



**IAG** INTERNATIONAL  
AIRLINES  
GROUP

# Annual Corporate Governance Report 2023



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**Javier Ferrán**  
Chairman

# Driving a culture that ensures alignment of our purpose, values and strategy

I am pleased to present the Corporate Governance report which provides an overview of IAG's governance framework and its application during the past year, as well as the work of the IAG Board of Directors during this period.

We remain committed to delivering sustainable long-term value and positive outcomes for our people, customers, shareholders and society. As I stated in the introduction to this annual report, 2023 has been a year in which our recovery from the pandemic has allowed us to reinforce our purpose of connecting people, businesses and countries by restoring capacity, reopening routes and offering new destinations.



It has been a year of hard work for our management team, moving from business recovery to the reset and transformation of the business into a new phase for IAG which we presented to the investment community at our Capital Markets Day in November 2023. With a long-term vision and a focus on the sustainability of our business, the Board has accompanied the management team on this journey, primarily supporting but also challenging them where necessary.

We are also proud of the progress made on sustainability. Our focus is supported by the work of the Safety, Environment and Corporate Responsibility Committee, which has been valuable in providing insight into stakeholders' interests and oversight of the important sustainability and corporate responsibility work being carried out by our management team, ensuring that we are best placed to achieve our environmental and social ambitions.

The work of this and the other Board committees in 2023, as set out in their individual reports, is fundamental to supporting the Group governance framework that underpins our business model.

#### **Board composition**

There were no changes to the Board composition during the year. The Board, through the Nominations Committee, considers its composition and succession planning on an ongoing basis, including identifying those skills where enhancements to current composition should be a focus for future recruitment. We are confident that our Board brings together the range of experience and knowledge necessary for it to function properly, drawing on external advice or training in areas where specific knowledge is required or where we need to strengthen and supplement the board skills. Subject to our statutory nationality requirements, we have a fairly diverse Board, in the broadest sense, including five different nationalities and solid international experience.

#### **Management changes**

There were several key Management Committee appointments during the year. Following a period of renewal over the past three years, IAG's new management team was introduced and took part in our Capital Markets Day. The refreshed leadership team is well positioned to support our Group Chief Executive in delivering our strategic priorities. These appointments are detailed in the Nominations Committee report.

#### **Culture and diversity**

Connecting with our workforce throughout the year has supported the Board's ability to deliver on its key objective of driving a culture in IAG that ensures alignment of our purpose and values, as well as with the Group strategy.

In 2023, we built on the comprehensive workforce engagement programme previously established and continued to meet and interact with our various teams. We recognise the time and commitment that this type of programme requires, both on our part and on the part of IAG and each operating company, but we believe that the value we derive from this engagement, both for the Board and for the management team itself, more than compensates for it. The open exchange and learnings provided by these sessions will serve to accelerate the cultural and operational transformation of the business. The workforce engagement section in this report provides further detail on programme content and positive outcomes delivered.

Creating a diverse and inclusive culture continues to be a focus. We are proud of our gender representation that includes 45% female Board members, a female Senior Independent Director and three female Board advisory committee chairs. We also have one director from an ethnic minority background. Our focus and resultant Board composition ensured that we met the targets for reporting set by the UK Listings Rules and complied with the Spanish Corporate Governance Code.

Succession planning and oversight of developments under our Equity, Diversity and Inclusion Policy will continue to be a priority. At management level, a great deal of focus and effort is being put into making progress in this area and the results are beginning to show, although there is still some way to go to achieve our ambition of 40% senior leadership roles held by women by 2025 and our newly reported ethnic diversity ambition of 10% for the Group's UK senior leadership population by the end of 2027. Beyond these aspirations, the Nominations Committee has given priority in recent years to overseeing the detailed work on equity, diversity and inclusion, which is substantial, as well as the work completed on talent development and succession programmes.

#### **Board evaluation**

Reflecting our commitment to good governance, the Nominations Committee oversaw the evaluation of the performance of the Board and all our committees, which we conducted internally under my leadership as Chairman of the Board, supported by the Board Secretariat. The outcomes and details of the process are provided later in this report.

Our robust and efficient governance processes underpin our ability to live our values and deliver our strategy. The Board is committed to ensuring that we continue to maintain high standards of corporate governance and business conduct so that we can create long-term sustainable value for our shareholders, taking into account the interests of all our stakeholders.

Our people remain at the heart and centre of our business. On behalf of the Board, I would like to express my ongoing appreciation for their efforts and commitment during this transformative year. I would also like to thank my Board colleagues for their continued support and dedication.

**Javier Ferrán**  
Chairman







# Our Board of Directors

## 1. Javier Ferrán N

### Key areas of experience:

Consumer, finance, sales/marketing, governance

### Current external appointments:

Chairman, Diageo Plc. Senior advisor to BlackRock Long Term Private Capital and director of investee company.

### Previous relevant experience:

Non-executive director, Coca Cola European Partners Plc 2016-2020. Chairman of Supervisory Board, Picard Surgelés 2010-2020. Member, International Advisory Board ESADE 2005-2019. Non-executive director, Associated British Foods plc 2005-2018. Non-executive director, Desigual SA, 2014-2017. Non-executive director, SABMiller plc 2015-2016. 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, Chupa Chups SA 2000-2003. Partner, Lion Capital LLC 2005-2018. President EMEA, President and CEO, Bacardi Group 1992-2004.

## 2. Luis Gallego

### Key areas of experience:

Airline industry, general management

### Current external appointments:

Member of the Board of Governors and Member of the Chair Committee, IATA.

### Previous relevant experience:

Chairman and CEO, Iberia 2013-2020. CEO, Iberia Express 2012-2013. Chief Operating Officer, Vueling 2009-2012. Founder of Clickair 2006-2009.

## 3. Nicola Shaw R S

### Key areas of experience:

Transport sector, public policy and regulatory affairs, consumer, safety and environment operational management

### Current external appointments:

Chief Executive, Yorkshire Water.

### Previous relevant experience:

Executive Director, National Grid plc 2016-2021. Non-Executive Director Ellevio AB 2015-2017. CEO, HSI Ltd 2011-2016. Non-Executive Director, Aer Lingus Plc 2010-2015. Director and previously other senior positions FirstGroup plc 2005-2010. Director of Operations and other management positions Strategic Rail Authority 2002-2005. Deputy Director and Deputy Chief Economist, Office of the Rail Regulator (ORR) 1999-2002.

## 4. Maurice Lam A S

### Key areas of experience:

Professional services, financial accounting, audit and compliance in the banking industry

### Current external appointments:

Independent Director, Chairman of the Audit Committee and Member of the Board Risk Committee, Bank of China (Europe) S.A. Independent director and Chairman of the Audit & Compliance Committee of Banque Internationale à Luxembourg S.A.

### Previous relevant experience:

Independent Director, Chairman of the Audit Committee and Member of the Board Risk Committee of Quintet Private Bank (Europe) S.A. 2015-2020. Member of the Board of Directors of LuxConnect S.A., a Luxembourg State owned Company, acting as a business enabler in the ICT market 2013-2016. Independent Director, Generali Fund Management S.A. 2013. Deloitte Luxembourg, Managing Partner and CEO, 2000-2010, Head of Audit 1993-2000, Audit Partner, Financial Services 1988-1993 ; Deloitte & Touche UK 1979-1985.

## 5. Giles Agutter N S

### Key areas of experience:

Airline industry

### Current external appointments:

CEO, Southern Sky Ltd. Director, JSX Airlines.

### Previous relevant experience:

Non-executive director, LATAM Airlines Group 2017-2020. Non-executive director, Air Italy 2017-2020.

## 6. Eva Castillo A R

### Key areas of experience:

Financial sector, telecoms sector

### Current external appointments:

Non-executive director, Caixabank. Trustee of the Council for Economy of the Holy See (Vatican), Trustee of the Board of the Comillas ICAI Foundation. Member of Entreculturas Foundation. Member of Advantere School of Management.

### Previous relevant experience:

Non-executive director, Zardoya Otis 2019-2022. Non-executive director, Bankia 2012-2021. Chair Telefónica Deutschland AG. 2012-2018. Non-executive director, Telefónica, S.A. 2008-2018. Non-executive director VISA Europe Plc 2014-2017. President and CEO, Telefónica Europe 2012-2014. Non-executive director, Old Mutual Plc 2011-2013. President and CEO Merrill Lynch Capital Markets, Spain 1999-2006. President and CEO, Merrill Lynch, Wealth Management EMEA 2006-2009.

### Key

<span>●</span>	Committee Chair
<span>A</span>	Audit and Compliance Committee
<span>N</span>	Nominations Committee
<span>R</span>	Remuneration Committee
<span>S</span>	Safety, Environment and Corporate Responsibility Committee

## 7. Heather Ann McSharry N R

### Key areas of experience:

General management, pharmaceuticals/health care, financial services, consumer products, food and construction industry sectors, governance

### Current external appointments:

Non-executive director, Chair of Nominations and Governance Committee, Jazz Pharmaceuticals Plc.

### Previous relevant experience:

Non-executive director, CRH plc 2012-2021. Non-executive director, Greencore plc 2013-2021. Non-executive director, Uniphar Plc 2019-2020. Non-executive director, Bank of Ireland Plc 2007-2011. Chairman, Bank of Ireland Pension Fund Trustee Board 2011-2017. Managing Director, Reckitt Benckiser Ireland 2004-2009. Managing Director, Boots Healthcare Ireland 1998-2004.

## 8. Emilio Saracho R S

### Key areas of experience:

Banking, corporate finance, investment management

### Current external appointments:

Senior Advisor, Altamar Capital Partners.

### Previous relevant experience:

Non-executive director, Inditex 2010-2023. Chairman, Banco Popular Español 2017. Vice Chairman and Member Investment Banking Management Committee, JP Morgan 2015-2016. Deputy CEO EMEA 2012-2015, Co-CEO Investment Banking for EMEA 2009-2014, JP Morgan. CEO, JP Morgan Private Banking for EMEA 2006-2008. Director, Cintra 2008. Director, ONO 2008. Chairman, JP Morgan Spain & Portugal 1998-2006. Global Investment Banking Head, Santander Investment (UK) 1995-1998. Head Corporate Finance Iberia, Goldman Sachs International 1990-1995.

## 9. Robin Phillips S

### Key areas of experience:

Finance, airline industry and transportation

### Current external appointments:

Chairman, Development Funding Board, Pancreatic Cancer UK. Senior Advisor, Circadence Corporation (US). Board member, IR - Scientific (Canada).

### Previous relevant experience:

Global Head/Co-Head of Corporate and Investment Banking, Head of Global Banking and Markets (Hong Kong), Group Head Climate committee, Head of Global Industries Group, Head of Transport, Services and Infrastructure, HSBC 2003-2019. Global Co-Head of Transport & Infrastructure Group, Citigroup 1999-2003. Executive Director, Transportation and Aviation Investment Banking, UBS Warburg 1992-1999. Assistant Director, Capital Markets, Kleinwort Benson 1985-1991.

## 10. Peggy Bruzelius A N

### Key areas of experience:

Financial services, corporate finance

### Current external appointments:

Non-executive director, Orrön Energy AB. Chair, Lancelot Holding AB. Member, the Royal Academy of Engineering Sciences.

### Previous relevant experience:

Non-executive director, Skandia Mutual Life Insurance 2012-2022. Non-executive director, Lundin Energy AB 2012-2022. Chair, Swedish National Agency for Higher Education 2008-2011. Member Board of Trustees, Stockholm School of Economics 2000-2011. Various Corporate Boards, Trygg Hansa Liv AB, Celsius AB, AB Ratos, Scania AB, The Body Shop Plc, Axel Johnson AB, Axfood AB, Husqvarna AB 1992-2019. Senior Independent Director, AB Electrolux 1996-2012. Non-executive director, Syngenta AG 2001-2014. Non-executive director, Diageo plc 2009-2018. Non-executive director, Akzo Nobel nv 2007-2019. Executive Vice President, Head of Asset Management Skandinaviska Enskilda Banken 1997-1998. CEO, ABB Financial Services AB 1991-1997.

## 11. Margaret Ewing A N

### Key areas of experience:

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

### Current external appointments:

Senior Independent Director and Chair of the Audit and Risk Committee, ConvaTec Group Plc. Non-executive director and Chair of the Audit and Risk Committee, ITV Plc.

### Previous relevant experience:

Trustee and Chairman of the Finance and Audit Committee, Great Ormond Street Hospital Children's Charity 2015-2020. Non-executive director, Standard Chartered Plc 2012-2014. Independent external member of the Audit and Risk 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.

### Key

<span>●</span>	Committee Chair
<span>A</span>	Audit and Compliance Committee
<span>N</span>	Nominations Committee
<span>R</span>	Remuneration Committee
<span>S</span>	Safety, Environment and Corporate Responsibility Committee

# Corporate Governance

## Statement of compliance with applicable corporate governance codes

IAG is incorporated and listed in Spain and is subject to Spanish legislation and corporate governance requirements. The Corporate Governance Report details its compliance with the Spanish Good Governance Code of Listed Companies, last updated and published by the Spanish Comisión Nacional del Mercado de Valores (CNMV) in June 2020, and available on its website ([www.cnmv.es](http://www.cnmv.es)).

IAG is also listed on the London Stock Exchange, and is 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). A copy of the current version of the UK Corporate Governance

Code, updated and published in July 2018, is available on the website of the FRC ([www.frc.org.uk](http://www.frc.org.uk)).

IAG has prepared a consolidated Corporate Governance Report responding to both Spanish and UK reporting requirements, which is available on the Company's website ([www.iairgroup.com](http://www.iairgroup.com)), as well as on the CNMV website ([www.cnmv.es](http://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. This Corporate Governance Report is part of the IAG Management Report for the year 2023.

In addition, and as required by the UK Listing Rules, this Report includes an explanation regarding the Company's application of the principles of the UK Corporate Governance Code and how

it has complied with its supporting provisions during the year. Details of where key information can be found are provided below.

During 2023, IAG fully complied with all applicable recommendations of the Spanish Corporate Governance Code; even though the Company acknowledges that, due to applicable legal and regulatory requirements of the aviation sector, the Company's Bylaws contain certain share ownership restrictions which are contrary to the provisions of the first recommendation of the Spanish Code.

The Company confirms that it applied the principles and complied with all the provisions of the UK Corporate Governance Code in the reporting period.

## Applying the principles of the UK Corporate Governance Code

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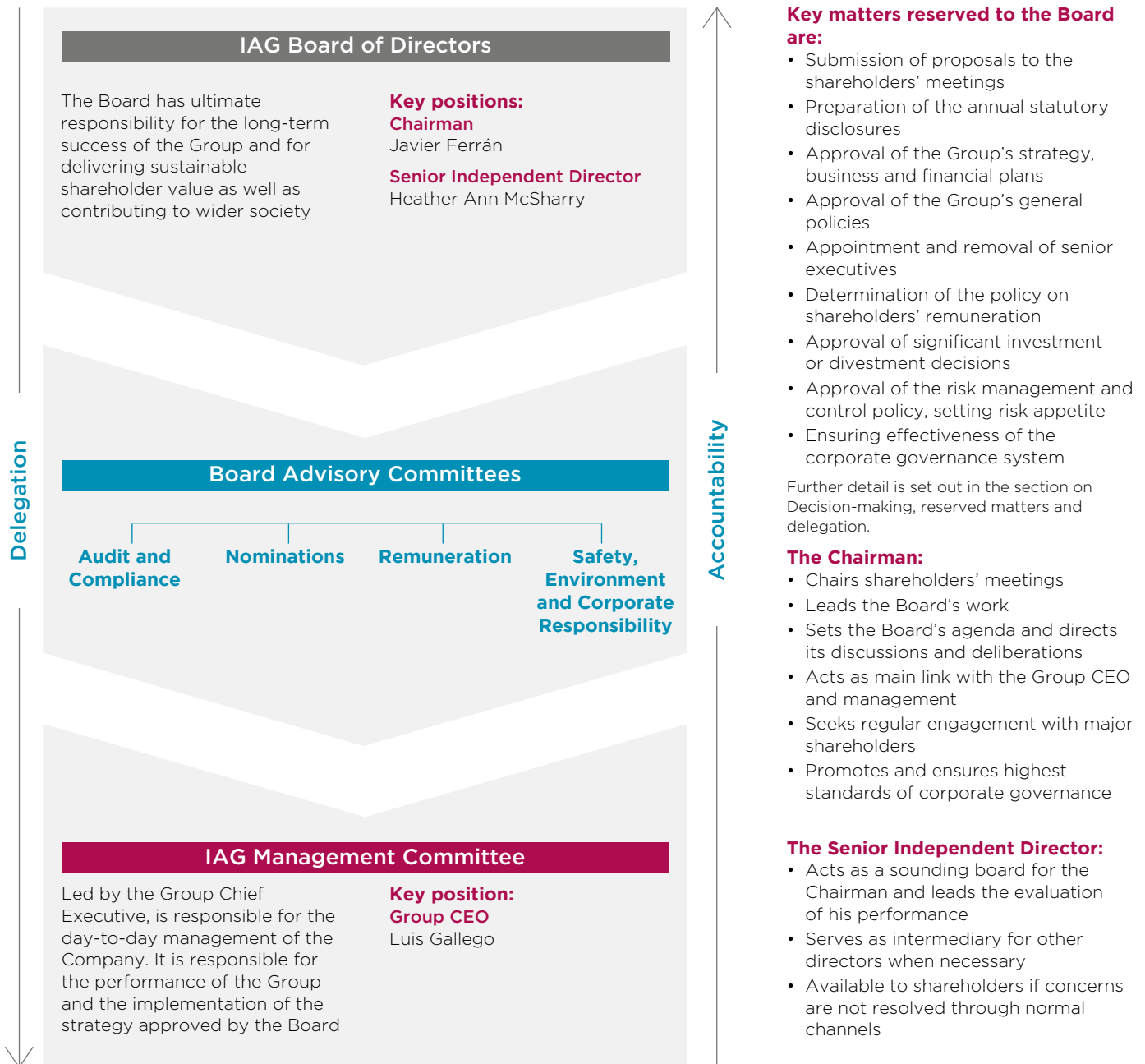
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# IAG governance framework and division of responsibilities



The corporate governance framework was last approved by the Board on 25 February 2021

## Group structure

IAG, as the Group's parent company, is responsible for defining the Group's long-term strategy, as well as setting performance targets, monitoring their progress and allocating capital within the Group. IAG's light central structure drives portfolio and financial strategy, oversees intragroup coordination to maximise value creation, manages central functions, including the development of its common integrated platform, and facilitates the sharing of best practice, innovation and synergies of scale.

