance Committee. Throughout all aspects of the ongoing induction programme I have found every person I have met very open, willing to share insights and keen to ensure that I understand their 'chosen topic' but also wanting to understand my initial perceptions and own experience. This has meant that a working relationship with the management team and others has quickly and effectively developed.

Margaret Ewing

- Spanish corporate legal framework. UK and Spanish corporate governance requirements
- Group governance structure
- IAG compliance programme and litigation status
- aviation regulation and Brexit
- M&A briefing and strategy
- IAG capital structure. Main shareholders and analyst coverage
- Sustainability programme
- IAG finance particulars and financial targets (including fleet acquisition, hedging policy and risk map)
- IAG brands portfolio
- IAG platform
- business model, competitive landscape, strategy and current position of each one of the operating companies



Being new to the airline industry I found the induction programme well thought out and comprehensive. One could feel that it was a well established procedure which was taken very seriously by all involved. This was the case both at IAG's Head Office, where I had the opportunity to meet all members of the Management Committee starting with its CEO, as well as other persons responsible for key central functions, as well as at the different operating companies that I had the opportunity to visit. With hindsight, even if the learning process should never end, it has allowed me to get up to speed in just a few months and exceeding all my expectations. I am very grateful to all involved.

Javier Ferrán

In relation to each committee newly appointed members are also provided with introductory sessions specific for each committee and designed in accordance with the directors' interests and needs.

Board and committee evaluation

Following the internal evaluations carried out in 2017 and 2018, an external evaluation was conducted this year by Independent Board Evaluation (IBE), who were selected following a competitive tender process under the supervision of the Nominations Committee. IBE has no other connection with the Company.

IBE undertook a formal and rigorous evaluation which included:

- a comprehensive brief given by the Chairman to the evaluation team, defining the main focus of the evaluation
- interviews held with all directors, as well as with the former SID who left the Board in June 2019
- interviews with key Board contributors including the Group General Counsel, the Board Secretary and Deputy Secretary, the IAG Head of Group Audit, as well as the external auditors and the Remuneration Committee independent advisor
- the evaluation team observed main board and committee meetings held on July 31 and August 1
- support materials for briefing purposes were provided by the Company
- discussion of the main conclusions with the Chairman and those of the committees with the different chairs

The report was presented to all Board members, together with the Group General Counsel and the Board Secretary and Deputy Secretary. The overall conclusions of the review were positive, confirming that the Board and the committees continue to adequately fulfil their responsibilities.

In response to the evaluation report an action plan was developed to address the improvement areas identified, and this plan was discussed and approved by the Board in its meeting held on January 30, 2020. The plan includes the following measures:

- agree key priorities which will inform the rolling Board planner, already used to organise the Board's work and which will be updated twice a year
- improve the follow-up of actions agreed by the Board or at the Committees' Meetings
- review the focus on sustainability matters and agree where this responsibility sits best in the governance structure
- reinforce the Board's focus and oversight with regards to culture and stakeholders' engagement in line with the UK Corporate Governance Code
- a number of improvements were agreed in relation to the organisation of the meetings' agendas, Board papers and presentations
- maintain the focus on board succession planning at Board and Management Committee level

In addition to the work performed by IBE, an assessment of the performance of the Chairman was conducted by the Senior Independent Director, taking into consideration the external evaluation and consultation with each non-executive director. The results were discussed at a meeting of the non-executive directors without the Chairman present.

Additionally, the Chairman met each director individually to discuss their contribution and performance, as well as their development needs, and also shared the peer feedback provided to IBE as part of the evaluation process.

Culture

In 2019, the Board approved a new Code of Conduct that applies to all directors and employees of the Group. All directors and employees are expected to act with integrity and in accordance with the laws of the countries in which they operate.

Various training and communications activities were carried out in all operating companies to support awareness of the principles detailed in this Code. The Board itself completed the same training activity at its meeting held on May 9, 2019. A new e-learning training to support the new Code of Conduct, applicable to all employees, was also rolled out. In addition, resources are available across the Group for employees to get advice or report grievances into any alleged or actual wrongdoing.

Within this framework, each operating company develops its own people strategy in accordance with the company's culture and identity. Some companies have taken this opportunity to renew their corporate value such as British Airways, Iberia and Vueling, Aer Lingus have reviewed their engagement approach including clear initiatives to reinforce their desired culture and values.

Workforce engagement

The Board considered the 2018 UK Corporate Governance Code provision on workforce engagement and, as an initial proposal, agreed that three of its non-executive directors would take on the role of liaising on employee engagement in order to adequately cover the different operating companies' and business locations.

During this first reporting year, the employee engagement activities were limited to the four main Group airlines. These directors have participated in a wide range of activities covering a broad spectrum of employees from different areas of the business and discussed a wide range of topics, including some in which senior management were not present. The main activities completed during 2019 and during the first two months of 2020 were:

- IAG European Works Council meeting held in December 2019
- meeting in the Aer Lingus inflight training academy
- meetings with employees based in Dublin and London Heathrow airports
- British Airways "Passionate about service" training session
- British Airways uniform design workshop
- meeting with the British Airways Engineering team
- Iberia anniversary of "Plan Persona and employee of the month"
- Iberia session "Inspiring Woman"

- presentation of Iberia's employee values (with those employees who participated in the project workshops)
- Vueling annual leadership retreat – culture session
- Vueling Q4 townhall session

The Board was informed of the main outcomes and main issues considered during these engagement activities and a number of improvements were agreed to support and enhance this engagement.

In addition to these specific activities, the Board enjoyed other opportunities to engage with the Group employees including site visits, specific training activities and the annual two-day strategy meeting, which includes a formal dinner with all Board members and the different operating companies' leadership teams.

The Board is regularly updated in relation to each operating company's employee matters as part of the report that each of the operating companies presents to the Board, in addition to specific items that may be brought to its attention as required.

The Audit and Compliance Committee has also reviewed and reported to the Board on the effectiveness and functioning of the confidential Speak Up channels available throughout the Group, where concerns can be raised on a confidential basis.

Shareholders and investors

Shareholders' interests have always been present in the Board's considerations. The Board engages directly in active dialogue with shareholders and investors mainly through the Group Chief Executive, the Group Chief Financial Officer and the Chairman, who regularly meet with shareholders and investors. In addition, the Senior Independent Director has attended meetings at the request of certain shareholders. Non-executive directors had the opportunity to meet shareholders at the Shareholders' Meeting as well as during IAG's Capital Markets Day.

The Board is regularly appraised of shareholders' feedback and main issues discussed with shareholders and investors. During 2019, the Company's brokers and other financial advisors made presentations to the Board to report on specific topics as well as to discuss the macro economic environment. A specific session regarding IAG's share performance and investors' feedback was part of the 2019 Group strategy meeting.

IAG Key Stakeholders



Considering stakeholders' interests

As explained in the stakeholder section of the report, the Board undertook a key stakeholder review. The Board considered this information, the existing engagement mechanisms and how the Board is kept informed to ensure proper understanding of the Group's main stakeholders' views and concerns. The Board has satisfied itself that appropriate engagement with key stakeholders is taking place and has agreed to formalise this as a regular reporting matter to the Board to keep engagement mechanisms under review to ensure that they remain effective.

The Board engages directly with two of the main stakeholder groups, shareholders and investors and employees, in this latter case through the arrangements put in place in accordance with the 2018 UK Corporate Governance Code. Engagement with all the remaining stakeholders falls under management's responsibility.

IAG's stakeholder engagement framework is articulated in accordance with the Group's business model. In line with this, the relationship with certain stakeholders is managed at an operating company level, as in the case of customers, employees, governments and regulators and, to a certain extent in the case of airline partners and industry associations. This ensures that the relationship is established as closely as possible and within the relevant cultural and business context. This does not preclude that the Group coordinates certain activities, and sets minimum standards or guidance as far as this is deemed appropriate.

Understandably, the relationship with shareholders and investors is conducted at IAG level, mainly through IAG's investor relations department and the IAG Chairman and executive directors.

IAG GBS provides a centralised procurement function for the Group and generally manages supplier engagement.

As far as IAG's sustainability programmes are concerned, these are coordinated at IAG level, covering the Group policies and objectives, governance structure, risk management, strategy and targets on climate change and noise, sustainability performance indicators, communications and stakeholder engagement plans. Each individual operating company within the Group has a distinct sustainability programme that is aligned with the Group strategy. The Board and the Audit and Compliance Committee provide appropriate oversight and direction. Further details on IAG's sustainability governance and engagement with stakeholders on sustainability can be found on the 'Sustainability' section.

The following table details how the Board is kept informed in relation to IAG's key stakeholders, excluding employees and shareholders and investors.

Customers 	The Board has always paid special attention to issues related to customers and brands, and the focus on customer issues has always been present in Board discussions. During 2019, the Board has been regularly provided with customer metrics as part of its performance and monitoring activities. A session devoted to market strategic positioning, including customer focus was included in the Company's 2019 annual strategy meeting. Finally, several proposals related to customer experience and product offerings have been discussed by the Board, including the launch of new products and fleet renewals and reconfigurations.
Suppliers 	The Board receives regular updates regarding key supplier relationships, relevant developments and engagement activities, including updates received through internal audit and risk management reporting. During 2019, agreements with major aircraft providers, leasing companies, caterers, as well other key service providers have been reviewed by the Board in the context of the relevant transactions and investment decisions
Governments and regulators 	The Board is kept duly informed of any relevant issues within the regulatory and political context. In 2019, the Board was regularly informed about Brexit developments and the engagement with the relevant authorities at EU and Member State level. In addition to this, the Board received reports about engagement with the European Commission, EU Member States and authorities in relation to key policy matters, particularly regarding the European air traffic management system. The Board was also updated during the year on the engagement with the UK Civil Aviation Authority and the Department of Transport on the ongoing debate on Heathrow expansion.
Airline partners and industry associations 	During 2019, the Board reviewed several of the Group existing partnerships and joint business agreements. Similarly, the Board has been regularly informed of the most relevant matters affecting the industry, particularly in the context of environmental matters.

Other statutory information

Directors' disclosure duties, conflicts of interests, and related party transactions

Directors must inform the Company of any participation or interest they may hold or acquire in any company that is a competitor of the Group, or any activities that could place them in conflict with the corporate interest.

Directors have an obligation under the Board Regulations to adopt the measures necessary to avoid conflict of interest situations. These include any situation where the interest of the director, either directly or through third parties, may conflict with the corporate interest or with his duties to the Company. In the event of conflict, the affected director must inform the Company and abstain from

participating in the discussion of the transaction referred to by the conflict. For the purposes of calculating the quorum and voting majorities, the affected director would be excluded from the number of members in attendance.

In accordance with article 3.4 of the Board Regulations, the Board of Directors has the exclusive authority to approve transactions with the directors, with shareholders that have a significant holding or with any persons related to them.

The execution of these type of transactions or any transaction which may entail a conflict of interest need to be reported to the Audit and Compliance Committee to ensure that they are carried out at arm's length and with due observance of the principle of equal treatment of shareholders. In the case of transactions that fall within the

ordinary course of business and are customary or recurring in nature and following a report by the Audit and Compliance Committee, the Board may grant a general authorisation as long as they are executed under certain terms and conditions. This authorisation needs to be endorsed by the Shareholders' Meeting in those cases established in the Spanish companies' legislation and, in particular, in any transaction with a director valued at more than 10 per cent of corporate assets.

In addition to this, and prior to the Audit and Compliance Committee consideration, shareholder related party transactions are also reviewed by the IAG Management Committee and are reported to the IAG Head of Group Audit.

IAG maintains commercial relationships with Qatar Airways, including cargo capacity agreements, passenger codeshares, wet leases and interline agreements. As a significant shareholder, these transactions have been reviewed by the Audit and Compliance Committee and approved by the Board.

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 20, 2019 authorised the Board, with the express power of substitution, for a term ending at the 2020 Annual General Meeting (or, if earlier, 15 months from June 20, 2019), to:

- i increase the share capital pursuant to the provisions of Article 297.1.b) of the Spanish Companies Law, by 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), through the issuance and placement into circulation of new shares (with or without a premium) the consideration for which shall be cash contributions;
- ii issue securities (including warrants) convertible into and/or exchangeable for shares of the Company, up to a maximum limit of 1,500,000,000 euros or the equivalent thereof in another currency, provided that the aggregate share capital that may need to be increased on the conversion or exchange of all such securities may not be higher than 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);

- 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 20, 2019.
- 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 20, 2019, 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

transaction is carried out at the relevant time; in each case, exclusive of expenses.

The shares acquired pursuant to this authorisation may be delivered directly to the employees or directors of the Company or its subsidiaries or as a result of the exercise of option rights held thereby. For further details see note 27 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 (www.iairgroup.com).

Capital structure and shareholder rights

As of December 31, 2019, the share capital of the Company amounted to 996,016,317 euros (2018: 996,016,317 euros), divided into 1,992,032,634 shares (2018: 1,992,032,634 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, 2019, the Company owned 7,702,495 shares as treasury shares.

Company's share capital

	Share capital (euros)	Number of shares/voting rights
December 31, 2019	996,016,317	1,992,032,634

Each share in the Company confers on its legitimate holder the status of shareholder and the rights recognised by applicable law and the Company's Bylaws which can be accessed on the Company's website (www.iairgroup.com).

The Company has a Sponsored Level 1 American Depository Receipt (ADR) facility that trades on the over-the-counter market in the US. Each ADR is equivalent to two ordinary shares and each ADR holder is entitled to the financial rights attaching to such shares, although the ADR depository, Deutsche Bank, is the registered holder. As at December 31, 2019

The significant shareholders of the Company at December 31, 2019, calculated according to the Company's share capital as at the date of this report and excluding positions in financial instruments, were:

Name of shareholder	Number of direct shares	Number of indirect shares	Name of direct holder	Total shares	Percentage of capital
Qatar Airways (Q.C.S.C) ¹	426,811,047	-		426,811,047	21.426%
Capital Research and Management Company	-	213,580,659	Collective investment institutions managed by Capital Research and Management Company	213,580,659	10.722%
Europacific Growth Fund	107,329,400			-	5.388%
Invesco Limited	-	40,845,381	Various mutual pension funds managed by Invesco Ltd	40,845,381	2.050%
Lansdowne Partners			Funds and accounts managed by Lansdowne Partners (UK) LLP	34,047,907	1.709%
International Limited	-	34,047,907			

¹ As reported to the Spanish CNMV on February 18, 2020, Qatar Airways' shareholding increased to 500,000,000 shares, representing 25.10% of the Company's share capital.

the equivalent of 6,616,691 shares was held in ADR form (2018: 21 million IAG shares).

Shareholder's Meeting

The quorum required for the constitution of the shareholder's meeting, the system of adopting corporate resolutions, the procedure for amending the Bylaws and the applicable rules for protecting shareholders' rights when changing the Bylaws are governed by the provisions established in the Spanish Companies Law.

The Company corporate governance information is available on the Company's website (www.iairgroup.com) in the "Corporate Governance" section under "Shareholders' Meeting".

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. If such a determination is made and notified to the stock market, no further acquisitions of shares by non-EU persons can be made.

In such circumstances, if non-EU persons acquire shares in breach of such restriction, the Board may also (i) agree on the suspension of voting and other political rights of the holder of the relevant shares, and (ii) request that the holders dispose of the corresponding shares so that no non-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.

On February 11, 2019, IAG notified the relevant stock markets that, due to the level of share ownership by non-EU shareholders, the Board established the maximum number of shares that may be held by non-EU shareholders at 47.5% of the Company's issued share capital. As a consequence, and in accordance with IAG's Bylaws, IAG prohibited further acquisitions of IAG shares by non-EU persons until further notice. On January 17, 2020, IAG notified the relevant stock markets that the level of ownership of IAG's issued shares by relevant non-EU shareholders had fallen to 39.5%. As a result, IAG removed the ownership restriction which had been introduced in February 2019 with immediate effect. The IAG Board continues to monitor the ownership level of non-EU shareholders, and in accordance with IAG's Bylaws, the Board is authorised at any time to re-impose a maximum number of shares that may be held by non-EU shareholders if necessary.

Impact of change of control

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

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

Report of the Audit and Compliance Committee



Kieran Poynter
Audit and Compliance Committee Chairman

Committee members

Date appointed	Meetings attended
Kieran Poynter (Chair) September 27, 2010	100% 
Margaret Ewing June 20, 2019	100% 
Deborah Kerr June 14, 2018	86% 
Maria Fernanda Mejia June 16, 2016	100% 
Alberto Terol August 2, 2013	100% 

Dear Shareholder

The Audit and Compliance Committee continues to provide independent and robust challenge to management and our auditors to ensure there are effective and high-quality controls in place and appropriate judgements taken. During 2019, we have considered the requirements of the 2018 UK Corporate Governance Code as well as the impact of various regulatory reviews into the audit sector as we completed our Group tender for the 2021 external audit.

Patrick Cescau stepped down from the Board and the Committee in June 2019 as part of the Board succession planning. During his time on the Committee Patrick made a significant contribution to the Committee in playing a key role in advocating strong internal control, risk management and compliance practices across the Group.

In order to maintain a strong and diverse Committee membership we welcomed Margaret Ewing as a member from June 20, 2019. Margaret brings recent and relevant financial acumen and governance experience to the Committee as well as experience from a range of industries, including airports.

I believe we have the right mix of skills and experience on the Committee to provide constructive and robust challenge and support to management. During 2020 we will continue to consider the changing corporate governance landscape and the impact of various regulatory reviews (Business, Energy and Industrial Strategy Committee, Kingman, Competition and Markets Authority and Brydon) into the audit sector on the Group.

Kieran Poynter
Audit and Compliance Committee Chairman

The Committee's responsibilities

The Committee's principal responsibility was to oversee and give reassurance to the Board with regards to the integrity and quality of financial reporting, audit arrangements and internal controls. The Committee's activities include:

- reviewing the financial statements and announcements of the Group to ensure integrity;
- reviewing and challenging significant accounting estimates and judgements made in the representation of financial statements of the Group;
- reviewing and challenging management's assessment of the viability of the Group, including whether there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities when they fall due;
- reviewing the effectiveness of the internal control system, provision of assurance on the risk management process, overseeing the tax and treasury risk management and reviewing the principal risks facing the Group;
- reviewing and agreeing the internal audit programme, resourcing, effectiveness and resolution of issues raised;
- monitoring the internal controls manuals and procedures adopted by the Company, to verify compliance with them and review the designation and replacement of the persons responsible for them;
- discussing with the external auditors any significant weaknesses in the internal control environment detected in the course of the audit; and
- recommending the appointment of external auditors where appropriate and reviewing their effectiveness, fees, terms of reference and independence.

An evaluation of the Committee's performance was completed as part of the external evaluation process carried out in 2019. The Committee was found to be operating effectively during the year and will be implementing recommendations to enhance how the Committee supports the Board in its assessment of the risks facing the Group.

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 seven times during 2019 and continues to plan management attendance at Committee meetings in advance including a review of the agenda of each meeting to ensure the attendees of each item are appropriate, the inclusion of private

sessions of the Committee members and with both the external and internal auditors as appropriate.

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. The Head of Group Audit reports functionally to the Chairman of the Committee.

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 and when relevant.

During 2019, the Committee reviewed the effectiveness of the Group's risk management through internal audit, external audit and a series of deep dives into the areas below. After robust challenge and debate, there were no topics where there was significant disagreement between management, the external auditor and the Committee, or unresolved issues that needed to be referred to the Board.

Other items reviewed

Business, operational and financial risks

Treasury and financial risk management

The Committee continued to review the Group's fuel, foreign exchange hedging positions and financial counterparty exposure 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. The Committee also continued to review the Group's financial debt funding strategy, correspondent instruments and go-to-market strategy of the financing transactions performed by the Group in 2019.

Union withdrawal agreement and transition period

The Committee considered 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. While there will continue to be uncertainty until negotiations for the future EU-UK relationship are reached, the Committee agrees with management's current assessment that, even in the event of no-deal after the transition period, Brexit will have no significant long-term impact on the Group.

The Committee will continue to engage with management and take steps to protect the interests of IAG in a no-deal scenario.

Cyber security

The Committee continues to receive regular updates on the Group's cyber security programme following the data breach reported by British Airways in September/October 2018.

Compliance and regulatory

Anti-bribery, sanctions, competition law, privacy and General Data Protection Regulation (GDPR) compliance

The Committee reviewed the Group's anti-bribery, sanctions, competition and privacy compliance programmes including the latest risk maps, regulatory developments, the key programme activities for 2019 and priorities for 2020. The Committee also received an update on the implementation of the IAG Code of Conduct and the planned awareness and communication activities to support the Group in 2020.

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 including the 2050 net zero carbon emissions goal. This also included a review of the new carbon targets to 2025, 2030, and 2050, 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 concern regarding any matter including but not limited to accounting, internal control and auditing. There are whistleblowing channels provided by third-party providers, Safecall and Ethicspoint, where all staff across the Group can report concerns to senior management in their company. The Committee also reviewed the volume of reports by category and nature; timeliness of follow-up; responsibility for follow-up and noted that there were no significant financial or compliance issues raised. The annual review is coordinated by the Head of Group Audit.

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 2019 the Committee reviewed the results of the audits and no material weaknesses were identified. The Committee also tracked the progress of internal audit recommendations.

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 assessed 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 its risk appetite framework.

Viability statement

In February 2020, the Committee reviewed the Group's viability assessment which covered a three-year time horizon in line with the Group's Business Plan period. The analysis evaluated the impact of combinations of risks under severe but plausible downturn scenarios (refer to Risk management and principal risk factors section). The Committee considered the impact on liquidity, solvency and the ability to raise financing over the period to 2022. The Committee considered how solvency and headroom were determined and confirmed the period over which viability is considered. The Committee has 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 one about the status of the remaining civil claims against British Airways following the 2017 European Commission decision on alleged cartel activity with respect to air cargo charges.

A number of the civil claims have been concluded during 2019. The Committee agreed with management's view that, given the status of proceedings, it is not possible at this stage to predict the final outcome and no financial provision should be made for the remaining open civil claims. More detailed information relating to the cargo litigation is available in note 31 to the Group financial statements.

Distributable reserves/dividend capacity

The Committee reviewed in detail the technical considerations, including cash and distributable reserves, supporting dividend decisions taken by the Board.

Key performance indicators

In October 2019 the Committee reviewed the amendments to the Group's key performance indicators (see Alternative performance measures section for further information).

Accounting matters

Company accounting policies are maintained by the Group Finance Department, which updates and issues the Group Accounting Policy manual. 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 2019, this included the review of exceptional items associated with pension costs at British Airways. In addition the Committee considered the implementation of the new accounting standard IFRS 16 'Leases' in 2019, and

judgements and estimates surrounding the pension transactions, the carrying value of goodwill and indefinite-lived intangibles, revenue recognition in relation to loyalty programmes, income tax provisions, and changes to the estimated useful lives and residual values of certain aircraft.

The exceptional item arose from the settlement between British Airways and the Trustee of the Airways Pension Scheme that permits the Trustee to make discretionary funding increases up to the level of RPI. The settlement has been treated as a plan amendment. The Committee has reviewed and agreed with management's rationale for recognising these costs and disclosing them as exceptional items by virtue of their size or non-cash incidence.