Each operating company has an individual brand and cultural identity, and customised business model. Each is responsible for executing its strategy, accountable for its results and has its own board of directors and management committee, led by the top executive of each company. Matters are only executed centrally where it provides additional value and where centres of excellence have been created. While each of our airlines possess its own distinctive proposition, IAG enables them to work together towards a common goal.

Further details on the Group structure can be found in the Business Model section within the Strategic report.

## Board of Directors: division of responsibilities

The IAG Board is responsible for establishing the Company's purpose, values and strategy, promoting its culture, overseeing the business and its performance, as well as for the Group's long-term sustainable success. As stated in the Board Regulations, which are available on the Company's corporate website ([www.iairgroup.com](http://www.iairgroup.com)), the Board endeavours to reconcile the corporate interest with the legitimate interests of the employees, suppliers, customers, and other affected stakeholders, also taking into consideration the impact of its activities on the community as a whole and on the environment. Examples of this long-term focus and consideration of stakeholders' interest are discussed further in this report and in the stakeholder engagement section.

Consistent with its governance role, the Board of Directors retains a schedule of matters reserved for its decision, as detailed in article 3.4 of the Board Regulations.

The Board has four advisory committees that provide dedicated focus on a number of areas. Each Board committee comprises non-executive directors only and has an experienced independent non-executive chair. Copies of the minutes of all committees' meetings as well as the documents distributed ahead of each committee meeting are made available to all Board members.

The different Board positions and their respective responsibilities are detailed in the Board Regulations. The Board has also approved separate regulations for each of the Board committees. These regulations are also available on the corporate website. The roles, membership and activities of these committees during 2023 are described in the individual reports within this Corporate Governance report.

There is a clear separation of the roles of the Chairman and the Group Chief Executive, their main responsibilities are established in articles 5 and 6 of the Board Regulations. The Chairman is responsible for the operation of the Board and for its overall effectiveness in directing the Company. The Group Chief Executive and his management team are 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 Group Chief Executive save for those which cannot be delegated pursuant to applicable legislation, the Company Bylaws, or the Board Regulations.

# Board composition

The IAG Board comprises eight independent non-executive directors, one of which is the Chairman, two proprietary non-executive directors (as described below), and one executive director, IAG's Group Chief Executive. The biographies of each member of the Board are set out in the Board of Directors section.

There were no changes to the Board composition during 2023.

As set out in the Company's Bylaws, the Board shall comprise a minimum of nine and a maximum of 14 members. As of 31 December 2023, the Board composition was:

Name of Board Member	Position/Category	First appointed
Javier Ferrán	Chairman	20 June 2019
Luis Gallego	Group Chief Executive	8 September 2020
Heather Ann McSharry	Senior Independent Director	31 December 2020
Giles Agutter	Director (proprietary)	8 September 2020
Peggy Bruzelius	Director (independent)	31 December 2020
Eva Castillo	Director (independent)	31 December 2020
Margaret Ewing	Director (independent)	20 June 2019
Maurice Lam	Director (independent)	17 June 2021
Robin Phillips	Director (proprietary)	8 September 2020
Emilio Saracho	Director (independent)	16 June 2016
Nicola Shaw	Director (independent)	1 January 2018

The Board Secretary is Álvaro López-Jorrín, partner of the Spanish law firm J&A Garrigues, S.L.P. and the Deputy Secretary is Lucila Rodríguez. The Group Chief Financial Officer, Nicholas Cadbury, and the Group General Counsel, Sarah Clements, also attend Board meetings.

## Directors' independence

The Board, as reported by the Nominations Committee, reviewed directors' independence at its meeting held on 18 January 2024. It is satisfied that those directors classified as independent are free from any business or other relationship that could materially interfere with exercising an independent judgement, both as a question of character and judgement. Further details are provided on conflicts of interest and independence of directors later in this report and in the Nominations Committee report.

The Chairman was considered independent on appointment and neither he nor any of the non-executive directors has exceeded the maximum nine-year recommended term of service set out in the UK Corporate Governance Code. The longest serving director, Emilio Saracho, has served on the Board since 2016.

## Appointment, re-election, resignation, and removal of directors

The selection and appointment process is described 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 a Nominations Committee proposal in the case of independent directors, or its recommendation for all other categories of directors. This proposal or recommendation 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 this, a director must resign under article 17.2 of the Board Regulations, when, amongst other matters, the director ceases to have the good standing, suitability, reliability, competence, availability or commitment to office necessary to be a director of the Company or when his or her remaining on the Board might affect the Company's credibility or reputation or otherwise jeopardises its interests.

According to article 24.2 of the Board Regulations, directors have several disclosure obligations, including the duty to inform the Company of any situation in which they are involved which may seriously affect the reputation of the Company, in particular if they are involved in any investigation in a criminal proceeding. In such circumstances, the Board would consider the case as soon as practicable and adopt the decisions it deems fit, following a report by the Nominations Committee and taking into account the corporate interest.



The Board may only propose the removal of a non-executive director before the end of a term if, after receiving a report from the Nominations Committee, it considers there is just cause. For these purposes, just cause is deemed to exist when the director takes up new positions or enters into new obligations that prevent the director from dedicating the necessary time to the performance of their duties as a director, otherwise breaches their duties as a director or unexpectedly becomes subject to any of the circumstances set out in article 17.2 of the Board Regulations.

The removal may also be proposed as a result of a takeover bid, merger or other similar corporate transactions that results in a material change of control.

The rules on the actions and communication required from a director who stands down before the end of the term in office, are set out in the Board Regulations.

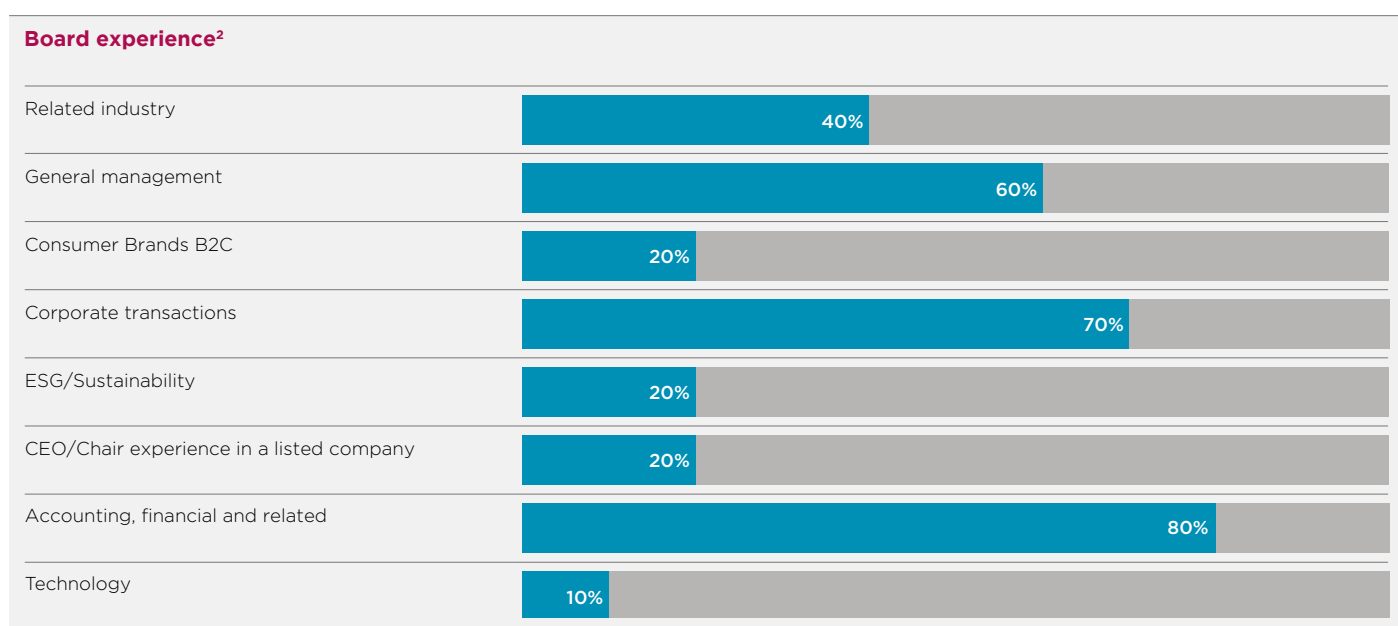
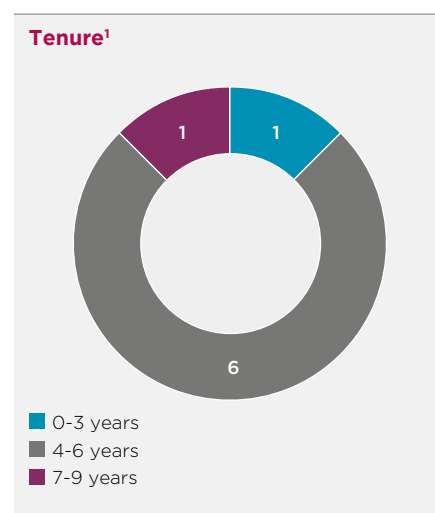
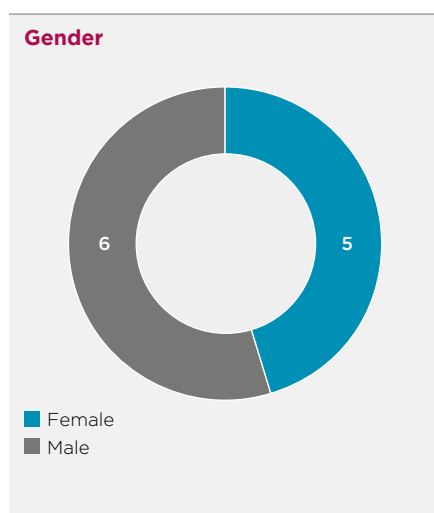
**Diversity**

The Board has a balance of members with more than 40% being women, with a woman as the Senior Independent Director and women chairing Board advisory committees. At least one

member of the Board is from an ethnic minority background.

The Board supports diversity in a broader context, considering several factors to optimise board composition. In addition to skills, gender and experience, the Board ensures compliance with regulatory requirements including the need to have more than half the Board comprised of independent EU nationals.

Further details on the Equity, Diversity and Inclusion Policy, can be found in the Nominations Committee report.



1 Tenure, which is as at the 2024 Annual General Meeting, comprises solely of independent non-executive directors, including the Chairman (eight directors). The three remaining directors' tenure is less than four years  
 2 Non-executive directors only

# Board leadership and company purpose

IAG's purpose – 'To connect people, businesses and countries' – underpins the Group's vision to be a world-leading airline group on sustainability, maximising sustainable value creation for its shareholders. IAG continues to use its unique business model to pursue this purpose and vision, whilst delivering sustainable value for customers, its people, its shareholders and the communities it serves.

By connecting people, businesses and countries, the Group can provide the jobs, prosperity and cultural benefits that travel has always created.

The Board believes that IAG can achieve its purpose and vision by promoting the Group's common values of commitment, pragmatism, execution, ambition, resilience, and being a challenger and innovator, a team player, responsible and people-focused. The focus on corporate culture and values is an essential element in the continued transformation and execution of the Group's strategy.

Further detail on IAG's purpose and values can be found throughout this annual report, including in the People section.

## **Corporate culture**

As a Board, we have continued to focus on culture and ways of working within the Group as we invest in both our people and the business.

Complementing the Group's common values, each operating company and platform business has its own corporate culture and values which support its unique brand, business, customer, and employee propositions. All our operating companies and platform businesses remain focused on building and embedding the culture needed to enable our businesses to be competitive, achieve our transformation agenda and provide a great working environment in which all colleagues can thrive.

In 2023, the Board continued to review progress on culture, supporting management's focus on transforming IAG's culture and continuing to focus on building an inclusive, supportive, and healthy working environment. During 2023, the Board considered the outcome of the latest Organisational Health Index (OHI) survey completed by all employees in May and the follow-up pulse survey undertaken in November, including the insights from operating companies and the agreed priorities for improving culture, ways of working and shaping people strategies.

Further, through the enhanced workforce engagement activity highlighted in this report, representatives of the Board have heard first hand from employees across the Group on their experience of working within IAG, the prevailing culture and areas where improvements to current practices have been suggested.

At the Board strategy meeting held in September 2023, specific focus was placed on people and culture. Individual operating company plans were also reviewed to understand the extent to which their people transformation priorities and plans supported the delivery of the operating company strategy.

The Nominations, the Remuneration and the Safety Environment and Corporate Responsibility Committees received updates on a range of workforce and people topics including talent and succession planning, inclusion and diversity, and workforce remuneration.

## **Investment in the workforce**

Group companies invest in their employees through training and development programmes, as well as through healthcare and wellbeing programmes. Specific conditions are set and managed within each operating company, enabling them to put in place appropriate programmes to reflect their specific operating model and local market conditions.

Across the Group we look to ensure that all rewards and benefits are simple, clear, competitive, and fair. Collective bargaining arrangements are in place for 87% of the workforce. We work closely with employee representatives to consult on reward matters. For those outside collective agreements, we benchmark roles and rewards against local markets to ensure they remain attractive and competitive.

Further information on workforce remuneration can be found in the Directors Remuneration Report.

# Decision making and stakeholder interests

## Section 172 Statement (and compliance with article 3.6 of IAG's Board of Directors' Regulations)

Section 172 of the UK Companies Act 2006 requires directors of a company to promote the long-term success of the company for the benefit of its members and to consider the interests of other stakeholders in their decision making. This is in line with Recommendation 12 of the Spanish Corporate Governance Code, which is reflected in article 3.6 of our Board of Directors' Regulations.

Given the nature of our business, we understand the importance of stakeholder engagement to inform our strategy and the way in which we operate. This section describes how the directors in their deliberations and decision-making, consider the interests of stakeholders to create value and promote the long-term success of the Company. As these interests can conflict, the directors need to balance stakeholder interests with the corporate interest, including consideration of the impact of activities on the environment and communities in which we operate. During the reporting period, the directors acted in good faith, with unity of purpose and independent judgement, upholding high standards of business conduct and treating shareholders fairly.

Feedback from stakeholders received by various parts of the business helps to inform decisions overseen by the Board. Where relevant, the views of stakeholders are embedded in the proposals presented to the Board for consideration or decision. In addition, the diverse set of skills, knowledge and experience of the Board members enables them to apply the appropriate level of rigorous challenge and evaluation to decisions.

Further details on how the provisions of Section 172 were considered can also be found throughout the Strategic and Corporate Governance reports. The Board of Directors' Regulations as well as the Group policy on delegation and decision making ensures that relevant matters are escalated to the Board for consideration and that information is provided to directors with sufficient time for their analysis and consideration. Directors also participate in the design of the Board plan of activities for the year, setting the priorities for the Board and including any areas of interest requested by directors. Further information is provided in the Information and training section in this report.



**Board decisions, corporate interest and stakeholders**

The table below outlines how the provisions of section 172 (1) of the UK Companies Act and article 3.6 of the IAG Board of Directors Regulations are considered by the Board.