The Committee considers whether the Annual Report and Accounts are fair, balanced and understandable. The Committee also reviews disclosure during the year through 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 the engagement partners attending seven meetings during the year. The Committee reviewed the engagement letter, fees and considered the audit plan which included EY's assessment of risk areas within the financial statements and key audit matters. The Committee asked for additional information on the scope of the external audit including additional information and analysis on out of scope areas of the business and the impact of reporting and audit developments on the Group.

Reports from the external auditor were reviewed during the meetings, covering the conclusions of the review of the Group's results for the half year, interim audit findings, early warning report for year end matters, and for the final report for year-end matters. No significant control weaknesses were identified or reported to the Committee by the external auditors in 2019, however the Committee requested additional information to understand EY's choice of a controls or substantive-based audit approach as well as the impact of the implementation of a new common finance system in British Airways and Iberia.

In assessing the effectiveness and independence of the external auditors, the Committee considered relevant professional and regulatory requirements and the relationship with the auditors. The Committee monitored the auditors' compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, and assessed the audit team's qualifications, expertise,

resources and the effectiveness of the audit process, including a report from the external auditor on its own internal quality procedures. The Committee's assessment included a detailed questionnaire completed by key directors, managers and a sample of accounting staff throughout the Group. The questionnaire results demonstrated that management regarded EY's overall performance as good. This aligned with the Committee's independent assessment of performance. Having reviewed EY's performance during 2019, the Committee concluded that EY were independent and that it was in the Group's and shareholders' interests not to tender the audit in relation to their re-appointment for 2020. The Board of Directors refrain from engaging any audit firm entitled to be paid by the Company for all services rendered fees in excess of 10 per cent of such firm's total revenue for the previous year. The current EY partner is Hildur Eir Jónsdóttir who has held her role since 2016.

To comply with the Spanish Act 22/2015 on the requirement to tender the external audit at least every ten years, the Company has completed a process designed to satisfy the requirements for the selection and appointment of a new external auditor for the years 2021, 2022 and 2023. The Committee recommended two external audit firms to the Board and the Board will be recommending the appointment of KPMG at the Company's AGM to be held in June 2020.

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. It is the Company's intention to comply voluntarily with the revised UK standards in relation to non-audit services.

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 €1.6 million with an additional allowance of up to €1.2 million for large projects where EY are uniquely placed to carry out the work.

Average spend across the last three years was within the total target maximum. Spend in 2019 was €1,504,000 with an additional €1,383,000 relating to work performed on a working capital review for the proposed fleet acquisition. 39 per cent of the €1,504,000 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.

Report of the Nominations Committee



Antonio Vázquez
Nominations Committee Chairman

Committee members	
Date appointed	Meetings attended
Antonio Vázquez (Chair) December 19, 2013	100% 
Marc Bolland June 20, 2019	50% 
Deborah Kerr June 20, 2019	100% 
Emilio Saracho June 16, 2016	86% 
Alberto Terol June 20, 2019	100% 

Dear Shareholder

On behalf of the Board, I am pleased to present the Nominations Committee's Report, which summarises our work over the past year.

As already anticipated in my last letter as Committee Chairman, succession was the main focus for the Committee in 2019 both for executive and non-executive directors. Recently, we announced the retirement of our Group Chief Executive, Willie Walsh and the appointment of his successor, Luis Gallego, current Chairman and Chief Executive of Iberia. On April 15, 2019 we announced the appointment of Steve Gunning as the Group Chief Financial Officer, succeeding Enrique Dupuy, who stepped down in June 2019 at the Shareholders' Meeting. I am pleased that both appointments have been made from within the Group, which is evidence of the strength and depth of IAG's leadership and senior management teams.

At the same time, the Committee continued its regular consideration of the composition of, and succession plans for, the IAG Board in order to ensure the right balance of diversity, experience and skills to provide the oversight needed to sustain our business over the long term. In this respect, this year saw the retirement of Patrick Cescau, our Senior Independent Director, and Dame Marjorie Scardino. To fill these vacancies, and following a suitable search process, the Committee recommended the appointment of Margaret Ewing and Javier Ferrán.

As a consequence of these changes, the Committee reviewed the composition of the Board committees and also recommended to the Board the appointment of Alberto Terol as Senior Independent Director.

As customary, we also reviewed and discussed management succession planning and talent development arrangements, including board appointments in our main operating companies, which has proven to be a very useful development tool. At a senior management level, this year we saw the retirement of Robert Boyle, Director of Strategy, after 26 years with the Group, succeeded by Alistair Hartley, who joined the Group in 2015 as Head of Strategy. As a new addition to the Management Committee, we oversaw the appointment of John Gibbs in the new role of Group Chief Information Officer. Lastly, on January 30, 2020 the Committee considered and recommended to the Board the appointment of Javier Sánchez-Prieto, as Chairman and Chief Executive of Iberia, and of Marco Sansavini as Chairman and Chief Executive of Vueling, both appointments will be effective on March 26, 2020. The number of internal appointments prove once again the privilege of having a strong and committed internal pipeline.

Our main objectives and areas of focus for 2020, are the completion of Luis Gallego's transition into the role of Group Chief Executive, as well as a closer oversight of our management talent pipeline ensuring that appropriate opportunities are in place to develop high-performing individuals, while ensuring we build on diversity and inclusivity across senior roles in the business. Having completed nine years as a non-executive director my succession arrangement is another priority for 2020. This process is being led by the Senior Independent Director, involving all non-executive directors.

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.

The Nominations Committee has overall responsibility for leading the process for appointments to the Board and to ensure that these appointments bring the necessary skills, experience and competencies to the Board, aligning its composition to the business strategy and needs.

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.

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
- submitting to the Board a report on the annual evaluation of the Board's performance

The Committee's activities in 2019

The Committee met seven times during 2019. Directors' attendance at these meetings is shown over and further detailed in the Corporate Governance report. The Group Chief Executive was invited to attend the Committee's meetings as and when necessary.

In accordance with its responsibilities, the Committee focused on the following activities during the year:

- the composition of the Board and the combined capabilities and experience of the non-executive directors
- formulating a refreshment and succession plan for the Board, covering key positions
- non-executive director search and appointment of Margaret Ewing and Javier Ferrán
- reviewing the Board committees' membership
- executive directors and management succession plans
- Chairman and Group Chief Executive annual appraisals
- talent management, pipeline and diversity
- review of the Board annual evaluation process and conclusions, as well as that of the Nominations Committee
- changes to Group company boards

IAG has an agreed process in place for the recruitment and appointment of new non-executive directors to the Board, which principles are included in the Director Selection and Diversity Policy. This process was followed in relation to the appointments of both Margaret Ewing and Javier Ferrán. Details regarding compliance with diversity principles are included below.

Executive directors and management appointments and succession planning

Each year the Committee scrutinises the strength of succession planning arrangements for the executive directors and senior management, with particular emphasis during the last two or three years. The annual review of succession planning for the top 50 leadership positions has been a key and regular item of Committee discussion and oversight.

In the normal performance of its obligations, the Nominations Committee had compiled a Group Chief Executive role profile in accordance with the future strategic direction and needs of the Company. This profile was again circulated and discussed by all non-executive directors this year. This profile contained a brief of the requirements and the desired skill-set that a potential successor to Willie Walsh would need.

To support this process, the Nominations Committee appointed Spencer Stuart as the search consultant to review the external market and to conduct the executive assessment of the already identified internal candidate. The Nominations Committee discussed the conclusions of Spencer Stuart's reports on the mapping exercise and the executive assessment. Following this, each of the Committee members interviewed the internal candidate. The Nominations Committee shared the conclusions of its assessment with the Board, but considering the relevance of the decision, asked the remaining non-executive directors to consider all the information made available to the Committee and to complete their own individual assessments. Additionally, a special meeting of non-executive directors was held with the internal candidate. Following this, it was agreed by all directors that Luis Gallego was the right candidate to succeed Willie Walsh following his decision to retire.

In January 2020, the Committee met to agree the timeframe of the succession of the Group Chief Executive and the proposal to nominate Luis Gallego to this

The appointment of Margaret Ewing and Javier Ferrán

October 2018

Search initiated in accordance with Board succession plans and specifications discussed and agreed

November 2018

Executive Search Firm engaged to assist with the search

November 2018

Longlist of potential candidates considered

December 2018

Shortlist agreed and shared with the Board

role with effect from March 26, 2020, which appointment was unanimously approved by the Board.

In 2019, the Committee also considered succession arrangements for IAG's executive director and Chief Financial Officer, Enrique Dupuy, who stepped down from the Board at the Shareholders' Meeting in June 2019. In accordance with the internal succession planning arrangements, Steve Gunning, at the time Chief Financial Officer at British Airways, was appointed as Group Chief Financial Officer and as a executive director at the Shareholders' Meeting.

In terms of senior executive appointments, in June 2019, Alistair Hartley was appointed as a member of the Management Committee following Robert Boyle's retirement in May 2019, and John Gibbs was appointed as IAG's first Chief Information Officer in September 2019. John's previous role was chief information officer for Rolls-Royce.

In January 2020, Javier Sánchez-Prieto, currently Chairman and CEO of Vueling, was appointed Chairman and CEO of Iberia, with Marco Sansavini, currently Commercial Director of Iberia being appointed Chairman and CEO of Vueling. Both appointments, together with that of Luis Gallego as Group Chief Executive, will be effective on March 26, 2020.

Non executive directors appointments and Board succession planning

The Committee regularly reviews the formal succession plan for the Board, including analysis of non-executive directors' length of tenure, skills and experience. The Committee discussed the Board skills matrix and experience needed in the context of the Group strategy and challenges, including any areas requiring strengthening from a skills and succession perspective. The conclusions of this exercise helped to inform the search for new directors and the profile and skills required.

The ongoing refreshment of the Board has led to the appointment of Margaret Ewing and Javier Ferrán as non-executive directors on June 20, 2019, filling the vacancies left by Patrick Cescau and Dame Marjorie Scardino, who did not stand for re-election at the 2019 Shareholders' Meeting.

Spencer Stuart was engaged to support this recruitment process. Spencer Stuart has no other connection with the Company other than providing recruitment services. Spencer Stuart is an accredited firm under the Enhanced UK Code of Conduct for Executive Search Firms.

Board positions and committee memberships

Following the 2019 Shareholders' Meeting, Alberto Terol became the Senior Independent Director. At the Nominations Committee meeting held on the same day, the Committee reviewed the composition of the committees and proposed to the Board the appointment of Javier Ferrán and Emilio Saracho as members of the Remuneration Committee, Javier Ferrán as a member of the Safety Committee, Marc Bolland, Deborah Kerr and Alberto Terol as members of the Nominations Committee, and Margaret Ewing as a member of the Audit and Compliance Committee.

Directors independence, performance and re-election

The Nominations Committee, having considered the matter carefully, is of the opinion that all of the current non-executive directors remain independent, both in line with the definition set out by the Spanish Companies Act and with that of the UK Corporate Governance Code, and are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement.

In accordance with UK Corporate Governance recommendations, the Committee believes that non-executive

directors should generally stay in the role no longer than nine years. However, the Committee and the Board may determine that it is in the Company's best interest for a director with a particular profile and in particular circumstances to stay beyond the nine-year term, and appropriate explanations in dialogue with shareholders and investors will be provided in such a case.

Regarding the length of tenure recommendations included in the 2018 UK Corporate Governance Code, the Committee is mindful that, as of January 2020, both the Chairman of the Board and the Chairman of the Audit and Compliance Committee have completed nine years as non-executive directors. The Committee and the Board have carefully planned the overall Board succession process and will continue with its renewal plan to facilitate effective succession and the development of a diverse board. As far as the chair succession arrangements are concerned the Senior Independent Director is leading this process including all non-executive directors and in consultation with the executive directors.

All proposals for the appointment or re-election of directors presented to the 2019 Shareholders' Meeting were accompanied by an explanatory report issued by the Board of Directors with the support of the Nominations Committee assessing the competence, experience and merits of each candidate. Following this review, the Committee was of the opinion that each non-executive director submitting him or herself for re-election continued to demonstrate commitment to the role as a member of the Board and its committees, discharged his or her duties effectively and that each was making a valuable contribution to the leadership of the Company for the benefit of all shareholders.

January and February 2019

Interviews completed and feedback discussed (other directors invited to meet short-listed candidates)

May 2019

Nominations Committee considered final candidates and made recommendation to the Board

May 2019

Appointment announced by the Board, and published report for submission to the Shareholders' Meeting

June 2019

Appointment approved by the Shareholders' Meeting

According to article 17.5 of the Board Regulations, unless otherwise authorised by the Nominations Committee, a non-executive director cannot hold more than six other directorships, including only four in a listed company. Executive directors can only hold one directorship in another public listed company. Each director is required to advise the Committee and seek its authorisation before accepting any external directorship or other significant appointment that might affect the time they are able to devote to the role as a director of the Company.

The Committee also reviews the time commitment of each non-executive director on at least an annual basis.

Diversity

The Nominations Committee and the Board are committed to achieving diversity in its broadest sense in the composition of the Board and senior management, and fully support all initiatives in this regard. A combination of opinions, skills, experiences, backgrounds and orientations on the Board and the Management Committee is important in providing the range of perspectives, insights and challenge needed to facilitate their respective roles.

IAG's approach to inclusion and diversity on the Board is set out in the Company's Director Selection and Diversity Policy. The procedure for the appointment of directors follows the principles established in this Policy, and, as recommended by the Spanish Good Governance Code, the Nominations Committee reviews compliance with this policy on a yearly basis.

When considering director appointments, the Committee follows a formal, rigorous and transparent procedure, designed to preserve this diversity value while ensuring that any appointment is made on merit, and taking into account the specific skills and experience needed at any point in time to ensure continuing Board balance and relevant knowledge. Gender diversity principles are followed throughout the process, while preserving the general diversity and merit based appointment principles established in the policy. The Board's policy is to consider candidates from a wide variety of backgrounds, without discrimination based on gender, race, colour, age, social class, beliefs, religion, sexual orientation, disability or other factors.

The basic principles and steps followed in every appointment process are:

- each search is based on a prior analysis of the needs of the Board. This evaluation is made alongside succession plans for directors and taking into consideration the conclusions from the annual review of Board performance.
- searches are conducted by selected executive search firms, only engaging with those who are signatories to the UK Voluntary Code of Conduct for Executive Search Firms.
- the long-list of potential candidates needs to include adequate representation of female candidates, and candidates, as far as possible, from the widest possible pool.
- this long-list of candidates is reviewed and discussed by the Nominations Committee to produce a short list which is then circulated to the whole Board for relevant comments or possible objections.
- the short listed candidatures are analysed to ensure compliance with the applicable independence tests
- following this, interviews are conducted with those preselected with the participation of different Committee members.
- availability and commitment expectations are discussed with each of the candidates, and a rigorous assessment of each potential candidate is completed before the Committee reaches a final decision.

The process led by the Committee to identify, select and make the Board recommendation in relation to the appointments of both Margaret Ewing and Javier Ferrán is set out above.

IAG's Board aspiration to have 33 per cent female representation on the Board by the end of 2020 is formally reflected in the Directors Selection and Diversity Policy. This target was met in 2018 following the appointment of Deborah Kerr as a non-executive director and this remained the case following the appointment of Margaret Ewing after the retirement of Dame Marjorie Scardino.

This policy also sets out IAG's commitment to strengthen the gender balance on IAG's leadership and senior management teams. IAG's Management Committee is responsible for improving diversity within management and generally across the Group. The Nominations Committee is committed to improving diversity, and gender diversity in particular, within the Group, and encourages and supports Group initiatives in this respect. Relevant details on diversity can be found on the Sustainability section.

Induction of directors

A comprehensive induction programme was initiated for Margaret Ewing and Javier Ferrán in July 2019 and has been arranged following IAG's induction guidelines as approved by the Nominations Committee. This is described in more detail previously in this report.

The Committee annual evaluation

The annual performance evaluation was externally conducted by Board Independent Evaluation as part of the overall Board evaluation process. The Committee supervised the process for the selection of the external provider, and considered the results of this exercise regarding both the Board and the Committee itself at the Nominations Committee meeting held in September 2019. The evaluation concluded that the Committee operated effectively during 2019.

In 2020, the Committee has agreed to prioritise its focus on the review of the Group's framework for management succession and talent development, as well as on the initiatives to improve gender diversity and inclusivity within the Group, in addition to its work regarding Board succession planning.

Report of the Safety Committee



Willie Walsh
Safety Committee Chairman

Committee members	
Date appointed	Meetings attended
Willie Walsh (Chair) October 19, 2010	100% 
Antonio Vázquez October, 19 2010	100% 
Javier Ferrán June 20, 2019	100% 
Kieran Poynter October 19, 2010	100% 
Nicola Shaw June 14, 2018	50% 

Dear Shareholder

In 2019, the Safety Committee continued its routine work monitoring the safety performance of IAG's airline companies, as well as the systems and resources dedicated to safety activities across the Group. In June 2020 we were pleased to welcome Javier Ferrán as a new member to the Committee following the Board Committees composition review.

As I do every year, I like to highlight the role that this Committee plays within our Group, partly to be clear about our remit as a committee and partly to emphasize its uniqueness and its value in the Group context. Safety and security responsibility lie with each Group airline in accordance with its applicable standards, its own culture and the circumstances and particularities of each business. IAG's Safety Committee exercises a high-level overview of safety activities to ensure a minimum Group standard, but more importantly it fosters the Group homogenisation effort in safety reporting, the discussion of common issues and the sharing of best practices between Group airlines.

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 2019, representatives of the British Airways, Iberia, Aer Lingus and Vueling safety teams 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 of the Group 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
- to carry out any other safety-related functions assigned by the Board

The Committee's activities during the year

During 2019 the Committee held two meetings. Directors' attendance at these meetings is shown opposite and further detailed in the Corporate Governance report.

Key topics discussed for each airline under their regular safety risk management, safety culture, operational risks, as well as reported data on aircraft damage. In addition to this, the Committee considered the Group annual report on dangerous goods, as well as specific reports. British Airways' Head of Quality and Technical Engineering reported to the July meeting as requested by the Committee on the 787 Trent 1000 engines' durability issues and their operational implications.

Report of the Remuneration Committee



Marc Bolland
Remuneration Committee Chairman

Committee members

Date appointed	Meetings attended
Marc Bolland (Chair) June 16, 2016	100%
Maria Fernanda Mejia October 30, 2014	100%
Nicola Shaw January 1, 2018	86%
Emilio Saracho June 20, 2019	100%
Javier Ferrán June 20, 2019	50%

Dear Shareholder

As Chairman of the Remuneration Committee, and on behalf of the Board, I am pleased to present the Remuneration Report for 2019. It has been a year of high activity for the Committee on several fronts, including detailed discussions on the regulatory and governance developments in both Spain and the UK. Changes at Board level and Management Committee level have also meant the Committee carefully considering remuneration packages and exit packages taking into account all the appropriate external and internal factors. I have set out below our overall approach, a summary of 2019 performance and key decisions made by the Committee in 2019. The remuneration policy is up for review and approval in 2021, and the Committee will consider the features of the new policy in the context of the views and perspectives of key stakeholders as well as ensuring that the policy continues to support the business objectives. We will consult with key shareholders ahead of finalising the proposed policy. Once determined, our new policy will be published in next year's report, and any changes to the current approach will be clearly set out.

As well as global economic conditions, the Company faced a number of other challenges during 2019, and in September the Company issued a guidance update to the London and Spanish stock exchanges, as a result of the British Airways pilots' strike, a threatened strike by Heathrow

airport employees, and booking trends in our low-cost segments.

Overall strategy and link to remuneration

IAG's aim is to become the world's leading international airline group. Its strategy is to actively participate in the consolidation of the airline industry to create a multi-brand portfolio of leading airline businesses each focused on addressing specific customer markets and geographies while driving revenue and cost synergies through commercial co-operation, scale effects and leverage of the broader Group platform. Execution of this strategy coupled with disciplined capital allocation allows IAG to deliver superior value and sustainable financial returns to its shareholders. To measure the effectiveness of this strategy, a set of consistent financial metrics linked to creating shareholder value are applied to each part of the Group.

The Committee's main objective is to ensure that remuneration at IAG continues to be aligned with, and drives delivery of our business and strategic priorities, because we see that as the best way to drive performance. We will continue to focus on alignment between performance and pay outcomes, ensuring that the management team receive fair outcomes under our incentive plans only where this can be supported by company and individual performance. We are very pleased to see our shareholders' support for our remuneration policies and practices in recent years.

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 (this element has a 60 per cent weighting). A customer measure, Net Promoter Score (NPS), drives a focus on improving customer advocacy as a source of competitive advantage (10 per cent weighting from 2020). Performance against role-specific objectives (20 per cent weighting from 2020) allows us to focus on key strategic and business targets that are important aspects of the role, which may not be suitably captured under the financial or customer elements. For 2020, we have introduced a new measure which focusses on reducing our flight emissions. The specific measure is the grammes of CO₂ per passenger kilometre. This measure will have, for 2020, a 10 per cent weighting.

The policy in general is designed to deliver total remuneration that is competitive and with a strong emphasis on "pay for performance". The Committee will continue to ensure that executive remuneration is aligned with our business strategy and that the overall reward framework for 2020 and beyond is in the best interests of our shareholders.

Summary of performance and incentive outcomes

The PSP that was awarded in 2017 had a three-year performance period (2017 to 2019) and had the same performance measures as current awards. Performance targets for all three measures were set at the beginning of 2017 at a level that the Committee considered to be appropriately stretching based on internal and external expectations for performance.

The Company has had solid financial performance over the last three years, leading to 2019 adjusted EPS reaching 116.8 euro cents. As a result, the 2017 PSP has an outcome of 60 per cent of its maximum for the EPS element. RoIC in 2019 reached 14.7 per cent, resulting in an outcome of 91 per cent of its maximum level for the RoIC element. TSR has outperformed the index that the Company measures itself against by over 4 per cent, resulting in an outcome of 65% of its maximum for the TSR element. Overall, this has resulted in the 2017 PSP award having an outcome of 72 per cent of the maximum. The PSP award has an additional two-year holding period. This applies until the end of 2021.

The financial target for the 2019 annual incentive plan set at the beginning of the year was for an IAG operating profit of €3.43bn. The challenges that I mentioned earlier have led to IAG operating profit being below this target and paying out at 24 per cent of the maximum level for the 60 per cent weighting linked to financial performance. It is very pleasing to see strong customer performance at all airlines in the Group and as a result the outcome for the NPS measure was well above the target level of 21.0 set at the beginning of 2019, resulting in a pay-out at the maximum level for the 15 per cent weighting linked to customer performance.

For the outcomes of both the 2017 PSP award and the 2019 annual incentive plan, the Committee was mindful of not just relying on formulaic outcome: we were committed to determining appropriate and robust outcomes taking into account all necessary factors, including the wider Company performance context. It was the view of the Committee that the incentive outcomes appropriately reflect performance in the period and the remuneration policy operated as intended and therefore no discretion was applied.