Section 172 (1) provision	Description of Board activity supporting decisions	Further information in the Annual Report and the Company's website
a <b>Decisions for the long term</b>	<ul style="list-style-type: none"> <li>• Strategy meeting considered current strategic priorities taking account of market and industry trends and their medium to longer-term implications</li> <li>• Monitored progress against strategic priorities through updates on the key transformation projects</li> <li>• Reviews the allocation of capital and the capital structure of the company at least once per year</li> <li>• Specific session at Strategy meeting on sustainability and environmental matters considered throughout the year, including in relation to investment decisions</li> <li>• Considered risk and risk appetite, business plans and viability statement over a three-year period to 2026</li> </ul>	<ul style="list-style-type: none"> <li>• Business model</li> <li>• Strategic priorities</li> <li>• Sustainability</li> <li>• Operating company annual reports</li> <li>• Examples of relevant decisions taken during the year</li> </ul>
b <b>Employee interests</b>	<ul style="list-style-type: none"> <li>• Results and regular updates on Group-wide OHI surveys covering culture, management practices as well as how feedback would be used to strengthen, progress and embed organisational transformation, people and culture strategies</li> <li>• Designated non-executive directors carried out structured workforce engagement visits, reporting back to the Board on key emerging themes</li> <li>• Regular updates on relevant discussions with unions and works councils</li> <li>• Updates on organisational transformations and major change programmes</li> <li>• Review of management succession planning</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder engagement</li> <li>• Corporate Governance report (workforce engagement)</li> </ul>
c <b>Business relationships with suppliers, customers and others</b>	<ul style="list-style-type: none"> <li>• Regular reports from the operating companies on customer engagement as part of business reports</li> <li>• Regular updates on corporate affairs, including regulatory challenges and engagement with governments and regulatory bodies, as well as any relevant matters regarding suppliers</li> <li>• Updates from operating company CEOs on customer initiatives</li> <li>• Briefing on suppliers to Safety, Environment and Corporate Responsibility (SECR) Committee in relation to modern slavery and generally in relation to suppliers' environmental matters.</li> <li>• Updates from the Head of Fleet Investments on aircraft and engine manufacturer engagement when considering aircraft purchases and specific briefings relating to quality or supply issues</li> </ul>	<ul style="list-style-type: none"> <li>• Business model</li> <li>• Stakeholder engagement</li> </ul>
d <b>Community and environment impact</b>	<ul style="list-style-type: none"> <li>• Regular reports from operating company CEOs, the Chief People, Corporate Affairs and Sustainability Officer, the Group Head of Sustainability and management responsible for sustainability matters</li> <li>• Ongoing work of the SECR Committee to oversee and monitor progress on the sustainability agenda</li> <li>• Investment decisions all take account of impact on environment and other sustainability matters, as applicable</li> </ul>	<ul style="list-style-type: none"> <li>• Business model</li> <li>• Stakeholder Engagement</li> <li>• Strategic report</li> <li>• SECR Committee report</li> <li>• Group consolidated statement of non-financial information</li> </ul>
e <b>Reputation for high standards of business conduct</b>	<ul style="list-style-type: none"> <li>• Group Chief Executive reports highlighting key market issues, including regulatory or operational matters</li> <li>• Appropriate escalation from operating companies of key metrics tracking feedback from customers and employees</li> <li>• Regular feedback from Investor Relations on the status of shareholder relations, monitoring movements in the shareholder base, and discussions with key shareholders</li> <li>• Remit and work of the Audit and Compliance and SECR Committees supports standards of business conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder engagement</li> <li>• Audit and Compliance Committee report</li> <li>• SECR Committee report</li> </ul>
f <b>Fairness between shareholders</b>	<ul style="list-style-type: none"> <li>• Related party transactions involving key shareholders follow a review process, detailed further in the Corporate Governance report</li> <li>• Chairman and chair of the Remuneration Committee met with shareholders during the year</li> <li>• Hybrid Annual General Meeting format to encourage and enable wider retail and institutional shareholder participation given that many are in the UK or US</li> <li>• Regular Investor Relations updates as under (e) above</li> </ul>	<ul style="list-style-type: none"> <li>• Business model</li> <li>• Stakeholder engagement</li> <li>• Strategy</li> <li>• Remuneration Committee report</li> <li>• Corporate Governance report (Directors' duties, conflicts of interest and related party transactions)</li> </ul>

### Examples of relevant decisions taken during the year

In each instance, the Board was provided with a detailed analysis of the proposal, including potential alternatives, feasibility and risk assessment, as well as synergies across the Group.

Acquisition of aircraft	Lounge investments	Acquisition of Air Europa
<p>The Board approved several proposals to purchase aircraft including 10 A320neos, with no designated airline beneficiary, six Boeing 787-10s for British Airways and one Airbus A350-900 for Iberia</p>	<p>The Board approved a move of the Aer Lingus lounge terminal at John F. Kennedy International Airport (JFK) and an investment in British Airways' lounge facilities at Miami International Airport</p>	<p>The Board approved the acquisition of the remaining 80% of Air Europa, and the agreement was signed on 23 February 2023. Completion is subject to regulatory approval</p>
<p><b>Section 172(1) provisions</b></p>	<p><b>Section 172(1) provisions</b></p>	<p><b>Section 172(1) provisions</b></p>
<p>(a), (c), (d)</p>	<p>(a), (b), (c), (d), (e)</p>	<p>(a), (b) (c), (d), (e)</p>
<p><b>Considerations</b></p>	<p><b>Considerations</b></p>	<p><b>Considerations</b></p>
<ul style="list-style-type: none"> <li>• Alignment to each airline's strategic objectives</li> <li>• Securing commercially attractive and competitively priced terms</li> <li>• Alignment with IAG's environmental commitments, including zero emissions by 2050</li> <li>• Replacing older generation aircraft with more fuel-efficient aircraft generates significant fuel and maintenance costs savings, and improved reliability</li> <li>• Improved utilisation of on-board space provides increased revenues and decreased costs and emissions per seat</li> <li>• Improved customer experience both in airline and service levels, and responding to environmental concerns expressed by customers</li> <li>• Sources of financing to meet the substantial payment obligations, with a potential consequential impact on existing debt providers. Related capital expenditure will mostly align to delivery of aircraft</li> <li>• For Iberia, the A350-900 is an efficient aircraft in terms of cabin layout and fuel consumption, and the backbone of Iberia's transformation through fleet renewal to meet its medium-term objectives</li> <li>• For British Airways, the B787-10 provides improved efficiency and carbon intensity. Overall emissions are impacted by the high premium seat configuration, with decisions based on customer market segment drivers at the time</li> </ul>	<p><b>Aer Lingus lounge move at JFK</b></p> <ul style="list-style-type: none"> <li>• JFK is the flagship North American route for Aer Lingus, with ambition for further growth</li> <li>• Supports long-term stability and future growth for Aer Lingus in JFK with potential for other Group airlines</li> <li>• Attractive alternative from a cost/revenue perspective</li> <li>• Provides ability to maintain current customer proposition accommodating current schedule and enables growth of future additional services</li> <li>• Facilitates excellent customer experience through continued provision of a dedicated lounge</li> <li>• Incorporates sustainability goals and requirements into the design and future operational planning</li> </ul> <p><b>British Airways Lounge in Miami</b></p> <ul style="list-style-type: none"> <li>• Alignment with British Airways' strategy to operate a lounge in its most important locations</li> <li>• Improves customer experience as current offering was an inconvenient distance to British Airways' gates, and the new lounge will be within one minute walking distance</li> <li>• Enables British Airways to control and enhance the entire customer proposition</li> <li>• Increases customer satisfaction and strengthens market position</li> <li>• Benefit to other Group operating companies from lounge access</li> <li>• Lease, construction and operating costs in line with overall Group strategy and business plan</li> </ul>	<ul style="list-style-type: none"> <li>• The addition of Air Europa aligns to the Group's strategic objectives. It is a good strategic fit and we have a strong record of successful acquisitions</li> <li>• Transforms IAG's Madrid hub into a true rival to Europe's four largest hubs, benefiting consumers and the wider Spanish market</li> <li>• Re-establishes IAG as a leader in the highly competitive Europe to Latin America and Caribbean markets providing increased access for customers, unleashing further network growth</li> <li>• Significant customer benefits through increased choice and schedule flexibility and greater opportunities to earn and redeem miles</li> <li>• Financial impact of transaction on current and future objectives, including deferral of the purchase price until approval together with staggered payment terms</li> <li>• Significant synergy potential across the Group including the addition of reciprocal intra-Group codeshares across all connecting gateways</li> <li>• Remedy package still under discussion to address regulatory concerns</li> </ul>

### **Decision-making, reserved matters and delegation**

The IAG Board has delegated the day-to-day management of the Company to the Group Chief Executive and the Group's management team but it has reserved authority for itself on several matters, including three key areas as set out below:

- approval of the Group strategy and the supervision of its implementation, which entails the approval of the business plan, management objectives and annual financial plan, monitoring of the internal information and control systems, and of the risk management framework and processes;
- approval and compliance oversight of the Group general policies including: the investment and financing policy; the enterprise risk management policy; the corporate responsibility or sustainability policy; and
- according to certain quantitative thresholds, the approval of contractual commitments, asset acquisition or disposals, capital expenditures, borrowings, or equity investments.

The Group's decision-making process is regulated by an internal policy covering the IAG Board, the IAG Management Committee as well as the boards of the main subsidiaries. In addition, another policy regulates the Group's investment process. This authority framework and the support provided by the Board advisory committees underpin the effective operation of the governance system.

As indicated above, there are occasions where the Board may have to make decisions balancing the competing priorities of stakeholders. The principles set out in article 3.6 of our Board Regulations, which align with those reflected in section 172 of the UK Companies Act, are embedded throughout the Group's decision-making processes.

### **Stakeholders' interests**

Day-to-day stewardship of stakeholder relationships is delegated to management, with the Board having a supervisory role based on the information provided and discussions held with management teams. In addition to this, the Board has direct engagement with the Company's shareholders and with the workforce as recommended by the UK Corporate Governance Code.

Information on the Board's engagement with the workforce is provided in the workforce engagement section of this Corporate Governance report.

More information on our stakeholders and our engagement with them can be found in the Stakeholder engagement section of this annual report.

### **Shareholders and investors**

Shareholder interests are key in the Board's considerations. The Board maintains a direct and active dialogue with shareholders and investors mainly through the Group Chief Executive and the Group CFO, who meet with shareholders and investors on a regular basis, as well as through the Chairman, the SID or the committee chairs as appropriate. The Board is regularly apprised of shareholders' feedback and the main issues discussed with shareholders and investors.

In addition, the Chair of the Remuneration Committee held meetings with investors as detailed in the Directors' Remuneration Report. Non-executive directors had the opportunity to meet shareholders at the shareholders' meeting held in June, as well as during the Capital Markets Day held in November.

This was the first time since the pandemic that IAG had hosted a Capital Markets Day. Presentations and a recording from the day are available to view on our website. Discussions were led by the Group Chief Executive, highlighting our focus on maximising shareholder returns underpinned by the four near-term strategic priorities and capital discipline together with a strong balance sheet. The event provided an opportunity for our institutional shareholders to connect with management and to obtain a deeper understanding of how our stated priorities translate to the operating companies' activities to achieve both transformation, innovation, and growth. Shareholders were able to hear from and ask questions of the Group Chief Executive, Group Chief Financial Officer, and other members of the IAG Management Committee, including the Chief Executives of the operating companies.

Positive feedback was received that focused on the new strategic insights, in particular around the Group's markets and networks, the increasing value of the Spanish businesses, as well as the attractiveness of IAG Loyalty. The information provided on financial targets was also well-received. On the other hand, analysts and investors noted that the higher level of investment would have a detrimental short-term impact on margins and free cash flow.

Additional information can be found in the Stakeholder engagement section of this annual report.

### **Workforce engagement**

The designated directors visited our operating companies and platform businesses across IAG, to meet a variety of employees and leaders in their work context with the goal of better understanding first-hand the challenges and opportunities of the different businesses, employee issues and levels of engagement. These visits continue to be valuable in understanding what matters to colleagues across the business, from ground and flight operations to our customer support and corporate teams, and with a mix of new recruits and colleagues with long tenure reflecting the changing composition of the Group's workforce.

Eva Castillo is the director responsible for coordinating the workforce engagement. She has been supported during 2023 by Heather Ann McSharry, Maurice Lam, Emilio Saracho and Nicola Shaw.

In 2023, the designated directors conducted eight engagement visits, meeting colleagues across all operating companies and across our four main hubs (London, Madrid, Dublin and Barcelona).

Board members noted the progress made on transformation across all areas and the increased focus on the people agenda and in improving organisational health and culture. The Board was impressed with the high levels of pride and commitment across all sites.

Whilst each visit highlighted some specific local challenges, several key themes emerged. These included: communication, investment in facilities and IT, flexible work arrangements, and supply chain challenges. Each visit included a debrief with senior teams on emerging issues to ensure appropriate actions are taken forward.

For further detail on the outcomes of broader employee engagement activities, refer to the Stakeholder engagement section of this report.



The Board considered the results from the 2023 workforce engagement programme at its December meeting. This feedback serves as valuable input for decision-making processes related to people and culture strategies and organisational transformation.

In addition to the direct engagement with employees, the Board has been regularly informed about initiatives at each operating company with respect to its workforce. A session at the annual Board strategy meeting was devoted to the Group people strategy including updates on talent, culture and diversity and inclusion.

The Remuneration Committee was updated on workforce remuneration and how the operating companies were supporting colleagues with cost-of-living challenges, ensuring reward remained fair and competitive, and how the experience of IAG's workforce compared to senior leaders. The Nominations Committee was updated on succession planning for senior leadership including an overview of recruitment, mobility and attrition of senior leaders across the Group.

### Board and committee meetings

The Board met eight times during the year, including its annual two-day strategy meeting held in September 2023. Details of attendance at Board and committee meetings are shown below.

The Board Secretariat together with the Group General Counsel maintains an annual agenda schedule for Board meetings that sets out strategic, standard, and operational matters to be considered. The Chairman sets a carefully structured agenda for each meeting in consultation with the Group Chief Executive, with support from the Group General Counsel and the Board Secretariat. During 2023, the Board's main focus was to create sustainable value over the long term, supporting management and exercising oversight over the Group's businesses and stakeholders' interests. The key activities of the Board in 2023 are detailed in the Board activities table further on in this report.

At each Board meeting, the Board receives a report from each of the Chairs of the committee meetings held prior to that Board meeting. The reports focus 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 and to ensure that all Board members remain apprised of committee activities. In addition, the Group Chief Executive and the Chief Financial Officer report to the Board on key matters in the Group.

All scheduled Board meetings include a private session for non-executive directors to meet with the Chairman to discuss any matters arising. At least once a year there is a private meeting with the Chairman that includes independent non-executive directors only. The Senior Independent Director also meets with the non-executive directors, without the Chairman, as part of the Chairman's annual evaluation process.

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 non-executive director specifically for that meeting. No director may hold more than three proxies, except for the Chairman, although he cannot represent more than half of the Board members. As far as possible, proxies should be granted including voting instructions.

### Board and committee attendance during 2023

Board member	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Safety, Environment and Corporate Responsibility Committee
Javier Ferrán	8/8		6/6		
Luis Gallego	8/8				
Giles Agutter	7/8		6/6		4/4
Peggy Bruzelius	8/8	7/7	5/6		
Eva Castillo	8/8	7/7		5/5	
Margaret Ewing	8/8	7/7	6/6		
Maurice Lam	7/8	6/7			3/4
Heather Ann McSharry	8/8		6/6	5/5	
Robin Phillips	8/8				4/4
Emilio Saracho	8/8			5/5	3/4
Nicola Shaw	8/8			5/5	4/4

## Board activities

The key areas of Board activities during 2023 are outlined below:

### Strategy and planning

Joint Board/Management Committee two-day strategy session in September, including:

- External view on airline industry
- Market analysis – the Americas, Spain and intra-Europe, Asia and India
- People and culture
- Sustainability

### Performance and monitoring

- Operating companies' regular reporting, including transformation updates
- Quarterly and full-year financial reporting
- Monthly financial report (reviewed at the relevant meeting or distributed to all Board members)
- Review of different joint business arrangements

### Significant transactions, investments and expenditures

- Financing arrangements
- Aircraft leases and lease agreements for airport terminals and lounges
- Treasury shares buyback programmes
- Sustainable fuel provision agreements

### Risk management and internal controls

- Review risk map and risk appetite performance and statements
- Assessment of viability and going concern
- Effectiveness review of the internal control and risk management systems
- External auditor's yearly report to the Board
- Datacentre to Cloud migration update

### Shareholders, stakeholders and governance

- Transactions with related parties
- Sustainability update
- Modern Slavery statement review
- Review feedback from institutional shareholders, roadshows as well as analyst reports
- Board and management succession
- Remuneration matters and Directors' Remuneration Policy review
- Shareholders' meetings call notices and proposed resolutions
- Review of the Board committees' composition
- Board and committees' evaluation and improvement priorities
- Update on the Directors' and Officers' insurance programme
- Corporate governance updates
- Organisational Health Index – culture review
- Regular reporting from matters discussed by the Audit and Compliance Committee, the Nominations Committee, the Remuneration Committee and the Safety, Environment and Corporate Responsibility Committee

### Board information and training

In general, all Board and committee meeting documents are available to all directors ahead of meetings, including the minutes of each meeting, through an online platform which facilitates an efficient and secure access to all materials. 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 2023 financial year.

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 this as part of the Board annual performance evaluation.

During 2023, directors' training needs were met by a combination of internal presentations and updates as part of Board and committee meetings and specific sessions or deep dives on topics, where required. Sessions which took place included an update on competition law provided by management to all Board members; a session on safety presented by an external expert to the Safety, Environment and Corporate Responsibility Committee; and a presentation to the Audit and Compliance Committee on corporate governance reform proposals by the external auditor, KPMG. A session was also provided to the Board by an external speaker on geopolitics and macroeconomic developments. Training for 2024 includes sustainability and technology topics such as artificial intelligence.

### Induction of directors

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 includes meetings with other directors, senior management and key external advisers as appropriate. The induction is designed to provide a wide overview of the industry and the sector, including details 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 new directors to the IAG Management Committee as well as to the different operating companies' teams.

In prior years, the programme was considered thorough in its coverage of the Group and the industry.

No new directors were appointed during the year and therefore no induction programme was required.

## Board and committee evaluation

The effectiveness of the Board and its committees is reviewed annually, with an independent, externally facilitated review being conducted every three years. An internal evaluation was completed this year as an external review was undertaken in 2022.

The evaluation was led by the Chairman, supported by the Board Secretariat, using a self-assessment questionnaire complemented by an individual interview conducted by the Chairman with each non-executive director. The results were presented in a report to all Board members, and an action plan to address matters raised was agreed.

The overall conclusions of the review were positive, confirming that the Board and the committees continued to adequately fulfil their responsibilities and operated effectively during the reporting period.

In relation to the agreed actions for 2023, the Board considered that good progress had been made during the year. Regular updates on shareholder and investor engagement would continue and be enhanced. Ensuring that the Board continues to have the relevant skills and expertise remains an ongoing area of attention for the Nominations Committee. The focus on customer experience would also continue.

In addition to reviewing progress against the agreed action plan for 2023, the Board evaluation highlighted the strong working relationship between the Board and management, the progress made on operating company transformation, as well as the enhanced focus on culture and people.

Actions agreed for 2024 include:

- broadening the Board's visibility on engagement with stakeholders, with a focus on customers, suppliers and investors;
- prioritising the focus on management succession planning and talent development, as well as on the diversity and inclusion agenda; and
- continuing to oversee the cultural transformation of the Group.

## Other statutory information

### Directors' disclosure duties, conflicts of interest, 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.

According to article 21 of the Board Regulations, directors have an obligation 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 their 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.