Decisions during 2019

2019 has been another busy year for the Committee. We have continued working through the implications for IAG of the new UK Corporate Governance Code (the Code) and we are committed to complying with all the provisions of the Code.

For the first time in recent years, there have been changes at the executive director level. The Committee carefully considered appropriate leaving arrangements for the outgoing Chief Executive Officer (CEO) as well as the Chief Financial Officer (CFO) of IAG, (covered in detail later in this report), and at the same time discussed fully the remuneration packages for their respective replacements. Both the new CEO and CFO were internal promotions and in their prior roles were entitled to a 25 per cent of salary employer pension contribution rate. However the Committee was mindful of the relevant provisions in the Code as well as investor expectations and recommended a rate that was comparable to the rate for the majority of IAG's workforce. As a result both the new CEO and CFO have a pension contribution rate of 12.5 per cent of salary. As a Committee, we intend to follow this same thinking if there are any more newly appointed executive directors in future, whether they are internal promotions or external hires.

There have been two other new appointments to the IAG Management Committee during 2019, and the Committee took careful consideration when determining their remuneration packages, taking into account all necessary external and internal factors to ensure the packages are fair and appropriate.

The Committee had oversight of remuneration practices across IAG as well as the overall bonus frameworks in place at the airlines. This analysis helped shape our thinking when determining remuneration for IAG executives.

In October of last year, the Company announced industry-leading short, medium and long-term climate targets. The Committee was very keen to add a climate measure to the Company's incentive plans, as part of our plans towards the long-term sustainable success of our company. As mentioned, for the 2020 annual incentive plan, a CO₂ emissions efficiency measure has been added for the first time. All operating companies in the Group have added climate measures to their own incentive plans for 2020.

Working with shareholders

IAG has always recognised the need to build strong relationships with our investors through a process of open and transparent dialogue, and the Committee has continued that approach during 2019. We appreciate their constructive comments about remuneration. Our overall intention has been to ensure that we have a strong alignment to our strategy because we think that is the way to create long-term, sustainable shareholder value.

On behalf of the Committee, I appreciate your time in reading our 2019 DRR and I hope you find it accessible and informative.

Approved by the Board and signed on its behalf by

Marc Bolland

Remuneration Committee Chairman

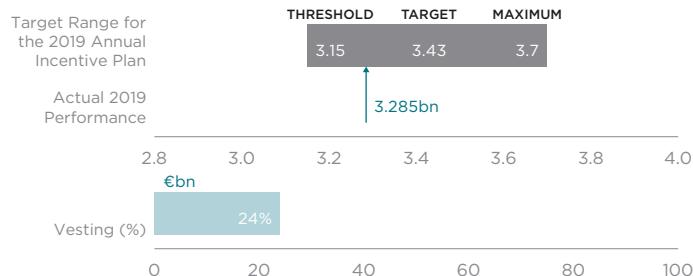
At a Glance

Implementation of remuneration policy in 2019

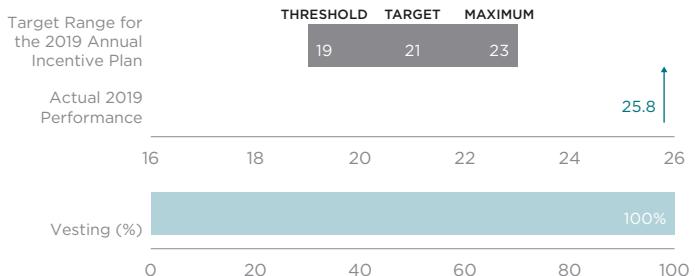
The following two charts show Company performance for the two corporate measures in the 2019 annual incentive plan.

Financial performance and customer performance has resulted in 24 per cent and 100 per cent vesting respectively:

IAG Operating Profit (before exceptional items)

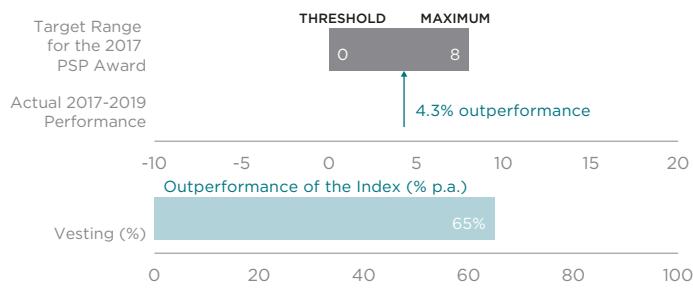


Net Promoter Score

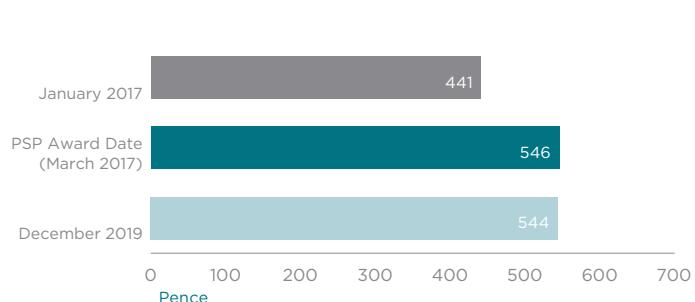


The following four charts show Company performance for the three performance measures in the 2017 PSP award, and share price performance:

Total Shareholder Return



Share Price

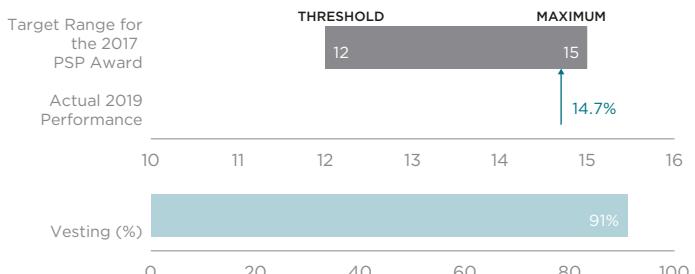


Strong EPS and RoIC performance in 2019 has resulted in good vesting levels for the following two measures in the 2017 PSP award:

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 14, 2018. It is intended that this policy will apply for three years, and therefore there are no changes to the policy this year. However, mindful of shareholders' views, certain aspects of how the policy operates in practice have been discussed by the Remuneration Committee and approved by the Board with effect from January 1, 2020. However, these adjustments to the application of policy, listed in the following section, don't imply an amendment of the policy that would be subject to the shareholders' meeting approval.

As a Spanish incorporated company, IAG is subject to Spanish corporate law. The Spanish legal regime regarding directors' remuneration is substantially parallel to that of the UK as far as directors' remuneration disclosure and approval requirements are concerned.

The Company welcomes the opportunity provided by the Spanish CNMV allowing companies to prepare free format reports. Therefore, for the second year in a row, IAG is presenting a consolidated report responding to Spanish and UK disclosure requirements. This report will be accompanied by a duly completed form which is required by the CNMV covering some relevant data. This is prepared in accordance with Spanish legislation and is available on the Company's website, and the CNMV website.

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.

In addition to the Remuneration Committee Chairman's statement, this Directors' Remuneration Report contains the Annual Report on Remuneration, which covers the information on directors' remuneration paid in the reported year.

Directors' Remuneration Policy

The policy as approved by shareholders at the annual Shareholders' Meeting on June 14, 2018 was shown in full in the 2017 Directors' Remuneration Report and is not repeated here. It can be found on the Company's website in the 2017 Annual Report and Accounts. However, as covered in the Committee Chairman's letter at the beginning of this report, the Committee has considered the remuneration provisions in the UK Corporate Governance Code and shareholder sentiment and have as a result determined how the policy will be operated in practice in respect of pension provisions. The policy of capping pension employer contributions at a maximum level of 15 per cent of basic salary for new externally recruited external directors will also be applied for internal promotions. On a case-by-case basis, pension contributions may be set lower than 15 per cent.

The policy itself will be reviewed and submitted for a shareholder vote next year, at the annual Shareholders' Meeting in 2021.

Annual Remuneration Report

The Annual Remuneration Report sets out how the Directors Remuneration Policy (as approved by shareholders at the annual Shareholders' Meeting on June 14, 2018) was put into practice in 2019 and how it will be implemented in 2020.

The Committee's activities during the year

In 2019, the Committee met 7 times and discussed, amongst others, the following matters:

Meeting	Agenda items discussed
January	Review of IAG Management Committee members' basic salaries Approval of the 2019 annual incentive plan Approval of the 2019 Performance Share Plan
February	2018 annual incentive plan payments to IAG Management Committee members 2019 Management Committee role-specific objectives Vesting outcome of the Performance Share Plan 2016 award Final review of 2018 Directors' Remuneration Report New UK Corporate Governance Code requirements Review of incentive plans in all operating companies across the Group Review of information on the pay ratio between the CEO and IAG UK workforce Annual disclosure regarding gender pay gap data
March	CFO succession remuneration arrangements
April	CFO succession remuneration arrangements
June	Approval of remuneration for a new Management Committee member
August	Approval of remuneration for a new Management Committee member
October	Executive remuneration market update and review of corporate governance requirements Remuneration strategy for 2020

Subject to audit

Single total figure of remuneration for each executive director

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.

Director ('000)	Salary		Benefits		Pension		Total Fixed		Annual incentive		Long-term incentive		Total Variable		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Willie Walsh (GBP) ¹	850	850	30	27	213	213	1,093	1,090	883	1,051	1,222	889	2,105	1,940	3,198	3,030
Willie Walsh (euro)	967	962	34	31	242	241	1,243	1,234	1,004	1,189	1,390	1,006	2,394	2,195	3,637	3,429
Steve Gunning (GBP) ^{1,2}	315	–	8	–	39	–	362	–	286	–	380	–	666	–	1,028	–
Steve Gunning (euro)	358	–	9	–	44	–	411	–	325	–	432	–	757	–	1,168	–
Enrique Dupuy de Lôme (GBP) ^{1,3,4}	269	557	46	27	67	139	382	723	217	498	–	412	217	910	599	1,633
Enrique Dupuy de Lôme (euro)	306	630	52	31	76	157	434	818	247	564	–	466	247	1,030	681	1,848
Total (€'000)	1,631	1,592	95	62	362	398	2,088	2,052	1,576	1,753	1,822	1,472	3,398	3,225	5,486	5,277

1 Remuneration for all executive directors above is paid in sterling and expressed in euro for information purposes only.

2 Steve Gunning joined the Board on June 20, 2019

3 Enrique Dupuy de Lôme stepped down from the Board on June 20, 2019

4 Enrique Dupuy de Lôme taxable benefits include a payment of €37,394 in lieu of fifteen days of accrued but untaken holiday entitlement

Additional explanations in respect of the single total figure table for 2019

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 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 year to December 31, 2019 (accrued at December 31, 2019, but cash payments (50 per cent of the award) not paid until March 2020). 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 2019 annual incentive plan, these will vest in March 2023.

Long-term incentive vesting

This relates to the IAG PSP 2017 award based on performance measured to December 31, 2019, although the shares vested will not be delivered until January 1, 2022, following the two-year holding period. For the purposes of this table, the award has been valued using the average share price in the three months to December 31, 2019 of 544.4 pence. The outcomes of the performance conditions which determined vesting are described below.

For the year to December 31, 2019, €:£ exchange rate applied is 1.1371 (2018: 1.1317).

Share price appreciation and depreciation

The amount of remuneration attributable to share price depreciation is £3,592 (Willie Walsh), zero (Enrique Dupuy de Lôme), and £1,116 (Steve Gunning). This is as a result of share price depreciation from the date of the PSP award on March 6, 2017 until the end of 2019. The Committee have not exercised any discretion as a result of share price appreciation or depreciation for any of the remuneration in the above table.

Life Insurance

The Company provides life insurance for all executive directors. For the year to December 31, 2019 the Company paid contributions of €26,790 (2018: €22,987).

Subject to audit**Variable pay outcomes****2019 Annual Incentive Plan**

At the beginning of 2019, the Board, following a recommendation by the Committee, set IAG operating profit before exceptional as the financial target in the Annual Incentive Plan for that year, with a 60 per cent weighting. Operating profit before exceptional was considered to be the most appropriate financial measure in aligning shareholder interests with the Company. For the customer measure, there was a weighting of 15 per cent. Outcomes were calculated based on NPS. 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 final 25 per cent weighting is based on personal performance against objectives. The Remuneration Committee, on the proposal of the Chairman of the Board, considered the Chief Executive Officer's performance against his objectives; and 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 January 30, 2020.

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). For the retiring Chief Financial Officer of IAG (Enrique Dupuy de Lôme) the maximum award was 150 per cent of salary (75 per cent of salary for on-target performance), pro-rated to end on June 20, 2019, and for the new Chief Financial Officer of IAG (Steve Gunning) the maximum award was 165 per cent of salary (82.5 per cent of salary for on-target performance), pro-rated to start on June 20, 2019.

The outcomes of the performance conditions were as follows:

Measure		Chief Executive Officer of IAG	Chief Financial Officer of IAG (Steve Gunning)	Chief Financial Officer of IAG (Enrique Dupuy de Lôme)
IAG operating profit (before exceptional items) (60 per cent)	Payout	£245,922 €279,638	£75,874 €86,276	£57,606 €65,504
	per cent of maximum awarded	24 per cent See below for details of the performance target ranges	24 per cent See below for details of the performance target ranges	24 per cent See below for details of the performance target ranges
Group Net Promoter Score (15 per cent)	Outcomes versus targets	£255,000 €289,961	£78,674 €89,460	£59,733 €67,922
	per cent of maximum awarded	100 per cent See below for details of the performance target ranges	100 per cent See below for details of the performance target ranges	100 per cent See below for details of the performance target ranges
Personal performance against objectives (25 per cent)	Outcomes versus targets	£382,500 €434,941	£131,124 €149,101	£99,555 €113,204
	per cent of maximum awarded	90 per cent See below for details of the extent of the achievement of objectives	100 per cent See below for details of the extent of the achievement of objectives	100 per cent See below for details of the extent of the achievement of objectives
Details of any discretion exercised				
Overall outcome		£883,422 €1,004,540	£285,672 €324,837	£216,894 €246,630

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).

The target ranges and outcomes for each corporate measure in the annual incentive plan for 2019 were as follows:

	Threshold level at which payments begin	On-target (50 per cent of the maximum pay-out)	Stretch target (Maximum pay-out)	Outcome for 2019	Pay-out as a percentage of the maximum
IAG operating profit (before exceptional items)	€3,150m	€3,430m	€3,700m	€3,285m	24 per cent (2018: 66 per cent)
Group NPS	19.0	21.0	23.0	25.8	100 per cent (2018: 0 per cent)

For both measures, there was a straight-line sliding scale between the threshold level and the on-target level, and between the on-target level and the stretch target level.

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. For 2020, the assessment of personal performance focused on progress towards our strategic priorities and key performance indicators during the year:

- 1 Strengthening a portfolio of world-class brands and operations with an unrivalled customer proposition
- 2 Growing global leadership position with value accretive and sustainable growth
- 3 Enhancing IAG's common integrated platform with efficiency and innovation

The assessment of the executive director's achievements is summarised below:

Chief Executive Officer of IAG (Willie Walsh)

Objective	Outcome
Succession planning	Effective facilitation of CEO succession planning and consideration of skills and expertise within the senior team and effective succession management within this team.
Key stakeholder relationships	Successful management of key stakeholder relationships including with governments and regulators.
Brexit	Planned and led the Group's response in relation to Brexit outcomes (in the context of the external uncertainties) including interactions with the relevant authorities.
Unrivalled customer proposition	
Customer focus	Led the Group's commitment to strengthen its customer focus and instilled this focus across the Group as a whole.
Customer investment	Ensured that each of the airlines invested significantly in improving their customer experience - key investment decisions included in lounges, catering, seats and digital solutions.
Airbus A350 introduction	Led the introduction of the Airbus A350 fleet.
Value accretive and sustainable growth	
Route and network expansion	Reinforced the Group's revenue leadership positions in its home markets with addition of new routes and optimisation of longhaul network with joint business partners.
New airlines	Managed new opportunities for airline integration and joint ventures including successful progression of Air Europa deal.
Sustainability and CO₂ emission	Ensured ongoing focus on being a leading airline group with regard to sustainability. This included the successful launch of Flighthpath net zero and building a platform as IAG makes progress towards its 2050 CO ₂ emissions target by investing in carbon reduction projects, sustainable aviation fuel, modernised fleet and innovative technologies.
Efficiency and innovation	
Cost reductions	Kept the Group focused on efficiency and cost reduction programmes to ensure customer and shareholder value creation.
IT platform	Development of clear IT strategy informed by deep technical knowledge and a business and customer focus.
Digital innovation	Ensured that digital innovation remained a core part of the Group's focus, in particular continuing the Hangar 51 accelerator programmes to attract global talent, and making strategic investments to automate the business above and below the wing.
Customisation and data analytics	Continued development in the Group of capabilities to support data customisation and data analytics.
Outcome (as a % of maximum)	90%

Chief Financial Officer of IAG (Steve Gunning)

Objective	Outcome
CFO transition	Has made a smooth transition into the role including an effective handover process from the outgoing CFO
Unrivalled customer proposition	
Investment decisions	Supported the significant and focussed investment at each airline to strengthen customer focus and improve the customer experience.
Cost reductions	Continued to ensure focus on reducing costs and improving efficiency by leveraging Group scale and synergy opportunities.
Value accretive and sustainable growth	
Management of financial risk	Carefully managed financial risk, maintaining adequate cash balances and substantial committed financing facilities.
Expansion opportunities	Facilitated expansion opportunities for airline integration and joint ventures including successful progression of Air Europa deal.
Efficiency and innovation	
Cost reductions	Drove the CASK ex-fuel cost reduction.
Capital allocation	Proactively led on the continued focus on disciplined capital allocation, active portfolio management, and flexible and rapid decision-making.
Outcome (as a % of maximum)	100%

Chief Financial Officer of IAG (Enrique Dupuy de Lôme)

Objective	Outcome
CFO transition	Enrique successfully achieved his main objective in 2019, which was to ensure there was a smooth handover and transition to the new CFO.
Unrivalled customer proposition	
Investment decisions	Supported the significant focussed investment at each airline to strengthen customer focus and improve the customer experience.
Cost reductions	Continued to ensure focus on reducing costs and improving efficiency by leveraging Group scale and synergy opportunities.
Value accretive and sustainable growth	
Management of financial risk	Carefully managed financial risk, maintaining adequate cash balances and substantial committed financing facilities.
Efficiency and innovation	
Cost reductions	Drove the CASK ex-fuel cost reduction.
Capital allocation	Proactively led on the continued focus on disciplined capital allocation, active portfolio management, and flexible and rapid decision-making.
Outcome (as a % of maximum)	100%

IAG PSP award 2017

The IAG PSP award granted on March 6, 2017 was tested at the end of the performance period which began on January 1, 2017 and ended on December 31, 2019. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG, and 150 per cent of salary for the previous Chief Financial Officer of IAG (Enrique Dupuy de Lôme).

One-third of the award was subject to a TSR performance condition measured against the TSR performance of the MSCI European Transportation (large and mid-cap) index, one-third subject to achievement of the Company's adjusted EPS targets (diluted EPS, adjusted for exceptional items), and one-third subject to RoIC. The definition of RoIC used was the methodology as described in the Company's 2017 Annual Report and Accounts. The vesting of any award was subject to the Board being satisfied that the Group's underlying financial performance was satisfactory in the circumstances prevailing over the three-year period.

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2017)
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 outperformed the index by 4.3 per cent p.a.	65 per cent
Adjusted earnings per share (EPS) (one-third)	2019 EPS of 100 €cents (10 per cent of award vests)	2019 EPS of 130 €cents (100 per cent of award vests)	116.8 €cents	60 per cent
Return on Invested Capital (RoIC) (one-third)	2019 RoIC of 12 per cent (10 per cent of award vests)	2019 RoIC of 15 per cent (100 per cent of award vests)	14.7 per cent	91 per cent
Details of any discretion exercised				
Overall outcome				72.11 per cent

IAG PSP award 2016

The IAG PSP award granted on March 7, 2016 was tested at the end of the performance period which began on January 1, 2016 and ended on December 31, 2018. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG, and 150 per cent of salary for the previous Chief Financial Officer of IAG (Enrique Dupuy de Lôme).

The performance measures, and their weightings and definitions, were the same as described above for the 2017 award. 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 2016)
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 6 per cent p.a.	0 per cent
Adjusted earnings per share (EPS) (one-third)	2018 EPS of 105 €cents (10 per cent of award vests)	2018 EPS of 145 €cents (100 per cent of award vests)	117.7 €cents	39 per cent
Return on Invested Capital (RoIC) (one-third)	2018 RoIC of 12 per cent (10 per cent of award vests)	2018 RoIC of 15 per cent (100 per cent of award vests)	16.6 per cent	100 per cent
Details of any discretion exercised				
Overall outcome				46.19 per cent

Subject to audit

Scheme interests awarded during the financial year

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 8, 2019. 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 RoIC as a profitability indicator to assess efficient return on the Group's asset base. It quantifies how well the airlines generate cash flow in relation to the capital invested in their businesses together with their ability to fund growth and to pay dividends.

PSP 2019 – 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 Enrique Dupuy de Lôme – 150 per cent (to be pro-rated: see note later in the report on leaving arrangements) Steve Gunning (who at the time of the award was not an executive director) – 120 per cent		
Grant price	£5.67		
Performance period	January 1, 2019 to December 31, 2021		
Performance conditions and weightings	Threshold Target Maximum		
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one-third weighting)	IAG's TSR performance equal to the index 25 per cent vests	IAG's TSR performance between index return and 8 per cent p.a. outperformance (straight line vesting between threshold and maximum)	IAG's TSR performance exceeds index by 8 per cent p.a. 100 per cent vests
Adjusted EPS. Measure is adjusted EPS in final year of the performance period, i.e. 2021 EPS (one-third weighting)	EPS of 150 €cents 10 per cent vests	EPS between 150 €cents and 190 €cents (straight line vesting between threshold and maximum)	EPS of 190 €cents 100 per cent vests
RoIC. Measure is RoIC in final year of the performance period, i.e. 2021 RoIC (one-third weighting)	RoIC of 14 per cent 10 per cent vests	RoIC between 14 per cent and 16 per cent (straight line vesting between threshold and maximum)	RoIC of 16 per cent 100 per cent vests
Holding period	Additional period of two years after the performance period		

The three measures are as defined for the 2017 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.

Subject to audit

Total pension entitlements

Willie Walsh is not a member of the Company's pension scheme, and the Company therefore did not pay any contributions during the reporting period (2018: zero). He received cash in lieu of contributions of £212,500 (2018: £212,500).

Enrique Dupuy de Lôme is not a member of the Company's pension scheme, and the Company therefore did not pay any contributions in his time as an executive director during the reporting period (January 1, 2019 to June 20, 2019) (2018: zero). He received cash in lieu of contributions of £67,292 (2018: £139,250).

Steve Gunning is not a member of the Company's pension scheme, and the Company therefore did not pay any contributions in his time as an executive director during the reporting period (June 20, 2019 to December 31, 2019). He received cash in lieu of contributions of £39,357.