The 2023 Annual General Meeting held on 15 June 2023 approved the re-election of Giles Agutter and Robin Phillips as non-executive proprietary directors as proposed by IAG's significant shareholder Qatar Airways Group (Q.C.S.C.) ('Qatar Airways'). Qatar Airways, a Middle East air carrier headquartered in Doha, has been the single largest shareholder of IAG since 2016, owning, as of the date of this report, 25.143% of the share capital of the Company. Throughout this period there has been a long-standing business and commercial relationship between Qatar Airways and the Group airlines. This close relationship of commercial cooperation, which has always been undertaken on an arm's length basis and on market terms, significantly reduces the potential existence of permanent conflicts of interest between Qatar Airways and the Group's airlines.

As far as the relationship of the proprietary directors with the significant shareholder who proposed their appointments is concerned, it should be noted that Giles Agutter is the owner and Chief Executive of the consultancy services firm Southern Sky Limited, one of whose material clients is Qatar Airways, and that Robin Phillips has no relevant connection with Qatar Airways.

Any potential conflict of interest that might affect such proprietary directors is managed by applying the duty of abstention in accordance with the procedure for managing conflicts of interest described below. In addition, the Spanish and the UK regimes on related parties' transactions are also applicable as detailed below.

In accordance with article 3.4 of the Board Regulations, the Board of Directors has the exclusive authority to approve transactions with directors or shareholders that have a significant holding or that are represented on the Board or with any persons related to them, on the terms established in the law and the Board Regulations and this will require a prior report from the Audit and Compliance Committee.

The execution of these type of transactions needs 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. IAG's internal regulations on related party transactions establish that the Audit and Compliance Committee needs to issue a report to the Board assessing whether the transaction is fair and reasonable from the standpoint of the Company and, where applicable, of the shareholders other than the related party, and report on this assessment, including the assumptions and methods used. Where appropriate, the directors related to the transaction shall not participate in the preparation of such report.

Depending on the amount or value of the proposed related party transaction, different corporate governance and disclosure requirements may apply under both the Spanish and UK legal frameworks.

In accordance with IAG procedures on related party transactions, 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.



### Share issues, buybacks, treasury shares and dealings in IAG listed securities

The Annual General Meeting held on 15 June 2023 provided authority for the Board, with the express power of substitution, for a term ending at the 2024 Annual General Meeting (or if earlier, 15 months from 15 June 2023), to:

- increase the share capital pursuant to Article 297.1.b) of the Spanish Companies Law, by up to 50% of the aggregate nominal amount of the Company's issued share capital as at 15 June 2023 (such amount to be reduced by the maximum amount that the share capital may be increased by on the conversion or exchange of any securities issued as authorised below), through the issue and placement of new shares (with or without a premium) for cash consideration;
- 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 be increased on the conversion or exchange of all such securities may not be higher than 50% of the aggregate nominal amount of the Company's issued share capital as at 15 June 2023 (such amount to be reduced by the amount that the share capital has been increased under the relevant authorisation);
- 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:

- 10% of the aggregate nominal amount of the Company's issued share capital to be issued on an unrestricted basis; and
- an additional 10% of the aggregate nominal amount of the Company's share capital to be used for either an acquisition or a specified capital investment;

in each case, without the shares or convertible or exchangeable securities first being offered to existing shareholders in proportion to their holdings;

- carry out the acquisition of its own shares directly or indirectly through its subsidiaries, subject to the following conditions:
  - the maximum aggregate number of ordinary shares authorised to be purchased shall be the lower of the maximum amount permitted by the law and 10% of the aggregate nominal amount of the Company's issued share capital on 15 June, 2023;
  - the minimum price per share which may be paid is zero;
  - the maximum price per share which may be paid is the highest of:
    - an amount equal to 5% above the average of the middle market quotations for the shares taken from the relevant stock exchange for the five business days immediately preceding the day of purchase; and
    - 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; 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 31 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.

### Capital structure and shareholder rights

As at 31 December 2023, the share capital of the Company amounted to 497,147,601 euros (2022: 497,147,601 euros), divided into 4,971,476,010 shares (2022: 4,971,476,010 shares) of the same class and series and with a nominal value of €0.10 each (2022: €0.10 each), fully subscribed and paid for.

As at 31 December 2023, the Company owned 55,844,755 shares as treasury shares.

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

The Company has a Sponsored Level 1 American Depositary Receipt (ADR) facility that trades on the over-the-counter market in the US. Each ADR is equivalent to two ordinary shares and each ADR holder is entitled to the financial rights attaching to such shares, although the ADR depository, Deutsche Bank, is the registered holder. As at 31 December 2023 the equivalent of 40,547,684 shares were held in ADR form (2022: 48,799,780 shares).

### Company's share capital

During the year there were no changes to the share capital.

The significant shareholders of the Company as at 31 December 2023, 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.)	1,249,999,997	-		1,249,999,997	25.14%
Capital Research and Management Company		248,648,015	Collective investment institutions managed by Capital Research and Management Company	248,648,015	5.001%

### **Shareholders' 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 Annual General Meeting was held on 15 June 2023 in Madrid. This was again held in person as in 2022, with the option for shareholders to attend and participate in the meeting remotely.

The Shareholders' Meeting Regulations, which establish the operating rules of the shareholder meeting, are available in the Corporate Governance section of the Company's website.

### **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% 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 associated with the breach represent at least 0.25% of the Company's share capital in nominal value, the Board may also direct that the transfer of any such shares is not 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 in article 11 of the Bylaws, including the determination of a maximum number of shares that may be held by non-qualifying shareholders provided that such maximum may not be lower than 40% 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-qualifying persons can be made.

In such circumstances, if non-qualifying 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-qualifying 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-qualifying person.

### **Impact of change of control**

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

- Certain significant IAG financing arrangements allow for prepayment, redemption or early termination in certain circumstances if there is a change of control of the Company.

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.

### **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. The Board receives an annual update on the Group's Directors' and Officers' liability insurance.

# Report of the Nominations Committee



**Javier Ferrán**  
Nominations Committee Chair

Committee members	Date appointed
Javier Ferrán (Chair)	8 September 2020
Giles Agutter	24 September 2020
Peggy Bruzelius	16 June 2022
Margaret Ewing	28 January 2021
Heather Ann McSharry	31 December 2020

## Dear Shareholder

I am pleased to present the Nominations Committee Report for the year ended 31 December 2023. This report provides an overview of the work of the Committee and its activities during the year.

The contribution of this Committee is key to ensuring that we have in place both a Board with the right combination of relevant skills and capabilities as well as an executive team capable of delivering our strategy. As in previous years, in 2023 the Committee focused on succession planning and oversight of the work being done on diversity and inclusion for both the Board and senior leaders.

Board succession planning remains an area of work to ensure collective board ability to oversee the implementation of the Group's strategy and effectively support management to drive

transformation. Building on the findings of the external Board evaluation conducted in 2022, which are in line with this year's internal exercise, we have a clear understanding of the skills and expertise required and the aspects that we could strengthen, so that we continue to ensure the necessary expertise and experience on our Board and its committees.

Executive succession planning and talent development has been an important area of focus. The ongoing monitoring of management's plans and programmes to improve the bench-strength and diversity of the Group's senior leadership through active succession planning and talent management is a priority for the Committee. We also continue to review succession planning for the leadership teams at our operating companies. This year the Committee considered several

new appointments to the IAG Management Committee and to the boards and leadership teams of some of our operating companies, including the appointment of Fernando Candela as Chairman and CEO of Iberia; Julio Rodriguez as Chief Commercial Strategy Officer; Jorge Saco as Chief Information, Procurement, Services and Innovation Officer; and Jonathan Sullivan as Chief Transformation and Corporate Development Officer.

Following the refresh of both our Board Directors Selection and Diversity Policy and our Equity, Diversity and Inclusion Policy in 2022, we continue to build on the diversity strategy and framework.

We are satisfied that the Board composition continues to meet the targets for the proportion of women on boards and ethnic diversity as set out in either the European and Spanish standards and the UK Listings Rules, the latter informed by the UK FTSE Women Leaders Review and the UK Parker Review.

The Committee also supports management's efforts to strengthen the presence of women in the senior leadership of the Company and across the Group. Despite progress made in 2023, we still have a way to go to reach our target of 40% of senior leadership roles being held by women by 2025. IAG leadership is committed to this ambition and more generally to promoting an environment that ensures inclusion and equal opportunities. The clear gender targets are being supplemented with broader diversity ambitions, including ethnicity. Current initiatives underway are both supported and closely monitored by the Committee.

In line with the expectations of the UK and Spanish Corporate Governance Codes, we undertook an internal Board and Committee effectiveness review. More information on the results of this evaluation, and how it was carried out, can be found elsewhere in this report. The evaluation was very positive, and it remains the case that we are satisfied that the Board and its Committees are effective and provide the highest standards of leadership and oversight of the Group's strategy. The Nominations Committee will continue to provide a special focus to management succession planning and talent development, as well as to the work on diversity and inclusion.

**Javier Ferrán**  
Nominations Committee Chair



### **The Nominations Committee**

The composition, competencies and operating rules of the Nominations Committee are regulated by article 31 of the Board Regulations and by the Nominations Committee Regulations as approved by the Board on 25 February 2021. A copy of the Board and the Nominations Committee 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. The Committee also reports to the Board on the proposed appointment of senior executives of the Company and IAG appointments to Group company boards. It oversees Board and senior management succession planning and in general the development of a diverse pipeline for succession.

The Nominations Committee shall be made up of no less than three non-executive directors appointed by the Board, with the dedication, capacity, and experience necessary to carry out its function. A majority of the members must be independent directors that are EU nationals.

There were no changes to the Committee's membership during 2023.

### **The Committee's responsibilities**

The Nominations Committee's responsibilities can be summarised as:

- evaluating the mix of competencies, knowledge, and experience necessary in the Board's membership and reviewing the criteria for the Board composition and the selection of candidates
- submitting the recommendation for appointment of directors to the Board for approval, and reporting on the proposed designations of the members of the Board committees and their chairs
- succession planning for Board members making proposals to the Board so that such succession occurs in a planned and orderly manner
- reporting to the Board on the appointment and removal of senior executives (which includes all of the IAG Management Committee)
- ensuring that non-executive directors receive appropriate induction programmes
- setting diversity targets (gender, ethnicity, and other criteria) both within the senior management and the succession pipeline
- ensuring that plans are in place for orderly succession of senior management positions whilst safeguarding the achievement of agreed diversity targets
- establishing a target for female and ethnicity representation on the Board which should adhere to the Company's Directors Selection and Diversity Policy
- coordinating the annual evaluation of the performance of the Board and its committees

### **The Committee's activities in 2023**

The Committee met six times during 2023, with three scheduled and three ad-hoc meetings called to discuss management changes or appointments to the Group company boards. Directors' attendance at these meetings can be found in the Corporate Governance section. The Group Chief Executive was invited to attend the Committee's meetings as and when necessary.

The Committee focused on the following activities during the year:

- review of the composition of the Board
- review of the Board committees' membership
- Board succession planning
- review of the directors' independence
- review of compliance with the Directors Selection and Diversity Policy
- review of diversity and inclusion
- management succession plans
- format of the annual Board evaluation process, as well as that of the Nominations Committee
- changes to Group company boards
- review of investor feedback from the Annual General Meeting

### **Board succession**

The Committee regularly reviews the formal succession plan for the Board, including analysis of non-executive directors' length of tenure, skills and experience, and planning for succession relating to any areas that could require strengthening from a skills and succession perspective.

In September 2023, the Committee considered Board succession planning, including the Board refreshment timeline, the Board skills matrix, as well as the consideration and identification of those skills and characteristics relevant for future appointments to align with strategic objectives and policies. The Committee also noted that in terms of Spanish company law, the chairmanship of the Audit and Compliance Committee would need to be refreshed during 2024, and discussed planning for this succession.

### **Directors' independence, performance and re-election**

The Nominations Committee, having considered the matter carefully, is of the opinion that all the current non-executive directors, with the exception of the two proprietary directors, are 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 May 2023 the Nominations Committee considered the proposal for the re-election of directors ahead of the Annual General Meeting.

In accordance with the Board Regulations, all proposals for the appointment or re-election of directors presented to the 2023 Annual General 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. As part of its assessment, the Committee also reviews the time commitment and availability of each non-executive director.

Following this review, the Committee was of the opinion that each non-executive director submitting themselves for re-election continued to demonstrate commitment to the role as a member of the Board and its committees and that each was making a valuable contribution to the leadership of the 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.

### **Management appointments and succession planning**

During 2023, the Committee considered and presented to the Board the following appointments to the IAG Management Committee: Fernando Candela as Chairman and CEO of Iberia; Julio Rodriguez as Chief Commercial Strategy Officer; Jorge Saco as Chief Information, Procurement, Services and Innovation Officer; and Jonathan Sullivan as Chief Transformation and Corporate Development Officer.

### **Diversity**

The procedure for the appointment of directors follows the principles established in the Directors Selection and Diversity Policy which has as its objective, the recognition of the importance of board diversity in a broader sense. As recommended by the Spanish Good Governance Code, the Nominations Committee reviews compliance with this Policy on an annual basis. The review for the 2023 reporting period was completed in January 2024. The diversity targets included in the Policy are to have:

- at least 40% female board membership;
- at least one of the Chair, Senior Independent Director, Chief Executive Officer or Chief Financial Officer roles be filled by a woman; and
- at least one member of the Board being from an ethnic minority.

When considering director appointments, the Committee follows a formal, rigorous, and transparent procedure, designed to capture the value of diversity in its broader sense, including a mix of skills, experience, professional and industry backgrounds, age, and ethnicity, while ensuring that any appointment is made on merit. Diversity considerations also include ensuring that more than half of the Board are independent EU nationals to meet regulatory obligations.

Gender diversity principles are followed throughout the director appointment 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. When conducting a search, the Company will only engage search firms that have signed up to the latest UK Voluntary Code of Conduct for Executive Search Firms (or its international equivalent). Additionally, the Nominations Committee ensures that the Board appointment 'long' and 'short' lists provided in the search process are inclusive according to the widest definition of diversity.

Female directors currently represent 45% of the Board, ahead of the target of at least 40%, and 63% of the independent non-executive directors (including the Chairman). In addition to this, three of the four Board advisory committees are chaired by women: the Audit and Compliance, the Remuneration and the Safety, Environment and Corporate Responsibility Committees. Lastly, the Senior Independent Director is a woman. From an ethnic minority perspective, the IAG Board has met its target to have one director from an ethnic minority group.

As at 31 December 2023 the Board met the UK Listing Rules and FTSE Women Leaders Review targets. Our gender identity and ethnicity data reported in accordance with Listing Rule 9.8.6R(10) is set out below. Disclosure is based on self-identification through information gathering where individuals were provided with the requirements and categories for confirmation of classification. The information is reported at 31 December 2023, and remains unchanged at the date of this report.

### Gender identity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	6	55%	2	9	75%
Women	5	45%	1	3	25%
Not specified/prefer not to say	-	-	-	-	-

### Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	10	91%	3	12	100%
Mixed/Multiple Ethnic Groups	-	-	-	-	-
Asian/Asian British	1	9%	-	-	-
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/ prefer not to say	-	-	-	-	-

Diversity and inclusion remained a priority during 2023. IAG's aim is for both senior leaders and our businesses to reflect the diverse communities we work in and to create an environment where individuals feel their unique differences are valued. Beyond gender and ethnicity, the Management Committee is comprised of individuals with multiple nationalities (including Spanish, British, American, dual Brazilian/Argentinian, Irish and Italian). In addition, most of the executives have multi-jurisdictional backgrounds and/or careers which serve to enhance the value that they bring to the Group, its customers and employees. Further information on Board diversity is included in the Corporate Governance section of this report.

The Board and the Nominations Committee are committed to improving diversity, including gender diversity, across the Group, encouraging and supporting management actions in this regard. IAG has a target of 40% of senior leadership roles to be held by women by 2025. At the end of 2023, IAG had 36% of women in those roles, up from 34% at year end 2022, and on track to achieve the 2025 target. In line with the Group's diversity and inclusion framework and strategy, the Group's operating companies and platform businesses have implemented a range of initiatives to support equity, diversity, and inclusion.

In 2023, IAG partnered with Green Park, an independent UK-based talent and diversity consultancy, to conduct a survey to better understand the composition and diversity of IAG's senior leadership, going beyond gender to include a broad range of factors regarding identity. The survey was voluntary, anonymous and confidential, designed to take into account the legal and cultural contexts and regulatory requirements of our key countries of operation. The results are based only on those individuals who self-disclosed their data and will provide a baseline of the diversity of IAG's senior leaders, enabling IAG to track progress over time. 6% of IAG's UK senior leaders self-disclosed as ethnically diverse and IAG's senior leaders globally represent over twenty nationalities. To ensure the continued focus on increasing representation, IAG has introduced an ethnic diversity ambition of 10% for our UK senior leaders by the end of 2027. Results will be shared with our senior leaders to inform our people strategies and support discussions around equity, diversity and inclusion and responses feed into the UK Parker review.

Further details and explanations of the steps that IAG is taking to promote diversity and inclusion across the Group is set out in the People section and the Equity, diversity and inclusion subsection of Sustainability in the Strategic report.

### The Committee annual evaluation

The annual performance evaluation of the Board and its committees was internally facilitated in 2023, following an external evaluation in 2022, and as set out in the Corporate Governance Report.

The evaluation concluded that the Committee operated effectively during the year. The Committee continues to maintain as a priority its focus on board and management succession planning, including talent retention and development, as well as diversity and inclusion, as these are two complex matters where changes are generated over the medium and long term.