Enrique Dupuy de Lôme: payments for loss of office and payments to past directors

On April 15, 2019, it was announced that Enrique Dupuy de Lôme would step down from the Board and the role of Chief Financial Officer on June 20, 2019. The Company's remuneration policy states that the period of notice required from the executive is six months and the period of notice required from the Company is 12 months. By April 2020, Enrique Dupuy de Lôme will have served 12 months' notice.

Enrique Dupuy de Lôme received (or will receive) the payments set out below, less any required tax withholdings. All payments are in accordance with his service agreement and the Company's remuneration policy as set out in the Company's 2017 Annual Report and Accounts.

The single total figure of remuneration table for executive directors earlier in this report showed all remuneration paid to Enrique Dupuy de Lôme up until the date he stepped down from the Board, i.e. June 20, 2019. This included base salary, taxable benefits, pension related benefits, and the 2019 annual incentive award pro-rated to June 20, 2019.

From June 21, 2019 onwards, he received or is expected to receive, the following:

Payments from June 21, 2019 to December 31, 2019	Basic salary of £300,833, taxable benefits of £13,603, and pension benefits of £75,208 (cash allowance). There was no further 2019 annual incentive award entitlement after June 20, 2019.
Payments already made in 2020, or expected to be made up until the date he ceases employment (April 14, 2020)	Basic salary of £164,667, taxable benefits of £7,442, and pension benefits of £41,167 (cash allowance).

IADP Awards

Enrique Dupuy de Lôme holds outstanding IADP awards granted in 2017, 2018, and 2019, and is about to receive a 2020 award in respect of the deferred shares portion of the outcome of the 2019 annual incentive plan. All of these awards will remain capable of vesting in full on their normal vesting dates, in accordance with the rules of the IADP.

PSP Awards

Enrique Dupuy de Lôme holds outstanding PSP awards as follows:

Award	Notes
2016 PSP Award	Shares will be released at the end of the normal two-year holding period (end of 2020)
2017 PSP Award	Shares will reflect the vesting outcome at the end of 2019, and released at the end of the normal two-year holding period (end of 2021)
2018 PSP Award	Shares will reflect the vesting outcome at the end of 2020, pro-rated to 20 June 2019 (pro-ration is 17/36). On a recommendation from the Remuneration Committee, the Board determined that no additional holding period will apply
2019 PSP Award	Shares will reflect the vesting outcome at the end of 2021, pro-rated to 20 June 2019 (pro-ration is 5/36). On a recommendation from the Remuneration Committee, the Board determined that no additional holding period will apply

No additional holding period will apply to the 2018 and 2019 PSP awards. At the time of his stepping down, he held shares equal to 691 per cent of salary and unvested IADP and PSP awards will ensure that he will continue to have a significant shareholding in the Company post-termination.

Travel Benefits

Enrique Dupuy de Lôme will participate in the Iberia travel benefits programme for former employees, in line with the standard approach in place.

Payments to past directors

Baroness Kingsmill received travel benefits worth €22,131 during 2019 after she had left the Company.

James Lawrence received travel benefits worth €9,905 during 2019 after he had left the Company.

Dame Marjorie Scardino received travel benefits worth €22,422 during 2019 after she had left the Company.

Patrick Cescau received travel benefits worth €12,514 during 2019 after he had left the Company.

Subject to audit

Statement of directors' shareholding and share interests

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 350 per cent of salary. Other executive directors are required to build up and maintain shareholdings of 200 per cent of salary. In addition, they are required to retain the entire 100 per cent of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained. The Committee has reviewed executive directors' progress against the requirements and notes that both executive directors are above the shareholding requirement.

Shares which count towards the guideline include shares already held by the executive, vested and exercised shares, vested and unexercised shares including those in the performance share plan holding period, and unvested deferred annual incentive shares. Interests in share awards following departure enable departing directors to remain aligned with the interests of shareholders for an extended period after leaving the Company. Deferred annual incentives and PSP awards subject to a holding period will normally vest at the normal time. This means that directors may retain a significant interest in shares following departure from the Company. The Remuneration Committee intends to further review the Company's arrangements for alignment with shareholders post-cessation of employment as part of the review of the Remuneration Policy that will take place prior to the 2021 AGM. The table below summarises current executive directors' interests as of December 31, 2019:

Executive director	Shareholding requirement	Shares owned	Shares already vested, or in the holding period, from performance share plans	Shares already vested from deferred annual incentive plans	Unvested shares from deferred annual incentive plans	Total qualifying shareholding
Willie Walsh	350 per cent of salary	50,000	1,117,753	323,716	137,222	(1,078 per cent of salary) 1,628,691
Steve Gunning	200 per cent of salary	16,651	132,934	73,614	45,863	(253 per cent of salary) 269,062

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, Steve Gunning was a non-executive director at FirstGroup Plc, for which he received a fee of €65,952.

Non-executive directors

Non-executive directors are paid a flat fee each year, as per the following table. There was no increase to fees from the previous year.

Role	Fee
Non-executive Chairman	€645,000
Non-executive directors	€120,000
Additional fee for holding a Committee chairmanship	€20,000
Additional fee for Senior Independent Director	€30,000

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.

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

Director (€'000)	2019 fees	Taxable benefits	Total for year to December 31, 2019	2018 fees	Taxable benefits	Total for year to December 31, 2018
Antonio Vázquez	645	5	650	645	4	649
Alberto Terol	136	26	162	120	22	142
Patrick Cescau ¹	71	27	98	150	37	187
Marc Bolland	138	19	157	120	6	126
Margaret Ewing ²	64	1	65	-	-	-
Javier Ferrán ³	64	2	66	-	-	-
Deborah Kerr ⁴	120	11	131	65	4	69
James Lawrence ⁵	-	-	-	55	4	59
Maria Fernanda Mejia	120	14	134	120	10	130
Kieran Poynter	140	24	164	140	27	167
Emilio Saracho	120	18	138	120	18	138
Dame Marjorie Scardino ⁶	58	40	98	140	68	208
Nicola Shaw ⁷	120	16	136	120	7	127
Total (€'000)	1,796	203	1,999	1,795	207	2,002

1 Patrick Cescau retired from the Board on June 20, 2019

2 Margaret Ewing joined the Board on June 20, 2019

3 Javier Ferrán joined the Board on June 20, 2019

4 Deborah Kerr joined the Board on June 14, 2018

5 James Lawrence retired from the Board on June 14, 2018

6 Dame Marjorie Scardino retired from the Board on June 20, 2019

7 Nicola Shaw joined the Board effective January 1, 2018, appointment approved by the annual Shareholders' Meeting on June 15, 2017

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, 2019, €:£ exchange rate applied is 1.1371 (2018: 1.1317).

Subject to audit**Directors' interests in shares**

	Total shares and voting rights	Percentage of capital
Antonio Vázquez	512,291	0.026
Willie Walsh	1,305,331	0.066
Marc Bolland	0	0.000
Margaret Ewing	0	0.000
Javier Ferrán	80,000	0.004
Steve Gunning	175,508	0.009
Deborah Kerr	0	0.000
Maria Fernanda Mejia	100	0.000
Kieran Poynter	15,000	0.001
Emilio Saracho	0	0.000
Nicola Shaw	1,714	0.000
Alberto Terol	26,537	0.001
Total	2,116,481	0.106

There have been no changes to the shareholdings set out above between December 31, 2019 and the date of this report.

Share scheme dilution limits

The Investment Association sets guidelines that restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10 per cent of the issued ordinary share capital and restrict the issues under the Company's discretionary schemes to 5 per cent in any ten-year period. At the annual Shareholders' Meeting on June 14, 2018 the Company was given authority to allocate up to 45,000,000 shares in 2019, 2020, and 2021. Of this a maximum of 5,100,000 shares could be allocated to executive directors under all IAG share plans for awards made during 2019, 2020, and 2021.

The highest and lowest closing prices of the Company's shares during the period and the share price at December 31, 2019 were:

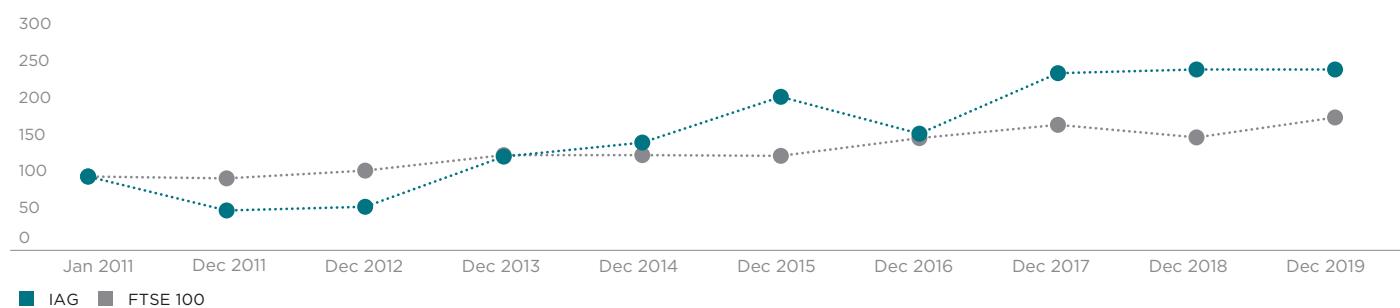
At December 31, 2019	625p
Highest in the period	668p
Lowest in the period	414p

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

The chart shows the value by December 31, 2019 of a hypothetical £100 invested in IAG shares on listing compared with the value of £100 invested in the FTSE 100 index over the same period. 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 payment as a percentage of the maximum	Long-term incentive vesting as a percentage of the maximum
2011	£1,550,000	18 per cent of maximum	35 per cent of maximum
2012	£1,083,000	No annual incentive payment	Zero vesting of long-term incentives
2013	£4,971,000	78.75 per cent of maximum	100 per cent of maximum
2014	£6,390,000	97.78 per cent of maximum	85 per cent of maximum
2015	£6,455,000	80 per cent of maximum	100 per cent of maximum
2016	£2,462,000	33.33 per cent of maximum	50 per cent of maximum
2017	£3,954,000	92.92 per cent of maximum	66.67 per cent of maximum
2018	£3,030,000	61.85 per cent of maximum	46.19 per cent of maximum
2019	£3,198,000	51.97 per cent of maximum	72.11 per cent of maximum

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 2019 compared to 2018.

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 2019.	Basic salary awards in 2019 at UK companies in the Group varied from around 2.5 per cent to 3.0 per cent.
Annual incentive	Decrease from £1,051,000 in March 2019 (covering the 2018 performance period) to £883,000 in March 2020 (covering the 2019 performance period). This represents a 16 per cent decrease.	Changes in overall annual incentive payments for 2019 versus 2018 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 £30,000 in 2019 from £27,000 in 2018.	No change in benefits policy. Overall costs 2019 versus 2018 increased slightly in line with inflation.

Relative importance of spend on pay

The table below shows, for 2019 and 2018, total remuneration costs, operating profit and dividends for the Company.

	2019	2018
Total employee costs, IAG	€4,962,000,000	€4,812,000,000
Total remuneration, directors (including non-executive directors)	€7,485,000	€7,279,000
IAG operating profit (before exceptional items)	€3,285,000,000	€3,230,000,000
Dividend declared	€288,000,000	€1,310,000,000
Dividend proposed	€337,000,000	-

Total employee costs are before exceptional items.