# Report of the Safety, Environment and Corporate Responsibility Committee



**Nicola Shaw**  
 Safety, Environment and Corporate Responsibility Committee Chair

Committee members	Date appointed
Nicola Shaw (Chair)	25 February 2021
Giles Agutter	25 February 2021
Maurice Lam	17 June 2021
Robin Phillips	25 February 2021
Emilio Saracho	25 February 2021

**Dear Shareholder**

I am pleased to present the Safety, Environment and Corporate Responsibility ('SECR') Committee report for the year ended 31 December 2023. This report highlights some of our work and activities during the year. This Committee assists the Board in a dual role. Firstly, by providing high-level oversight of the Group's safety activities and resources, and promoting the sharing of knowledge and best practices within the Group. Secondly, the Committee provides guidance and direction on IAG's sustainability

programmes and corporate responsibility ambitions, ensuring alignment to the Group's sustainability strategic priorities. Based on the conclusions of the evaluation of the Committee's performance in 2022, we decided to restructure the Committee's work so that it is more focused, devoting two of its four ordinary meetings mainly to safety issues and the other two to environmental and corporate responsibility matters. As we did last year, the Committee reviewed the information on the

principal sustainability ratings followed by the Company. For the fourth year running, we are pleased to have been awarded a CDP leadership grade (A-). This is the longest leadership performance of any airline and recognises the continued commitment of IAG in addressing its climate change impacts.

The Committee has been regularly updated on the numerous regulatory initiatives affecting sustainability. In particular, and with the support from the Audit and Compliance Committee, we also continue to put focus on improving our reporting, both internally and externally. We are pleased with progress being made towards a reasonable assurance report being provided for our statement of non-financial information before 2027.

Regulatory developments and the impact on IAG were a key focus for the Committee again this year together with consideration of relevant industry developments. An external benchmarking report provided a good base to identify focus areas for future management attention, and was well received by the Committee.

In addition to the core work on tracking progress against our overall sustainability strategy and objectives, the Committee had a specific update on sustainability matters focused on the Group's suppliers, including modern slavery and human trafficking, as well as considerations regarding payment terms.

The Committee continued its work monitoring the safety performance of IAG's airline companies. This included the systems and resources dedicated to safety activities across the Group. In line with the Group's business model, responsibility for safety and security lies with each Group airline and is applied in accordance with the company's applicable standards, culture and the circumstances and characteristics of each business. This Committee exercises a high-level oversight of safety activities to ensure a minimum Group standard, supporting the Group homogenisation effort in safety reporting, the discussion of common issues and the sharing of best practices between Group airlines.



At the July 2023 meeting, the Committee invited a representative of the Spanish agency "Servicios y Estudios para la Navegación Aérea y la Seguridad Aeronáutica" (SENASA) to provide the Committee with an overview of the aviation safety framework from a regulatory perspective. Also in the regulatory context, the Committee has decided to consider on an annual basis, in a specific way, the communications received from the various regulators on the safety performance of each of the Group's airlines.

This year, the Committee looked closely at the safety issues associated with the transport of lithium batteries and the approaches taken by the Group's various airlines. The Committee was also briefed on the operations of the Group in areas of conflict.

Fundamental to our ambition is doing business in the right way. This is why sustainability is at the heart of our strategy as highlighted in November at the Capital Markets Day, with a dedicated presentation focusing on sustainability and the leading position that IAG is taking in the industry. Attendees were provided with an update on IAG's progress and how we are using multiple decarbonisation solutions to achieve our net zero ambitions by 2050. The support of our other stakeholders, including policymakers, will be key for the industry.

The Committee's performance was evaluated as part of an internal evaluation process. We used this opportunity to spend some time discussing the work programme and adapting it to ensure we continued to prioritise the right matters. We also agreed to continue to engage with external parties including those with expertise in the various components of our remit to enhance our work.

I am delighted with the continued progress that has been made in the past year and look forward to furthering our ambitions in 2024.

**Nicola Shaw**

Safety, Environment and Corporate Responsibility Committee Chair

**The Safety, Environment, and Corporate Responsibility Committee**

The Committee's composition, competencies and operating rules are regulated by article 33 of the Board Regulations as well as by the Regulations of the SECR Committee. A copy of the Board and the SECR Committee Regulations can be found on the Company's website.

The Committee shall be made up of no less than three directors appointed by the Board, with the necessary dedication, capacity and experience. All the members of the Committee are non-executive directors with the majority being independent directors.

In addition to the Secretary and Deputy Secretary, regular attendees at Committee meetings included the Chairman, the Group Chief Executive and the Chief People, Corporate Affairs and Sustainability Officer. Senior managers with responsibility for safety matters and others in charge of different sustainability areas were invited to attend specific agenda items as required and when relevant.

**The Committee's role and responsibilities**

The Committee's role is to support and advise the Board in matters relating to safety, environment and corporate responsibility. Responsibility for safety matters belongs to the Group's airlines. IAG, through this 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. In the areas of environment and corporate responsibility, the SECR Committee provides a governance forum for non-executive directors to exercise specific oversight, challenge and support to senior management in shaping the Group's sustainability strategy, policies and targets, buttressing IAG's vision to be a world's leading airline group on sustainability.

According to its regulations, the SECR Committee's remit includes:

- 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 review the Group's strategy and policies on social and environmental sustainability
- to evaluate that the Company's environment and social practices are in accordance with the established strategy and policies

- to evaluate the effectiveness of the Company's environment and social policies, to confirm that they are fulfilling its mission to promote the corporate interest and catering for, as appropriate, the legitimate interests of its stakeholders
- to review the Group's global environment and climate risk mitigation strategy, the implementation of sustainability programmes and any climate-related financial disclosure
- to review the content of the Non-Financial Information Statement or Sustainability report
- to monitor and evaluate the Company's interaction with its stakeholder groups, including the workforce
- to review the principal environmental, social and reputational risks
- to review the general diversity and inclusion policies

#### **The Committee's activities during the year**

During 2023, the Committee held four meetings. Directors' attendance at these meetings is detailed in the Corporate Governance report.

The Committee's activities during the year included:

- Group airline safety and security reviews;
- review of significant safety and security issues;
- lithium batteries update;
- review of sustainability and non-financial information reporting;
- overview of sustainability trends;
- Group sustainability strategy, including benchmarking;
- review of sustainability compliance and key metrics;
- IAG waste strategy, performance indicators and benchmarking;
- regulatory updates;
- review of the annual update to the Group Modern Slavery Statement;
- sustainability risk review; and
- Modern Slavery and Human Rights review.

#### **Safety**

Key topics discussed for each airline under their regular safety review include information on safety risk management, safety culture, operational risks, occupational injury risks, as well as reported data on aircraft damage. This year, the safety managers of each of the Group's airlines completed the revision of their reporting framework to this Committee, in order to homogenise and simplify the issues reported by the different airlines and to enhance comparability and sharing of best practices within the Group. In addition to this, the Committee considered some specific topics, including the Group airlines' preparatory work for the transition to new rules regarding Continuing Airworthiness Management Organisation (CAMO).

A representative from the Spanish agency Servicios y Estudios para la Navegación Aérea y la Seguridad Aeronáutica (SENASA) joined the July Committee meeting to make a presentation on the aviation general safety framework. The Committee also devoted part of the same meeting to review practices and safety considerations for the transport of lithium batteries.

#### **Market trends and EU and national ESG consultations**

The Committee has been regularly updated on any upcoming ESG policy consultations at international, EU or national level, including the Group's positioning and actions intended in each of them. This year this included updates on the European Union 'Fit for 55' package, the UK Jet Zero Council, as well as the first meeting of the Spanish Alliance for Air Transport Sustainability.

#### **Benchmarking**

At its meeting in May, the Committee considered a sustainability benchmarking exercise across all ESG factors conducted by an international sustainability and technology consultancy. The report provided an overview of IAG's position in relation to the industry on a range of sustainability factors and provided a good roadmap for future management and Committee focus.

#### **Waste strategy, performance indicators and benchmarking**

The Committee considered an update on performance against its waste strategy plan adopted in 2021, with objectives due to be met by 2025. In addition to noting its current performance and endorsing the strategic objectives in this area, the Committee also considered industry developments, noting IAG's performance was positive on a relative basis.

### **Stakeholder Engagement review**

At its May meeting, the Committee considered a report on engagement with sustainability-specific stakeholders, industry associations, government and regulators, customers, investors, workforce and suppliers; going through the main objective of this dialogue and its impacts. More detail is included in the Stakeholder engagement section of the annual report.

### **Modern slavery review**

A session was devoted to updating the Committee on modern slavery and human trafficking matters within the Group, including supplier risks, training and information, compliance framework as well as the main external collaborations on this matter. More generally, the Committee was also updated on IAG GBS sustainability initiatives.

### **Sustainability risk**

As in previous years, the Committee reviewed the Group sustainability risk assessments for the business plan period 2024 to 2026 and to 2030, which helped the Committee understand the physical, policy, market and technology risks that the Group has considered could impact its sustainability ambitions. Further information regarding risks are set out in the Risk section of this annual report.

### **The Committee annual evaluation and priorities for 2024**

The annual performance evaluation of the Committee was internally facilitated, following the external review completed in 2022. The evaluation concluded that the Committee operated effectively during the year. Notwithstanding this, the Committee agreed on several improvements for the coming year. In the area of safety, the Committee will analyse the safety corporate governance structures both in the different operating companies and in other airline groups with a view to improving coordination with the Group airlines and facilitating the exercise by this Committee of its general supervisory function. In the area of sustainability, the Committee will strengthen the focus on sustainable fuels and organise a knowledge update session in coordination with the Audit and Compliance Committee, as was done a few years ago.

# Report of the Audit and Compliance Committee



**Margaret Ewing**  
Audit and Compliance Committee Chair

## Committee members

	Date appointed
Margaret Ewing (Chair since September 2020)	20 June 2019
Peggy Bruzelius	31 December 2020
Eva Castillo	31 December 2020
Maurice Lam	17 June 2021

## Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Audit and Compliance Committee for 2023. The Committee continues to play an important role in IAG's governance framework, overseeing risk management, internal controls, financial and non-financial reporting, compliance, internal and external audit while also closely monitoring the macroeconomic and political environment and its impact on the business and its risks. This report provides an overview of the key matters considered in 2023, as well as insight into how the Committee has discharged its responsibilities and provided assurance on the integrity and reporting compliance of the 2023 Annual Report and Accounts.

The Committee held five planned meetings and two brief ad hoc meetings (to discuss specific matters such as auditor effectiveness) during 2023. The

key items discussed by the Committee in discharging its oversight responsibilities and its areas of focus are set out in further detail in this report.

The Group has focused during 2023 on reconnecting the world, transformation, returning the operations to pre-COVID-19 capacity and improving resilience. As a result the Committee has increased its focus on the risk management, internal controls and financial implications of the strategy implementation. The rapidly evolving political and economic uncertainty arising from the wars in Ukraine and Middle East, along with continuing inflationary and recessionary pressures, has resulted in the need to constantly ensure these have been reflected by management in risk management, financial forecasts, strategic plan, going concern and viability assessments. In addition, digital security is fundamental

to the Group's operational resilience, and during 2023 management's actions to improve digital and IT processes and systems have remained key areas of focus of the Committee.

Throughout 2023, I have maintained a dialogue with all members of the Committee, management and the internal auditors. I have met with 'agenda topic owners' along with other Committee members prior to Committee meetings, ensuring the Committee would be provided with the necessary information to enable it to guide, challenge, advise and, when required, make informed decisions. I also met regularly with the lead partners of our external auditor, KPMG, and the Head of Group Audit.

The Committee ensures the reliability of the Group's financial reporting, and compliance with laws and regulations, through the internal control framework, including the mature Group-wide Internal Control over Financial Reporting (ICFR) and risk management frameworks. During the year, the Committee closely monitored developments in and management's response to the UK Government's proposed UK Corporate Governance Reform agenda, the FRC's review of the UK Corporate Governance Code and the passing of the UK Economic Crime and Corporate Transparency Act 2023. While the UK Government's proposed reforms and elements of the proposed Code changes are not being taken forward, the Committee noted that key learnings in management's preparation for adoption have strengthened the Group's governance and controls.

In 2023, the Committee obtained external independent assessments of the Group's whistleblower/speaking up programme and ethics and compliance maturity, drawing management and the Committee's attention to a number of improvement opportunities. Management is preparing a programme to address the priority findings highlighted. This will be a key area of focus for the Committee in 2024, including monitoring the execution of management's programme supported by Internal Audit.



I am confident that, throughout 2023, we have ensured: the key challenges and risks faced by the Group were reflected in the external and internal audit plans; effective controls remained in place; changes in the drivers of our principal and emerging risks were identified and effectively managed; ongoing compliance with all regulatory and legal obligations; and sound financial judgements and estimates continued to be made.

I would like to express my sincere appreciation to all relevant Group and external and internal audit teams for their support of the Committee in delivering its remit.

The Spanish Code permits a Director to Chair the Audit and Compliance Committee for a maximum of four years. This report, relating to 2023, is therefore my last report before I step down as Chair of the Committee in September 2024.

**Margaret Ewing**

Audit and Compliance Committee Chair

## The Audit and Compliance Committee

The composition, competencies and operating remit of the Audit and Compliance Committee are regulated by article 29 of the Board Regulations as well as the Regulations of the Audit and Compliance Committee, both reviewed and approved in February 2021. A copy of these Regulations can be found on IAG's website. Following the recent publication of the updated UK Corporate Governance Code and related guidance, the Committee will review its regulations in the second half of 2024 and update them accordingly to reflect the updated Code and other relevant developments expected to be published in Spain.

### The Committee's composition, competencies and attendance

Detailed biographies of all Committee members are included in this Annual Report. The Board is satisfied that the Committee has retained competence relevant to its overall responsibilities, including possessing a wide range of financial, audit, risk management and relevant sector and business experience amongst its members, providing the right mix of skills and experience to provide constructive challenge and support to management. The Board has determined that Margaret Ewing and Maurice Lam have recent and relevant financial experience and the Board, through the Nominations Committee, will continue to review the Committee's membership to ensure the skills and experience of its members align with the business as it develops.

In addition to the Secretary and Deputy Secretary, regular attendees at Committee meetings included the Chairman, the Head of Group Audit (who reports functionally to the Chair of the Committee) and representatives from the external auditor. Members of the Management Committee, including the Chief Executive Officer, the Chief Financial Officer, the Group General Counsel and the Group Financial Controller were invited to attend specific agenda items as required and when relevant.

A private session of the Committee members was held at the end of each Committee meeting and during the year the Committee met privately on a number of occasions with each of the external and internal auditor and the Chief Financial Officer.

### The Committee's responsibilities and activities

The Committee's principal responsibilities are to oversee and provide assurance to the Board on the integrity and quality of financial reporting, effectiveness of audit arrangements and robustness and effective operation of internal controls, compliance and risk management processes and fraud prevention and detection. The Committee meeting agendas are tailored to ensure emerging topics are included and to allow for ad hoc discussion and reviews. A summary of the Committee's activities during 2023 and until the date of this report is detailed below.

## Audit and Compliance Committee activities

Area of Committee focus	Activities
<b>Financial reporting</b>	<ul style="list-style-type: none"> <li>reviewing, challenging and considering the external auditor's views on significant accounting estimates, judgements and accounting policies applied in the financial statements of the Group and related reporting and disclosures;</li> <li>reviewing the financial statements and announcements of the Group to ensure integrity; and</li> <li>consideration of the process for confirming and recommending to the Board that the 2023 Annual Report and Accounts is fair, balanced and understandable.</li> </ul>
<b>External auditor</b>	<ul style="list-style-type: none"> <li>oversight of the external auditor, focusing on audit quality, effectiveness, independence and objectivity to ensure the rigour and challenge of the audit process is maintained. Specific activities undertaken by the Committee to oversee the relationship with KPMG and the audit process are included in this report.</li> </ul>
<b>Internal auditor</b>	<ul style="list-style-type: none"> <li>oversight of the internal auditor, focusing on the appropriateness of the internal audit skills and resourcing, approving the audit plan, reviewing audit results, monitoring implementation of audit recommendations and ensuring the independence of the internal audit team. Specific activities undertaken by the Committee with regard to internal audit are included in this report.</li> </ul>
<b>Internal Control over Financial Reporting (ICFR)</b>	<ul style="list-style-type: none"> <li>consideration and challenge of management's analysis of risks in financial reporting, identification of key financial controls and documentation of accounting processes;</li> <li>monitoring the internal controls procedures adopted by the Company, to oversee compliance with them; and</li> <li>reviewing the results of the internal audits of ICFR, consideration of the external auditor's findings and conclusions on this matter and tracking the progress of implementation of internal and external ICFR audit recommendations.</li> </ul>
<b>Enterprise Risk Management (ERM)</b>	<ul style="list-style-type: none"> <li>reviewing the principal and emerging risks facing the Group, including gaining assurance as to the effectiveness of the internal control system, mitigations and risk management process;</li> <li>reviewing the performance of the Group against its existing risk appetite and confirming management's assessment that the Group has applied appropriate mitigations or other effective controls to ensure that the Group has operated within (or agreed) risk appetite throughout the period;</li> <li>reviewing the approach adopted by the Board in defining the enhancement of the Group's risk appetite in light of the changing environment in which the Group operates;</li> <li>reviewed and recommended to the Board approval of the updated ERM risk policy (to reflect guidance and changes to the CNMV and UK Corporate Governance Codes). The Committee will review the policy every five years, unless it requires earlier update for changes in regulations;</li> <li>reviewing annual compliance with the ERM risk policy;</li> <li>reviewing the Group's fraud risk assessment and design of the internal control framework to prevent and detect fraud, including consideration of the key controls and assurance activities provided across the Group in relation to financial and non-financial fraud risk;</li> <li>overseeing treasury risk management, including reviewing the Group's fuel and foreign exchange hedging policies, positions and financial counterparty exposure, compliance with the Group's treasury and financial risk management policies and consideration of the implications of the approved fuel hedging profile, given the recovery in demand and significant volatility in fuel prices, and ensuring its continued appropriateness in managing these risks. Approving changes to the treasury policies in respect of carbon emissions risk and inflations risk; and</li> <li>overseeing tax risk management, in an environment of increased challenge, investigation and audit by tax authorities across the globe, including HMRC's ongoing audit of IAG Loyalty's treatment of VAT on the issuance and redemption of Avios (which has been in accordance with previous HMRC rulings), and considering the tax strategy before recommending to the Board for approval and publishing on the IAG website.</li> </ul>

Area of Committee focus	Activities
<b>Legal and compliance</b>	<ul style="list-style-type: none"> <li>reviewing the Group's anti-bribery, sanctions, competition, privacy and Spanish Criminal Code compliance programmes including the latest related risk heat maps, regulatory developments, issues identified during the year or still live from previous years, the key programme activities during 2023 and priorities for 2024;</li> <li>reviewing, on behalf of the Board, the Group's independent third-party-facilitated whistleblowing procedures and the annual report from the Group's General Counsel on: communication and awareness (plus trust in) the Group's whistleblowing facilities; incidents reported via the external whistleblowing and relevant internal channels, by category and nature; any emerging themes or trends; timeliness and responsibility for follow-up; and investigations and actions taken to address substantiated reports; and</li> <li>consideration of litigation reports from the General Counsel including the status of remaining and potential civil litigation actions (see note 28 to the financial statements).</li> </ul>
<b>IT, cybercrime and GDPR</b>	<ul style="list-style-type: none"> <li>reviewing and monitoring key cyber security and data privacy management improvement projects including improvements to the Group's cyber governance model, lessons learned from recent third-party supplier data breaches, third-party risk management review (and subsequent enhancement of approach to TPRM), visibility of trend analysis and benchmarking external data to better understand the Group's progress in implementing its improvement plans. The Committee advised the development of a protocol for action against data blocking and sequestration in compliance with applicable legislation.</li> </ul>
<b>Non-Financial Information</b>	<ul style="list-style-type: none"> <li>reviewing the processes and integrity of information provided in the Group's Consolidated Statement of Non-Financial Information in compliance with Law 11/2018, including information on environmental, social, employee and human rights-related matters and receiving the external auditor's limited assurance report and conclusions;</li> <li>reviewing the integrity of the reporting and data in respect of the Group's longer-term sustainability and climate-related risks and opportunities, including the Group's alignment with the provisions of the TCFD process, and the appropriate reflection of the implications of climate change in the Group's strategy, financial statements and financial and cash flow forecasts; and</li> <li>understanding the phased programme towards readiness for reasonable assurance for non-financial information in respect of key and required sustainability and people/workforce measures and monitoring the significant progress achieved, leveraging the Group's established methodology for implementing internal controls frameworks, defining the controls, accountability and governance essential to achieve effective reasonable assurance.</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>reviewing the Group's insurance position, including general insurance arrangements and Directors' and Officers' liability insurance, and reporting to the Board on the adequacy and appropriateness of the cover with regards to the Group's relevant principal and emerging risks (recognising that not all risks are of an insurable nature). Following the Committee's recommendation in 2022, a Group Insurance Governance Steering Committee was established during 2023, to improve oversight of insurance cover across the Group and to provide the Committee with assurance that the insurances across the Group are both adequate and appropriate for the risks faced by the Group and to identify further opportunities for leveraging policies across the Group and identify new areas of risk and insurance.</li> </ul>
<b>Investor relations</b>	<ul style="list-style-type: none"> <li>reviewing management's summary and analysis of the Group's investor/analyst views, including those received after the Capital Markets Day in November, regarding accounting policies, risks and disclosures to ensure that investor views are taken into account where required; and</li> <li>considering investors' and analysts' views (plus those of other external informed commentators) on the future outlook for the Group to ensure the scenarios and assumptions applied in the Group's viability review are not misaligned with external projections.</li> </ul>
<b>Governance and other matters</b>	<ul style="list-style-type: none"> <li>reviewing and recommending to the Board the adoption of amendments to relevant policies; and</li> <li>considering and planning for the implications of any changes in European, Spanish or UK corporate governance requirements, within the remit of the Committee including the passing of the UK Economic Crime and Corporate Transparency Act 2023.</li> </ul>

**Significant financial reporting matters considered by the Audit and Compliance Committee**

The Committee takes account of significant issues and risks, including strategic, business and operating, financial, compliance and regulatory, that may materially impact the integrity and accuracy of the quarterly financial results announcements or the 2023 Annual Report and Accounts.

The Committee has also sought to ensure that the Group's reporting is aligned with the latest guidance and requirements from regulators, that it is fair, balanced and understandable and that all matters disclosed and reported upon meet the rapidly evolving needs of the Group's stakeholders.

The significant accounting judgements, estimates, accounting policies and issues considered by the Committee in relation to the Annual Report and Accounts

for the year to 31 December 2023 (including those considered as significant audit issues by the external auditor and described in the Independent Auditor's Report) are set out in the table below. After robust further consideration, challenge and debate, there are no topics where the conclusion resulted in significant disagreement between management, the external auditor and the Committee, or unresolved issues that needed to be referred to the Board.

Matter	Action taken by the Committee and outcome/future actions
<b>VAT assessment on the issuance of Avios</b>	<p>The Committee received multiple updates throughout 2023 on the progress of HMRC's substantive review into whether VAT should have been payable on the issuance of Avios contrary to a previous ruling issued in 1997 and reconfirmed in 2011. Discussions with HMRC are ongoing and will continue in 2024.</p> <p>Based on the facts presented, the Committee agrees with management's assertion, confirmed by external Counsel and tax advisers, that it is possible, but not probable, that HMRC's initial assessments will be upheld. As a result the Committee also agrees with management's approach in the 2023 Group Financial statements in that the matter is disclosed as a contingent liability and no provision is recorded for this exposure.</p> <p>The Committee also challenged management on the disclosure made in the 2023 Annual Report and Accounts and whether the disclosure enabled users to sufficiently understand the status of HMRC's substantive review. Given the number of possible scenarios that could eventuate from the substantive review, the Committee concurred with management and the conclusions reached by the external auditor not to give a range of potential exposures as it could prejudice seriously the position of the Group.</p>
<b>Loyalty revenue recognition</b>	<p>The Committee focused on the impact of IAG Loyalty's change in actuarial modelling provider, including a change in the external actuarial specialist, on the breakage and assumptions driving loyalty revenue recognition. The Committee was reassured that the migration reconfirmed the appropriateness of the loyalty scheme liabilities with no material adjustments as a result of the transition.</p> <p>The Committee is satisfied that the estimates relating to loyalty revenue recognition are appropriately supported by reasonable management assumptions and those of an independent expert third party. The Committee also considered the conclusions of the external auditor, who had identified loyalty revenue recognition as a key audit matter.</p>
<b>Voucher revenue recognition</b>	<p>The Committee received quarterly updates throughout 2023 on management's assumptions in relation to revenue recognition relating to vouchers issued in relation to conditions during and immediately after the COVID-19 pandemic, including issuances, redemptions, refunds and the amounts recognised as breakage. For the years to 31 December 2022, 2021 and 2020 the Group recognised no breakage on vouchers but given the recovery from COVID-19, coupled with the availability of sufficient historical redemption and expiry data, the Group has commenced recognising breakage on a limited population of the voucher liability during 2023. The Committee agrees with management's assessment that breakage can now be reliably estimated and that there will not be a significant reversal of revenue in future periods as a result of having recorded breakage during 2023. The Committee also recognised that as vouchers began to contractually expire in 2023 and management has been taking action to encourage voucher holders to utilise their vouchers before they expire, the Group has more data upon which to estimate and recognise breakage on unredeemed vouchers during 2024.</p>
<b>Group accounting policy on major maintenance events for leased aircraft</b>	<p>During the course of 2023, management presented to the Committee a detailed analysis of the Company's accounting policies, in response to the enquiries from the CNMV, with regard to major maintenance events on owned and leased aircraft, including peer benchmarking, industry guidance and analysis of alternative accounting policies. In particular, for leased aircraft, IFRS does not provide specific guidance on how to account for major maintenance events and whether to adopt a provisions approach, whereby provisions for such maintenance events are built up over time through the usage of the asset, or to apply the components approach, whereby each major maintenance event is capitalised and depreciated to the sooner of the next event or the end of the lease. The Committee concurred with the continued application of the existing accounting policy of applying the provisions approach.</p>



## Other significant matters considered

Highlights of other key matters that the Committee considered are explained below.

Matter	Action taken by the Committee and outcome/future actions
<b>Viability and going concern assessments</b>	<p>Throughout the year and in finalising the 2023 Annual Report and Accounts the Committee has continued to consider and robustly challenge management's going concern review and viability assessment, including the supporting analysis.</p> <p>The Committee was reassured by management's assessment in 2023 and update of its three-year forecasts, as part of the financial plan through to 31 December 2026. The Committee's reassurance was gained by a review of critical estimation assumptions and judgements applied in relation to cash flow forecasts over the short, medium and long term, including the implications of climate change where they impacted the reference period. Many of the assumptions and judgements are based on events outside the Group's control including the political and economic influences such as the wars in the Ukraine and the Middle East, volatile fuel prices and high inflation and interest rates.</p> <p>The Viability statement section of this Annual Report provides details of the Base Case and Downside Case applied in assessing the appropriateness of the Board's viability statement and assessment of the going concern basis of accounting. The Committee provided robust challenge of the assumptions applied in management's Base case and Downside case projections (ensuring that the Downside case reflected appropriately severe but plausible assumptions) and reviewed the external auditor's findings and conclusions on this matter. Alternative negative scenarios were also considered by the Committee but the Downside case presented the most severe but plausible scenario.</p> <p>The Committee recommended the going concern statement and related disclosures to the Board for inclusion in the 2023 half-year interim results announcement and the 2023 Annual Report and Accounts and the viability statement for inclusion in the 2023 Annual Report and Accounts.</p>
<b>Fraud procedures</b>	<p>The Committee reviewed management's report on the Group's fraud prevention framework, including the annual fraud risk assessment and the key controls and lines of defence in place to prevent and detect fraud. The Committee noted good alignment between the risk assessment and the assurance map, including lines of defence, and was satisfied that the approved internal audit plan covered the key financial reporting anti-fraud controls as well as audits targeted at specific fraud risk across the Group during this period.</p> <p>Following Royal Assent of the UK Economic Crime and Corporate Transparency Act 2023, the Committee will closely monitor the implementation guidance, much of which will require further secondary legislation expected over the next 12-24 months. The Committee will also monitor management's response to the guidance specifically concerning reasonable procedures in place to prevent fraud and any enhancements required to the Group's fraud prevention framework.</p> <p>On behalf of the Board, the Committee will continue to monitor fraud and internal controls carefully, including consideration of the enhanced audit review of fraud controls and views of the external auditor, the results of the annual ICFR audits and the results of a series of focused anti-fraud control internal audits.</p>
<b>CNMV Letters and enquiries</b>	<p>In April 2023, the Company received a comment letter from the CNMV requesting that for each quarterly earnings release and associated results presentations, the Company include a definition of each Alternative Performance Measure (APM) and to ensure that such APMs are not given undue prominence to IFRS reported measures. No changes were proposed or sought in relation to the Annual Report and Accounts. The Committee reviewed and concurred with the enhancements to the quarterly earnings releases and associated results presentations, as a result of the comment letter and, having sought the views of the external auditor, with management's responses to the letter, which was submitted in May 2023. The CNMV has accepted IAG's response and enhancements.</p> <p>In May 2023 the Company received a second comment letter from the CNMV, requesting certain information and clarifications relating to accounting matters and disclosures in the Group's 2022 Annual Report and Accounts, none of which were considered material. The Committee reviewed and concurred the enhancements to the Annual Report and Accounts as a result of the comment letter and, having sought the views of the external auditor, with management's responses to the letter, which were submitted in July 2023. The CNMV has accepted IAG's response and proposed enhancements reflected in the 2023 Annual Report and Accounts.</p> <p>During the course of 2023, the Company has received a number of enquiries from the CNMV, requesting information and clarifications relating to the Company's accounting policies for major maintenance events for both owned and leased aircraft. In forming its responses, management incorporated: (i) detailed analysis of its current accounting policies; (ii) benchmarking of peer accounting policies; (iii) consideration of industry guidance; and (iv) consideration of alternative accounting policies. The Committee reviewed and concurred with management's responses to the aforementioned enquiries. As at 31 December 2023 and through to the date of this report, correspondence with the CNMV is ongoing and the Group continues to engage on this complex area of accounting.</p>

Matter	Action taken by the Committee and outcome/future actions
<b>Corporate governance and audit reform</b>	<p>Throughout 2023, the Committee closely monitored developments in and ongoing consultations in respect of the UK's Corporate Governance Reform agenda, the FRC's review of the UK Corporate Governance Code and the passing of the UK Economic Crime and Corporate Transparency Act 2023. In May, the Committee received a detailed briefing (from the external auditor) of the UK Government's and FRC's corporate governance and Code reform proposals and management presented its plans and proposed timelines to adopt the various governance initiatives as well as a view of those initiatives already in place under the Group's Spanish governance framework.</p> <p>While the UK Government's proposed Corporate Governance Reform and elements of the proposed Code changes will not be taken forward, the Committee's focus has remained on maintaining robust internal control and governance frameworks. Management's key learnings in preparing for adoption are leading to control improvements, greater assurance transparency and strengthening the Group's governance frameworks.</p> <p>The Committee believes management is well placed to adopt the new provisions outlined in the revised UK Corporate Governance Code and, where appropriate, the associated guidance and awaits the implementation legislation to be made available in relation to the "failure to prevent fraud" expected in 2024. Throughout 2024, the Committee will be reviewing the status of these reforms and management's and the Committee's plans to ensure full compliance in accordance with the relevant regulatory and legal timetable.</p>
<b>Non-financial information and environment</b>	<p>In conjunction with the Safety, Environment and Corporate Responsibility Committee, the Committee plays a key role in the governance of regulatory reporting requirements in respect of non-financial information, particularly those related to workforce data and climate-related risks and opportunities. This Committee is pleased with management's significant progress in designing and documenting internal controls over non-financial reporting (ICNFR) across the Group to ensure there are robust processes and controls in place to obtain reliable data.</p> <p>At the request of the Committee, additional non-financial information process and control internal audits were undertaken in 2023 to inform management's drive to improve the ICNFR framework. The focus of ICNFR audits will continue in 2024 to provide the Committee with assurance that the newly implemented controls are operating effectively.</p> <p>The Committee continued to receive regular updates in relation to the statements on non-financial information and diversity (prepared in compliance with the requirements of Law 11/2018) as well as management's demonstration of close alignment with key sustainability frameworks, including TCFD. The Committee also considered the limited assurance reports from KPMG on the Group's non-financial information, including TCFD compliance and EU taxonomy.</p>
<b>Risk appetite framework</b>	<p>In early 2023, the Board (supported by management) introduced a new risk appetite framework which set tolerances across the business plan period and enabled consideration of trade-offs to facilitate prioritisation of initiatives to manage opportunities and risk within the defined appetite tolerances.</p> <p>The Committee received an update from management in December on the Group's performance against the appetite tolerances set at the beginning of 2023. The Committee is satisfied that the new framework is aligned to the Group strategy reviewed and approved by the Board in September 2023 and that the Group continued to perform and deliver initiatives throughout 2023 as planned to mitigate risk as set out in its framework statements.</p> <p>Appetite discussions following the Strategy Board meeting in September 2023 were held with each of the Board members in November to re-assess their appetite in light of the current risk environment, updated Group strategy and Group performance in 2023, to be applied during 2024 and discussed and agreed at the December Board meeting.</p>
<b>Compliance</b>	<p>The Committee recognises the critical role of compliance in upholding the highest ethical standards across the Group. A Group Head of Compliance and Ethics was appointed in June 2023. The Committee requested an independent review be undertaken of both the Group's whistleblowing provisions and culture as well as the maturity of the overall ethics and compliance capabilities. In addition to receiving the annual compliance update from management, in December Deloitte presented the conclusions of its independent assessment including the areas it believes are opportunities for improvement across the Group. Management is preparing its response and plans for addressing the recommendations and this will be a key area of focus for the Committee during 2024 and 2025.</p>

The Committee will continue to receive regular updates on all the above matters in 2024.

### **Internal Control over Financial Reporting**

The Board of Directors is ultimately responsible for the supervision of the existence and effectiveness of Internal Control over Financial Reporting (ICFR). The Board has delegated the responsibility for the development of effective controls to the Group Chief Executive Officer and the supervision of the effectiveness of these controls to the Audit and Compliance Committee.

The Group's ICFR monitoring and auditing is mature and well embedded across the Group, covering processes applied by the Company, Aer Lingus, British Airways, IAG GBS, IAG Loyalty, Iberia and Vueling, and processes performed by IAG GBS and IAG Cargo on behalf of the operating companies. This enables the Committee to evaluate and oversee IAG's management of financial reporting risk and to validate the Group's approach to complying with the CNMV's ICFR recommendations.

In 2023, the Committee reviewed the results of the internal audits and external audit of ICFR (which included IT general controls). Despite the return to pre-COVID-19 pandemic operating conditions in 2023, no unremediated material or significant weaknesses that would impact the integrity of the financial statements were identified, and management continued to improve the control environment across the Group. The Committee also tracked the progress of internal audit recommendations to address any weaknesses identified.