CEO Pay Ratio

Following UK Government changes to reporting regulations, IAG voluntarily chose to disclose the median pay ratio in last year's report in advance of the regulations being implemented. For this report, IAG will comply fully with the regulations. The table below shows the ratio of pay between the CEO of IAG and IAG's UK employees. The CEO of IAG remuneration is the 2019 'single figure' total remuneration, and this is compared to the 25th, median, and 75th percentile 2019 total remuneration of full-time equivalent UK employees in IAG. The Government's methodology "Option A" has been used to calculate the remuneration, as we believe that this is the option that most investors favour, and gives the most accurate and robust ratio. The data for the UK employees is from the payroll records of 38,781 UK employees who were in the Group during 2019.

Percentile	CEO of IAG Pay Ratio	Basic Salary, UK employees	Total Remuneration, UK employees
25 th (Lower quartile)	109:1	£20,092	£29,360
50 th (Median)	72:1	£32,290	£44,208
75 th (Upper quartile)	49:1	£46,544	£64,673

Around 98 per cent of the Group's UK employees work for British Airways. British Airways have undertaken many initiatives in recent years to ensure its lower paid workers are paid fairly.

Implementation of remuneration policy for 2020

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 2020 (which varied across the Group from 2.0 per cent to 3.0 per cent), the Board, following the recommendation of the Remuneration Committee, approved the following:

Executive director	Basic salary review
Chief Executive Officer of IAG (Willie Walsh)	£850,000 (€962,000) (no increase from 2019, owing to retirement shortly).
Chief Executive Officer of IAG (Luis Gallego)	£820,000 (€932,000) (new appointment from March 26, 2020).
Chief Financial Officer of IAG	£610,000 (€694,000) (in UK sterling terms, an increase of 2.5% from 2019).

2020 annual incentive plan

For 2020, 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 165 per cent of salary. The weighting for the IAG operating profit before exceptions measure will be 60 per cent, for role-specific objectives will be 20 per cent, and for the NPS measure will be 10 per cent. For the first time, a carbon measure will be introduced. The measure will be a flight emissions intensity measure: grammes of carbon dioxide per passenger kilometre, and the weighting will be 10 per cent. The Board, after considering the recommendation of the Committee, has approved a stretching target range for IAG operating profit before exceptions, NPS and the carbon measure for 2020 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 these measures will not be disclosed until after the end of the performance year. They will be disclosed in next year's Remuneration Report.

2020 Performance Share Plan award

The Board, on the Committee's recommendation, has approved a PSP award for 2020, with a performance period of January 1, 2020 to December 31, 2022. For 2020, the face value of awards for the Chief Executive Officer will be 200 per cent of salary and for the Chief Financial Officer 175 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 have been used since 2015.

The first is based on IAG TSR performance relative to an index. For the first time, the index will be the STOXX Europe 600 Travel and Leisure Index, as the Board believes this is a more appropriate benchmark. The target range is identical to 2019 and is outlined earlier in this report.

The second performance condition is based on adjusted EPS. The Board and the Committee have agreed that the adjusted EPS target range for the 2020 PSP award will be decreased compared to the 2019 PSP award. The adjusted EPS measure will be as follows:

Weighting	One-third
Threshold	2022 adjusted EPS of 140 €cents 10 per cent vests
Target (straight line vesting between threshold and maximum)	2022 adjusted EPS between 140 €cents and 180 €cents
Maximum	2022 adjusted EPS of 180 €cents 100 per cent vests

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

Weighting	One-third
Threshold	2022 RoIC of 14 per cent 10 per cent vests
Target (straight line vesting between threshold and maximum)	2022 RoIC between 14 per cent and 16 per cent
Maximum	2022 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 2020. Pension related benefits as a percentage of basic salary will decrease for new externally recruited executive directors as stated in the remuneration policy, and also will decrease for internal promotions on a case-by-case basis.

Non-executive director fees

Non-executive director fees were last reviewed in 2017 and remain unchanged for 2020. The fees have remained unchanged since 2011.

Payments for loss of office and payments to past directors: Willie Walsh

On January 9, 2020 it was announced that Willie Walsh has decided to retire as Chief Executive. He will step down from the Board on March 26, 2020 and remain employed by the Company until June 30, 2020 in order to support the transition and provide insight and background. In accordance with the scheme rules, Willie was granted 'good leaver' status by the Committee.

Willie Walsh received (or will receive) the payments set out below, less any required tax withholdings. All payments are in accordance with his service agreement and the Company's remuneration policy as set out in the Company's 2017 Annual Report and Accounts.

Willie will receive basic salary of £224,000, taxable benefits of £8,000, and pension benefits of £56,000 (cash allowance), after he has stepped down from the Board.

Willie Walsh holds outstanding IADP awards granted in 2017, 2018 and 2019, and is about to receive a 2020 award in respect of the deferred shares portion of the outcome of the 2019 annual incentive plan. All of these awards will remain capable of vesting in full on their normal vesting dates, in accordance with the rules of the IADP.

PSP Awards

The 2015 PSP Award shares were released at the end of the normal two-year holding period (end of 2019). Willie Walsh holds outstanding PSP awards as follows:

Award	Notes
2016 PSP Award	Shares will be released at the end of the normal two-year holding period (end of 2020)
2017 PSP Award	Shares will reflect the vesting outcome at the end of 2019, and released at the end of the normal two-year holding period (end of 2021)
2018 PSP Award	Shares will reflect the vesting outcome at the end of 2020, pro-rated to 30 June 2020 and released at the end of the normal two-year holding period (end of 2022)
2019 PSP Award	Shares will reflect the vesting outcome at the end of 2021, pro-rated to 30 June 2020 and released at the end of the normal two-year holding period (end of 2023)

The Remuneration Committee retains the authority to lapse the unvested 2018 and/or 2019 PSP awards if, at the date upon which the applicable performance conditions have been assessed, the Committee is not satisfied that Willie Walsh remains in retirement.

Travel benefits

Willie Walsh will participate in the British Airways travel benefits programme for former employees, in line with the standard approach in place.

2020 annual incentive plan

As set out earlier in this report, Willie Walsh will remain as Chief Executive Officer until March 26, 2020. He will be eligible for a 2020 annual incentive award, pro-rated to reflect the period he serves as Chief Executive Officer. Any award will be paid to him in the normal manner, with 50 per cent being deferred for three years and malus and clawback rules will apply. The relevant measures and weightings are as set out earlier in this report.

Newly appointed Chief Executive Officer and Chief Financial Officer**Chief Executive Officer (Luis Gallego)**

Luis Gallego will succeed Willie Walsh as Chief Executive Officer on March 26, 2020. The Committee carefully considered the package to be offered to Luis, in the context of the new UK Corporate Governance Code as well as the views of our shareholders and best market practice.

Upon appointment, Luis Gallego will receive a base salary of £820,000. This compares to the current salary for the CEO, who has not received or taken a salary increase since 2014, of £850,000. In addition, the pension contribution rate for Luis will be revised downward to 12.5 per cent, which is comparable to the rate for the majority of the UK workforce.

Luis will be eligible for an annual incentive award of up to 200 per cent of salary and PSP award of up to 200 per cent of salary.

Chief Financial Officer (Steve Gunning)

Steve Gunning was appointed to the Board as Chief Financial Officer on June 20, 2019. In order to reflect the size and scope of the role, as well as the appropriate market positioning, the Committee felt it was appropriate for Steve to receive a base salary of £595,000. Whilst the salary is higher than the previous CFO (whose salary was £570,000), the Committee considers that this appropriately reflects the significance of the role in unlocking current growth opportunities and delivering the Company's key strategic priorities in challenging global economic conditions. The increase also brings the CFO salary more in line with the appropriate market positioning.

In addition, the pension contribution rate for Steve will be revised downward to 12.5 per cent, which is comparable to the rate for the majority of the UK workforce.

Steve will be eligible for an annual incentive award of up to 165 per cent of salary and PSP award of up to 175 per cent of salary.

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. Marc Bolland 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.

In accordance with the 2018 UK Code, the Remuneration Committee also has responsibility to review workforce remuneration and related policies and the alignment of incentives and rewards with culture.

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 2019 were €123,118, 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, business process improvement, financial advisory work and tax to the Group in 2019. 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.

Statement of voting

The table below shows the consultative vote on the 2018 annual Directors' Remuneration Report at the 2019 annual Shareholders' Meeting, and the binding vote on the Directors' Remuneration Policy at the 2018 annual Shareholders' Meeting:

	Number of votes cast	For	Against	Abstentions/Blank
2018 Annual Directors' Remuneration Report	1,243,527,439	1,175,238,898 (94.51 per cent)	7,612,630 (0.61 per cent)	60,675,911 (4.88 per cent)
Directors' Remuneration Policy	1,463,865,426	1,396,029,011 (95.37 per cent)	13,091,180 (0.89 per cent)	54,745,235 (3.74 per cent)

Supplementary information

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, 2019	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, 2019
Executive directors									
Willie Walsh	May 28, 2015	206,060	-	-	-	-	January 1, 2020	December 31, 2024	206,060
	March 7, 2016	314,233	-	-	169,089	-	January 1, 2021	December 31, 2025	145,144
	March 6, 2017	311,355	-	-	-	-	January 1, 2022	December 31, 2026	311,355
	May 10, 2018	246,020	-	-	-	-	January 1, 2023	December 31, 2027	246,020
	March 8, 2019	-	-	-	-	299,824	January 1, 2024	December 31, 2028	299,824
Total		1,077,668	-	-	169,089	299,824			1,208,403

	Date of grant	Number of options at date of appointment	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, 2019
Steve Gunning									
	May 28, 2015	52,363	-	-	-	-	January 1, 2020	December 31, 2024	52,363
	March 7, 2016	37,621	-	-	-	-	January 1, 2021	December 31, 2025	37,621
	March 6, 2017	96,703	-	-	-	-	January 1, 2022	December 31, 2026	96,703
	May 10, 2018	77,800	-	-	-	-	January 1, 2023	December 31, 2027	77,800
	March 8, 2019	101,587	-	-	-	-	January 1, 2024	December 31, 2028	101,587
Total		366,074	-	-	-	-			366,074

The award granted on March 7, 2016 was tested at the end of the performance period, and as a result 46.19 per cent of the award vested, as detailed earlier in this report in the section on Variable pay outcomes.

The performance conditions for each of the other PSP awards listed above will be tested to determine the level of vesting. For each of these awards, one-third of the award is subject to TSR performance measured against 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: 2019: 567 pence; 2018: 691 pence; 2017: 546 pence; 2016: 541 pence; and 2015: 550 pence.

Incentive Award Deferral Plan (IADP)

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, 2015, December 31, 2016, December 31, 2017, and December 31, 2018).

Director	Relates to incentive award earned in respect of performance	Date of award	Number of awards at January 1, 2019	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of awards at December 31, 2019
Executive directors								
Willie Walsh	2015	March 7, 2016	125,693	125,693	March 7, 2019	-	-	-
	2016	March 6, 2017	51,893	-	March 6, 2020	-	-	51,893
	2017	May 10, 2018	114,297	-	March 8, 2021	-	-	114,297
	2018	March 8, 2019	-	-	March 8, 2022	-	92,720	92,720
Total			291,883	125,693		-	92,720	258,910

	Relates to incentive award earned in respect of performance	Date of award	Number of awards at date of appointment	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of awards at December 31, 2019
Steve Gunning								
	2016	March 6, 2017	16,117	-	March 6, 2020	-	-	16,117
	2017	May 10, 2018	37,603	-	March 8, 2021	-	-	37,603
	2018	March 8, 2019	32,813	-	March 8, 2022	-	-	32,813
Total			86,533	-		-	-	86,533

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 2019 IADP award was 567 pence (2018: 691 pence; 2017: 546 pence; and 2016: 541 pence).

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2016 IADP award was 541 pence. The share price on the date of the vesting of this award (March 7, 2019) was 554 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.