### **Internal audit**

The Committee's activities during 2023 in relation to the Internal Audit function included:

- reviewing and agreeing the internal audit 2023 plan and 2024 first six months plan (including resourcing and budget to appoint appropriate external specialist resource and recruit additional permanent resource when required to ensure the function is appropriately resourced to provide the required level of assurance over the principal risks, processes and controls throughout the Group). This included ensuring the 2023 plan continued to focus on fraud risk while also ensuring coverage of specific risks, including cyber security, IT transformation programmes, non-financial information and satisfying ICFR and Spanish Criminal Code requirements;
- reviewing key audit conclusions, discussing the quality and timeliness of management's responses, monitoring the resolution of issues raised and requesting additional audit review of certain weaknesses or concerns identified by internal audit, post management action to remediate. Where an internal audit finding was rated seriously deficient, relevant responsible management were requested to, in person, present their plans and progress in addressing the audit recommendations and required actions, reflecting the importance the Committee attributes to the internal audits and their conclusions;

- holding regular meetings during the year between the Committee, the Head of Group Audit and the external audit partners as well as ensuring the Head of Group Audit feels able to raise any concerns informally and directly with the Chair of the Committee;
- monitoring and protecting internal audit's independence and standing within the Group, ensuring its ability to influence and engage at the most senior levels across IAG and all operating companies and functions and is closely involved in the Group's discussions on risk; and
- performing an effectiveness review with key stakeholders in December 2023.

The Committee is satisfied that delivery of the approved internal audit strategy and plan is providing timely and appropriate assurance on the effectiveness of controls in place to successfully and effectively manage aspects of the Group's relevant principal risks (i.e. those that are capable of being subject to an audit review).

## External audit

External auditor key information	
Last tender	2019 - January 2020
Transition year	2020
AGM Approval of current auditor (for three years to 31 December)	September 2020
First audited Annual Report	Year to 31 December 2021
Next audit tender required by regulations	For appointment effective for year to 31 December 2031

The Committee engaged throughout the year with KPMG, with the engagement partners attending all Committee meetings. Following completion of the 2022 audit, the UK lead audit partner retired and Paul Nichols was appointed as KPMG's UK lead audit partner, following his shadowing and transitioning activities during 2022.

The Committee Chair met frequently with the Group and lead audit partners throughout the year to review Group developments, audit progress, their planned reporting and audit findings. The Committee's key activities in relation to its interaction with KPMG included:

- review of KPMG's third-year audit arrangements and plan, and overseeing progress throughout 2023;
- approval of the 2023 external audit plan and strategy including consideration of scope, approach and methodology, emerging industry and Group-specific audit risks and materiality. Monitoring the audit plan's implementation, including receiving regular reports from KPMG, progress against plan in consideration of key judgements, audit matters and any significant weaknesses detected in the internal control environment;
- discussion, prior to recommendation of the financial statements to the Board for approval, of the audit findings, including audit differences, and observations on internal controls, operations and resources. This included challenging the auditors on their conclusions regarding voucher revenue recognition discussed in significant financial reporting matters.
- performing an assessment of the effectiveness and independence of KPMG, including the quality of the 2023 audit (throughout the year), implementation of improvement opportunities identified in the 2022 effectiveness assessment and reviewing and approving the fees and terms of reference; and

- reviewing and approving 2023 non-audit services expenditure against policy and previously determined limit guidance. Reviewing and approving non-audit services limit guidance and expectations for 2024.

### External audit scope, materiality and execution

The Committee discussed and agreed the scope of the audit with KPMG in May including the interim review plan (comprising audit testing, risk assurance procedures, process walkthroughs, control testing and data and analysis routines) and ensuring that the audit strategy was robust and informed by the auditor's assessment of the Group's key risks, particularly those that are significant to the audit. KPMG explained to the Committee the key tests that it intended performing on the identified higher-risk audit areas that could lead to material misstatement of the financial statements and significantly influenced the audit plan. The auditor and the Committee confirmed a shared understanding of these risks and key audit matters, including passenger revenue recognition, the carrying value of tangible and intangible assets and how these were to be considered in the audit approach. During the fourth quarter, KPMG confirmed that, as a result of the forecast Group trading results and the headroom on the annual impairment assessment, the risk of asset impairment was no longer considered to be a significant risk.

The auditor confirmed that 100% (2022: 99%) of the Group's forecast revenue and 95% (2022: 95%) of the Group's forecast total assets would be subject to a full scope audit. The Committee agreed, after challenging the external auditor as to whether such a high level of coverage was required, that the approach was appropriate and should provide the Board with a high level of assurance regarding the integrity of the financial statements and subsequently approved the audit plan, recognising that the plan would evolve

as the year concluded to reflect any changes in circumstances or outlook.

The Committee agreed with KPMG, in considering the accuracy of financial reporting, the scale of accounting errors of lesser significance that were to be brought to the Committee's attention and the amounts that would need to be adjusted so that the financial statements give a true and fair view. The Committee agreed with the planning materiality based on the forecast results for 2023, which the Committee and the auditor kept under review during the final quarter of 2023 and the final stages of the 2023 audit.

### External auditor quality and effectiveness

The Committee is very focused on audit quality and effectiveness, which is reviewed on an ongoing basis to ensure the rigour and challenge of the external audit process is maintained. The Committee received updates from KPMG at five Committee meetings, enabling the Committee to assess and measure the quality of the audit through regularly monitoring the auditor's communications with management and the Committee, including discussion and challenge during Committee meetings, compliance with relevant regulatory, ethical and professional guidance and assess, on an ongoing basis, the audit team's qualifications, expertise, resources, partner performance and the effectiveness of the audit process. The Committee's assessment included, in addition to its own independent assessment, a survey as well as detailed discussion with key executives and finance staff, which demonstrated that the 2023 external audit was deemed to be effective, robust and of good quality. The Committee's independent assessment considered the overall quality of the audit, including whether the auditor exhibited an appropriate level of challenge and scepticism in its work and dealings with management and the independence of KPMG.



The Committee also assessed the depth of review and level of challenge provided by the external auditor over the significant accounting policies, judgements and estimates made by management. The Committee felt that KPMG challenged management robustly on key judgements and estimates, accounting treatments and disclosures, for example in relation to loyalty programme revenue recognition where KPMG's challenge included an evaluation of the effectiveness of management's expert, the transition to a new expert and modelling. The observations and conclusion of the Committee in respect of this matter are noted in this report above.

In addition to the annual evaluation and regular review of reports to the Committee and observations and feedback on the working practices of the KPMG audit team, the Committee undertook an ongoing assessment of external audit quality and effectiveness including, but not limited to, the following:

- the Committee oversaw formal terms of engagement with the auditor and, after significant challenge by management as to the composition and quantum of the proposed fee increase, agreed the audit fee. KPMG assured the Committee that despite a significant increase compared with the 2020, 2021 and 2022 fee, the approved 2023 fee was at a level that was appropriate for the scope of the audit, to enable a quality audit to be undertaken;
- reports from the external auditor were reviewed during all Committee meetings in 2023 and again in the February 2024 Committee meeting, covering: the conclusions of the review of the Group's results for the half year; audit planning updates; interim audit findings (including those of the review of the relevant key IT general controls); progress update for year end matters; and final report for year end matters;
- KPMG attended all five of the planned Committee meetings during the year to answer any questions the Committee had outside these formal updates; and
- consideration of the FRC's most recent Audit Quality Review conclusions relating to KPMG as a firm and any specific findings relating to audits led by the lead audit partners to IAG.

Taking all aspects of the assessment throughout the year into consideration, the Committee concluded that it is satisfied that the KPMG audit was probing, challenging and robust and the approach provided a reliable audit opinion with a reasonable expectation of detecting material errors, irregularities and material fraud. The Committee considered the external audit to have been effective and of a high quality.

### External audit tender and transition

#### 2021

KPMG first year of audit following the appointment approved by shareholders in 2020 for the 2021, 2022 and 2023 financial years

#### 2024

KPMG reappointment to be considered and approved by shareholders for year to 31 December 2024 and annually thereafter

#### 2025

Mandatory appointment of new external (KPMG) audit Spanish lead partner to sign off on the 2026 financial year

#### 2030

To comply with the Spanish Act 22/2015, a competitive tender will be required for auditor appointment effective for the year to 31 December 2031 unless carried out earlier

To comply with the Spanish Act 22/2015, the Committee conducted an audit tender process that concluded in January 2020. Following KPMG's appointment (by shareholders) as the external auditor of the Company in 2020 for the years 2021, 2022 and 2023, the Committee has reviewed and monitored the implementation of KPMG's transition and audit plans as well as the execution of these plans throughout 2023. The Committee considered and recommended to the Board the reappointment of KPMG for 2024.

### External auditor non-audit services and independence

Non-audit service spend in 2023 is within the total target maximum and was €1,807,000. The Committee concluded that KPMG is independent, taking into account the level and nature of non-audit services provided.

#### IAG non-audit services policy, key features

**Pre-approval** All non-audit services require pre-approval in accordance with the table below to ensure services approved are consistent with the IAG non-audit services policy for permitted services. This process ensures all services fall within the scope of services permitted and pre-approved by the Committee and does not represent a delegation of authority for pre-approval.

Value	Pre-approver
More than €100,000	Audit and Compliance Committee Chair and Chief Financial Officer
Between €30,000 and €100,000	Chief Financial Officer and Head of Group Audit
Less than €30,000	Head of Group Audit

**Fee cap** The guideline amount is set to ensure the total fee payable for non-audit services should not exceed 70% of the annual audit fee.

The overall value of fees for work is addressed by a target annual maximum for 2023 of €2.4 million with an additional allowance of up to €1.5 million for large projects where the external auditor is uniquely placed to carry out the work.

The Committee reviews the nature and volume of the non-audit services undertaken by the external auditor on a quarterly basis.

**Prohibitions** IAG's policy includes a list of permitted non-audit services in line with the list of permitted services in the FRC's Revised Ethical Standard 2019. Any service not on this list is prohibited.

All non-audit services over €100,000 are put to competitive tender with other providers, in line with the Group's procurement policy, unless the skills and experience of the external auditor make it the only suitable supplier.

Details of the fees paid to the external auditor during the year can be found in note 7 to the Group financial statements.

# Report of the Remuneration Committee



**Heather Ann McSharry**  
Remuneration Committee Chair

Committee members	Date appointed
Heather Ann McSharry (Chair)	31 December 2020
Eva Castillo	31 December 2020
Emilio Saracho	20 June 2019
Nicola Shaw	1 January 2018

## Dear Shareholder

On behalf of the Board, I am pleased to present our 2023 Directors' Remuneration Report. This report includes both: (i) our 2023 Annual Report on Remuneration, detailing how our current Directors' Remuneration Policy was implemented during 2023 and our proposed approach for 2024; and (ii) our proposed Directors' Remuneration Policy that is intended to apply from the date of our 2024 Annual General Meeting, in line with the three-year cycle in UK and Spanish remuneration regulations.

It has been an important year for IAG, in which the Group has continued its strong recovery after a very difficult period, delivering strong financial performance and having communicated our updated strategic and transformation plans to the market. In this context, the Committee continued to oversee the implementation of the Remuneration Policy during the period, focusing in particular on our

existing remuneration framework and its possible evolution in the short and medium term. In discharging its responsibilities, the Committee has remained mindful of the need to continue to attract, retain and incentivise our senior executives, in what has continued to be a dynamic and tight labour market, while consistently taking into account the wider experience of the workforce, our shareholders and all other stakeholders.

### Performance delivered in 2023

IAG achieved strong operating profits as we continue to transform our businesses to deliver world-class operating margins and returns on invested capital. This result led to strong cash generation in the year, strengthening our balance sheet, with net leverage back within IAG's target range and improved credit ratings, and enabling us to invest in improving our customer experience.

The Group's performance has been against a background of continued uncertainty driven by the macroeconomic and geopolitical environment.

- Operating profit before exceptional items €3,507 million;
- Capacity recovered to 95.7% of 2019 levels and more than 115 million passengers flown;
- Significantly strengthened our balance sheet, reducing gross debt by €3.9 billion by the end of the year;
- This improved financial position has enabled us to invest in our customers and brands, in products, services, and IT, as well as adding 32 new fuel-efficient aircraft to the fleet; and
- Significant progress towards 2025 carbon efficiency target as IAG continues to lead the industry on sustainability

### Workforce experience

Our workforce is at the heart of what we do, and their hard work has again been key to the strong performance we have delivered this year. On behalf of the Committee, I would like to take this opportunity to thank our employees across the Group for their ongoing effort, flexibility, and commitment.

Our financial performance has enabled us to invest more in our people, and we have continued to focus on making IAG a fair and rewarding place, where our people can develop and succeed. In 2023, our operating companies have made investments to improve colleague experience and our employee benefit packages. This includes enhanced flexible benefits offerings, mental and physical health offerings and financial wellbeing support.

With respect to workforce remuneration, across our operating companies, almost 90% of our employees are covered by collective bargaining agreements, many of which have been under review during 2023. Each operating company has sought to reach collective agreements which best support colleagues, whilst ensuring the business and pay remains competitive and sustainable.

The Committee has received regular updates on workforce experience and, in particular, on the steps the operating companies have taken to support colleagues both in terms of cost-of-living challenges, and their overall wellbeing. All of the members of the Committee participate in the Board workforce engagement programme and have also used this opportunity to engage with employees on remuneration matters.

The Committee has used these insights to ensure our decisions regarding executive remuneration take into account the approach taken across our workforce and reflect the expectations of all our stakeholders.

### **2023 annual incentive outcome**

There was no change to our annual incentive framework for 2023. 60% of the annual incentive was based on operating profit before exceptional items, 20% on customer NPS, 10% on carbon efficiency and 10% on strategic and personal objectives.

These measures were chosen to reflect the most important priorities of the Group for the year, with a focus on strong financial performance, delivering the best experience for our customers and the strategic importance of ESG and sustainability to the Group.

The Annual Incentive Plan operated in line with our Remuneration Policy and reflects the strong execution of our strategy in the year. Under the scorecard measures, the annual incentive outcome was 82.9% of the maximum opportunity. Whilst the outcome of our customer measure is below target, we performed well against our financial and carbon measures with both paying out at stretch performance. Customer continues to remain a key area of focus for both the management team and the Board. IAG is committed to provide a best-in-class customer experience and the Group will keep investing to further improve it. Full details of achievement against targets are provided in the variable pay outcomes section of this report.

50% of the CEO's award will be deferred into shares for three years.

### **Vesting of the 2021 restricted share plan (RSP)**

The first restricted share award was made in June 2021 and is due to vest in June 2024. In advance of this vesting, the Committee assessed the performance underpin which applies to the restricted share awards, taking into consideration IAG's overall financial and non-financial performance.

As part of this process, the Committee was presented with a framework for it to use in order to assess whether the performance underpin had been satisfied, taking into account the performance for the financial years 2021, 2022 and 2023. This incorporated detail on: IAG's financial performance (including revenue, profitability,

operating margin, cash generation, return on capital, as well as performance relative to sector peers) and IAG's key non-financial and operational performance measures (including progress towards IAG's sustainability ambitions and its broader social agenda). The purpose of the framework was to ensure that the RSP vesting outcome can be justified and to guard against payment for failure.

The Committee agreed that, based on this assessment, the conditions set out in the underpin had been satisfied. As a result, it is expected that the 2021 RSP award for the IAG CEO will vest in full in June 2024. The estimated value of the award is included in the single total figure of remuneration in this year's report. The award is subject to a two-year holding period.

### **Remuneration Policy review**

In line with the three-year policy cycle, our Directors' Remuneration Policy is due for renewal at our next Annual General Meeting in 2024.

Our current Policy was developed at a time when the Group was significantly impacted by the biggest crisis the airline industry has ever faced. A key challenge for us at that time was to ensure that our remuneration framework remained effective in attracting and, crucially, retaining the executive talent necessary to drive the recovery of our business. In this context, and mindful of the challenge of setting long-term performance targets, we determined that the right approach for IAG was to introduce a restricted share plan, which would also allow our management team to focus on overcoming the crisis, while making the right decisions to ensure the long-term sustainability of the business.

The Committee has undertaken a thorough review of our existing Remuneration Policy during the year, considering the Group's strategic priorities, the macroeconomic environment, alternative remuneration frameworks and the effectiveness of the current Remuneration Policy; and concluded that the existing Policy continues to provide the most appropriate framework for aligning executive and shareholder interests at this time.

We believe that the current macroeconomic and geopolitical environment, as the industry continues to stabilise post COVID-19, creates a level of uncertainty and volatility that makes it very challenging to design and

set appropriate long-term performance targets, while effectively incentivising and retaining our senior executives. In addition, the Committee is mindful of the fact that none of the awards under the Company's RSP have yet vested, with the first awards vesting in June 2024. As we continue to drive the recovery, we consider IAG's RSP will continue to ensure focus on the long-term health of our business and our strategic transformation agenda.

While we propose to retain the current Directors' Remuneration Policy structure and framework, we are recommending some minor amendments to ensure that we remain competitive over the short term, the key change being the reduction of the annual incentive deferral from 50% to 20%, to apply only when the executive has met the shareholding guidelines (350% of salary for the IAG CEO). In this way, any reduction in deferral would only apply where an executive already has a substantial shareholding, therefore maintaining alignment with shareholder interests. The Committee also considers this change is more closely aligned with practice amongst our sector and Spanish peers, for whom bonus deferral is uncommon.

Our proposed 2024 Directors' Remuneration Policy can be found at the end of this report.

### **Shareholder engagement**

In developing our approach to our Directors' Remuneration Policy review, we consulted with our major shareholders and main proxy advisory bodies. No concerns were raised with our Policy proposal, and we received valuable questions and feedback which will help shape our future discussions. I would like to thank all those shareholders who engaged with us during this process.

### **Implementation of the Policy in 2024 Base salary**

The Committee seeks to ensure that the salary level for the IAG CEO is competitive in the context of a dynamic talent market in the geographies in which the Group operates and competes for talent. At the same time, the Committee is mindful of the current economic environment, the wider stakeholder experience, as well as investor and proxy advisor views. Following a detailed review, the Committee approved a salary increase of 4% for the IAG CEO for 2024. This is below the average increase for the wider workforce, which is more than 5%.



### **Annual incentive**

In 2024, IAG continues to face significant uncertainty and volatility driven by external factors. In this context, we have sought to ensure that the annual incentive plan continues to align with business priorities and reflect the underlying performance of the business.

The Committee has decided that the maximum annual incentive opportunity will remain at 200% of salary for the IAG CEO in line with the Policy, and that there will be no change to the performance measures for 2024, as the Committee believes the current measures continue to reflect the most important priorities of the Group for the year ahead. The targets for 2024 will be fully disclosed in next year's report.

### **Restricted share plan**

The Group CEO will receive a restricted share award of 150% of salary in March 2024 under the existing Remuneration Policy. The award will vest after three years subject to the satisfaction of the discretionary performance underpin and will also be subject to a holding period until five years from grant.

### **Looking forward**

The Committee will continue to review the economic and business context and consider any changes that might be appropriate to the Directors' Remuneration Policy in the coming years. We will consult with our major shareholders and the main proxy advisory bodies (and seek approvals as required) in the next three years, to the extent that changes are proposed. As the Group returns to strong sustainable performance, there may come a time when it becomes appropriate to incentivise IAG's management team to deliver our long-term financial and sustainability ambitions through robust long-term incentive targets. It is therefore our intention to keep our long-term incentive model under review to ensure that it remains effective.

This year the Remuneration Committee has again sought to take a responsible and considered approach to executive pay, taking into account the experience of our employees, shareholders and key stakeholders in the period. The Committee considers that the Directors' Remuneration Policy operated as intended during 2023, and the remuneration outcomes are fair and appropriate, considering the strong performance delivered in the year. I hope to receive your support for both our Remuneration Report and the renewal of our Remuneration Policy at our 2024 Annual General Meeting.

Approved by the Board and signed on its behalf by

**Heather Ann McSharry**  
Remuneration Committee Chair

# Remuneration at a glance

## IAG Chief Executive Officer

Purpose and link to strategy features	Outcomes for 2023	Implementation in 2024	Proposed changes to Directors' Remuneration Policy
<b>Fixed remuneration</b>			
<b>Base salary</b>			
To attract and retain talent to help achieve our strategic objectives.	From 1 January 2023: £852,800 (€979,526) (an increase of 4% from 2022).	Following a review, an increase of 4% has been awarded. From 1 January 2024: £886,912 (€1,018,707).	No change.
Takes account of factors such as role, skills and contribution.	Below the average increase for the majority of the wider workforce.	Below the average increase for the wider workforce, which is more than 5%.	
<b>Taxable benefits and Pension-related benefits</b>			
Provides basic retirement and benefits which reflect local market practice.	Pension at 12.5% of salary, comparable to the rate applicable to the majority of the UK workforce. Benefits provided as per policy.	Benefits to be provided as per policy and pension will remain unchanged.	If a broad-based employee share plan is implemented, Executive Directors will be able to participate on the same basis as other employees.
<b>Variable remuneration</b>			
<b>Annual Incentive Plan</b>			
Incentivises annual corporate financial and non-financial performance and the delivery of role-specific objectives.	For our 2023 bonus, our scorecard was weighted to the following measures: 60% Operating profit (before exceptional items), 20% customer NPS, 10% carbon efficiency and 10% personal objectives.	Maximum opportunity unchanged at 200% of base salary.  No change to the scorecard measures and weightings for 2024.	Proposal to amend the approach to deferral of the annual incentive. Currently executives have to defer 50% of any bonus earned into shares for three years. We are proposing that, if the executive has met the shareholding guidelines (350% of salary for the IAG CEO), then the amount deferred will be reduced to 20%.
The deferred shares element aligns the interest of executives and shareholders and provides a retention tool.	Under those scorecard measures, the bonus outcome was 82.9% of maximum, and thus the 2023 bonus amount of £1,414,000.  50% deferred into shares for three years.		
<b>Long-Term Incentive (RSP)</b>			
Incentivises long-term shareholder value creation, and retention.	The first restricted share award was made in June 2021 and is due to vest in June 2024. Based on the Committee's assessment of the performance underpin, the Committee expects that the RSP award will vest in full. The award will be subject to a two-year holding period post vesting.  More detail on the Committee's assessment can be found later in the report.	In line with IAG's remuneration policy, a restricted share award of 150% of salary will be granted to the IAG CEO in 2024. In line with previous years, the award will vest after three years subject to the satisfaction of the discretionary performance underpin and will also be subject to a holding period of two years post vesting.	No change.
<b>Shareholding requirement</b>			
Provides long-term alignment with shareholders.	The CEO of IAG is required to build up and maintain a shareholding of 350% of base salary.	No change to shareholding requirements. As at 31 December 2023 the IAG CEO had a shareholding of 518% of base salary.	No change.
Malus and clawback provisions apply to Annual Incentive and Long-Term Incentive awards and the Committee has discretion to adjust formulaic outcomes to reflect corporate performance and broader stakeholders experience.			No change.

The Committee considers that the Directors' Remuneration Policy operated as intended during 2023.



## Alignment of IAG remuneration practices to Provision 40 of the UK Corporate Governance Code

### UK Corporate Governance Code – Provision 40

### How we have achieved alignment

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#### Clarity

Our policy is that Executive Directors only participate in an annual bonus and a single restricted share plan, to ensure this simplicity. Incentive awards are capped so that the maximum potential award under each plan is transparent.

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#### Simplicity

Our policy has improved the ability of participants, employees and shareholders to understand executive pay arrangements.

Additionally, the Company continues to make more remuneration analysis and information available to both employees and shareholders, via both UK and Spanish disclosures.

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#### Risk

The design of our policy also ensures independent control over remuneration outcomes, with all executive variable pay being awarded on a discretionary basis and subject to malus and clawback provisions. Our corporate governance structure provides for a crossover in Board Committee membership between the Remuneration Committee and the Audit and Compliance Committee. This ensures a joined-up view between emerging or crystallised risks and remuneration outcomes.

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#### Predictability

Our policy identifies the maximum opportunity for each component of executive remuneration and also illustrates potential total remuneration outcomes in various performance scenarios. These disclosures provide transparency around overall opportunities.

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#### Proportionality

Our executive remuneration performance measures and targets are transparently disclosed where awards are made, detailing the relationship between the performance achieved and the delivery of our long-term strategy and the creation of sustainable shareholder value. The transparency of this approach supports proportionate remuneration outcomes relative to company and individual performance measures, as well as the wider performance environment.

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#### Alignment to culture

The selection and balance of financial and non-financial measures for both short- and long-term incentives is designed to reinforce the values and behaviours that support the delivery of long-term sustainable returns to shareholders. In particular, the RSP, and overall proportion of deferred executive pay, enable a focus on transformation and long-term success.

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# Remuneration Report

## Introduction

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

The Company's current policy on Directors' remuneration was approved by shareholders at the Shareholders' Meeting held on 17 June 2021, and amended at the 2022 Shareholders' Meeting, following close consultation with major shareholders.

In line with the three-year cycle in UK and Spanish remuneration regulations we will be submitting a new Directors' Remuneration Policy which will be put forward for shareholder approval at the 2024 Annual Shareholders' Meeting. The proposed policy can be found later in this report.

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 welcomed the opportunity provided by the Spanish CNMV allowing companies to prepare free-format reports. Therefore IAG is presenting a consolidated report responding to Spanish and UK disclosure requirements. This report will be accompanied by a duly completed document 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 and the CNMV's respective websites.

It is the Company's intention once again to comply voluntarily with all reporting aspects of the UK legislation of 2018, The Companies (Miscellaneous Reporting) Regulations (SI 2018/860) and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, and to follow UK standards of best practice.

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

## Annual Remuneration Report

The Annual Remuneration Report sets out how the Directors' Remuneration Policy (as approved by shareholders at the Shareholders' Meeting on 17 June 2021 and amended at the Shareholders' Meeting held on 16 June 2022) was implemented in 2023 and how our proposed 2024 Directors' Remuneration Policy will be implemented in 2024.

## The Remuneration Committee

The Remuneration Committee is regulated by article 32 of the IAG Board Regulations and by its own Regulations approved on 25 February 2021. 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 for the members of the IAG Management Committee (and considers remuneration matters related to other senior managers and the broader workforce across the Group).

Article 32 of the Board Regulations ensures that the Remuneration Committee shall be made up of no fewer than three independent non-executive directors, with the dedication, capacity and experience necessary to carry out their function. Heather Ann McSharry chairs the Committee and also holds Senior Independent Director responsibility. None of the Committee members has any personal financial interest, other than as a shareholder, in the matters to be decided.

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

## Statement of voting

The table below shows the consultative vote on the 2022 Annual Directors' Remuneration Report at the 2023 Shareholders' Meeting, the binding vote on the Directors' Remuneration Policy Amendments at the 2022 Shareholders' Meeting and the Directors' Remuneration Policy approval at the 2021 Shareholders' Meeting:

	Number of votes cast	For	Against	Abstentions
<b>2022 Annual Directors' Remuneration Report</b>	2,287,118,202 (100%)	2,060,520,717 (90.09%)	99,190,323 (4.34%)	127,407,162 (5.57%)
<b>2021 Directors' Remuneration Policy</b>	2,574,695,497 (100%)	2,407,953,176 (93.53%)	149,433,203 (5.80%)	17,309,118 (0.67%)
<b>2021 Directors' Remuneration Policy Amendments</b>	2,048,314,538 (100%)	1,525,324,299 (74.47%)	364,183,944 (17.78%)	158,806,295 (7.75%)

### The Committee's activities during the year

In 2023, the Committee met five times (four scheduled meetings and an extraordinary meeting held in early July focused on reviewing the Remuneration Policy) and discussed, amongst others, the following matters:

Meeting	Agenda items discussed
<b>January</b>	<ul style="list-style-type: none"> <li>• Review of the feedback from the investors' engagement process</li> <li>• 2022 Directors' Remuneration Report and Non-Financial Information Statements</li> <li>• 2022 Annual Incentive Plan update</li> <li>• Management Committee pay benchmarking review</li> <li>• IAG CEO 2023 base salary review</li> <li>• Approval of grants under the Restricted Share Plan (RSP)</li> <li>• Share ownership update: Review of executive holdings, share awards authority and dilution limits</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>• Review of the 2022 Annual incentive outturn</li> <li>• Vesting outcome of the 2020 Performance Share Plan (PSP) award</li> <li>• Approval of the 2022 Directors' Remuneration Report</li> <li>• Approval of the 2023 Annual Incentive Plan</li> <li>• 2023 Management Committee role-specific objectives</li> <li>• Approval of share awards for senior executives and delegation of authority for future awards</li> </ul>
<b>May</b>	<ul style="list-style-type: none"> <li>• 2023 Annual Incentive Plan update</li> <li>• Approval of remuneration for a new Management Committee member</li> <li>• Authorisation for the allotment of shares for IAG share plans</li> </ul>
<b>July</b>	<ul style="list-style-type: none"> <li>• Review of market trends and feedback from investors after the 2023 AGM</li> <li>• Initial review of IAG executive directors' Remuneration Policy</li> <li>• IAG CEO compensation benchmarking review</li> <li>• Approval of remuneration for new IAG Management Committee members</li> </ul>
<b>October</b>	<ul style="list-style-type: none"> <li>• Market update on executive remuneration trends</li> <li>• 2023 Annual Incentive Plan update</li> <li>• Workforce remuneration update</li> <li>• Remuneration strategy for 2024</li> <li>• IAG executive directors' Remuneration Policy proposal for consultation</li> <li>• Review of non-executive director fees</li> </ul>

### Advisers to the Committee

The Committee appointed Deloitte as its external adviser in September 2016. Deloitte reports directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2023 were £111,574 (€128,154), 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 advisory services to other parts of the Group in 2023. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent.

In addition to Deloitte providing the Remuneration Committee with market updates on pay themes, the Committee also received market data and insights from other specialist consultants such as Aon, PwC and Willis Towers Watson in 2023.

### Single total figure of remuneration for the Executive Director

The table below sets out the single total figure of remuneration breakdown for the IAG CEO, who was the only executive director during 2023. An explanation of how the figures are calculated follows the table.

	CEO: Luis Gallego			
	£'000 <sup>1</sup>		€'000 <sup>1</sup>	
	2023	2022	2023	2022
Base salary	853	820	980	963
Benefits	64	285	74	334
Pension	107	103	122	121
Total fixed	1,024	1,208	1,176	1,418
Annual incentive	1,414	1,369	1,624	1,608
Cash	707	685	812	804
Deferred into shares for three years	707	685	812	804
Long-term incentive <sup>2</sup>	632	-	726	-
Total variable	2,046	1,369	2,350	1,608
<b>Single figure</b>	<b>3,070</b>	<b>2,577</b>	<b>3,526</b>	<b>3,026</b>

1 Remuneration is paid to the Executive Director in pound sterling and expressed in euro for information purposes only.

2 2023 Long-term incentive: the value shown in this table represents the estimated value of the 2021 RSP award granted in June 2021, which is expected to vest in full in June 2024. The estimate is based on a three-month average share price from 1 October 2023 to 31 December 2023 of 152 pence. Note that the value shown in this table differs from the value shown in the CNMV Statistical Annex accompanied to this report, as the reporting criteria established by the CNMV differ from those used in this table.

### Additional explanations in respect of the single total figure table for 2023

Only the current IAG CEO, Luis Gallego, served as an executive director in 2023. As the sole executive director, the IAG CEO has confirmed in writing that he has not received any other items in the nature of remuneration other than those already disclosed in the table above.

#### Base salary

The values shown represent the actual salary paid to the IAG CEO for each performance year.

January 2022 marked the first point at which the IAG CEO received full contractual salary of £820,000 since appointment, following COVID-19 pandemic related salary reductions made since he assumed the CEO role, demonstrating the significant length of time pay reductions were in place.

For 2023, an increase of 4% was awarded, the first increase since appointment in 2020 and below the average increase for the wider workforce, which was more than 6%.

#### Taxable benefits

Taxable benefits include the provision of a company car, a fuel allowance, executive support services and private health insurances.

As disclosed in our 2022 Directors' remuneration report, from January 2021 until December 2022 the IAG CEO was eligible for a transitional allowance of £250,000 p.a. (gross), to reflect that as a result of his role he and his family now live in the UK. This allowance provided a two-year fixed period of transitional support and considered that the IAG CEO continued to personally maintain a base in Madrid given the Company's significant operations and business in Spain. The value of the transitional allowance was not included in the calculation of any pension, incentive or other benefit values. Payment of the transitional allowance ceased in December 2022.

#### Pension-related benefits

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

#### Annual Incentive Plan

For our 2023 bonus, our scorecard was weighted to the following measures: 60% Operating profit (before exceptional items), 20% customer NPS, 10% carbon efficiency and 10% personal and strategic objectives.

Under those scorecard measures, the bonus outcome was 82.9% of maximum. The outcomes of the performance conditions which determined the award are described in detail later in the report.

Under the current policy, 50% of any Annual Incentive award for executive directors is made in deferred shares under the Executive Share Plan. Under this plan, shares are deferred for three years from date of grant.

For 2022, the bonus outcome was 83.5% of maximum. Half of the annual incentive was deferred into shares for three years; these will vest in March 2026.

### Long-term incentive vesting

In 2021 the existing performance share plan was replaced with a Restricted Share Plan (RSP). The first award was made to the IAG CEO in June 2021 and is due to vest in June 2024.

The Committee undertook an assessment of the performance underpin attached to the restricted share awards made in 2021 and agreed that, based on this assessment, the conditions set out in the underpin had been satisfied. As a result it is expected that the award will vest in full in June 2024.

More detail on the Committee's assessment can be found later on in the report.

### Share price appreciation and depreciation

There is no value attributable to share price appreciation.

The Committee has 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 and accidental death cover for executive directors. For the year ended 31 December 2023 the Company paid life insurance premium contributions of €17,050 (2022: €14,493).

### Exchange rate for 2023

For the year to 31 December 2023, £:€ exchange rate applied is 1.1486 (2022: 1.1744).

### Variable pay outcomes

#### 2023 Annual Incentive Plan

The IAG Annual Incentive Plan supports the business strategy through incentivising the delivery of identified priorities within the reporting period. The composition of measures selected reflects the most important priorities for the Group for the year to deliver long-term sustainable returns. For 2023, the Board at the beginning of the year, following a recommendation by the Committee, set the following measures:

Weighting	KPI	Description
<b>60% Financial</b>	IAG Operating profit (before exceptional items)	For 2023 it was considered that Operating profit continued to be the most appropriate financial KPI in aligning shareholder interest with the Company
<b>20% Customer</b>	Group Net Promoter Score by relevance (NPS)	NPS is used to gauge the loyalty and experience of the Group's customer relationships. It is calculated based on survey responses to the likelihood to recommend, by subtracting the percentage of customers who are 'Detractors' from the percentage of customers who are 'Promoters'  The weighting of each airline towards the overall NPS score reflects the Group's areas of focus for 2023
<b>10% IAG-specific carbon efficiency measure</b>	Group grammes of CO <sub>2</sub> per passenger kilometre (gCO <sub>2</sub> /pKm)	This measure reflects our progress towards our Flightpath Net Zero 2050 commitment; it measures the fuel efficiency of our flight operations, taking account of our network, aircraft mix and passenger load factors
<b>10% Strategic and personal</b>	Recover capacity	Ensure IAG is able to operate closer to 2019 capacity
	Recover profitability	Ensure IAG delivers improved profitability and drives operating margin improvements
	Transform IAG	Define and implement key projects that transform cost, customer experience and culture
	Growth in shareholder value	Define medium-term strategic plan that creates shareholder value, strengthen's IAG's position in key markets and improves IAG's capital position
	Procurement	Leverage Group's scale to drive right long-term strategic partnerships and supplier value
	People	Build culture and capability to underpin the Group's long-term success, ensuring IAG can attract, retain and engage diverse talent
	Sustainability	Enable IAG to lead the aviation industry on sustainability, and secure access to alternative fuels to support our net zero ambitions
	Government affairs	Work with governments, industry associations, and other stakeholders to ensure the right foundations are in place to enable IAG to deliver its strategic goals

## IAG CEO annual incentive plan – performance against targets

Under the policy, the IAG CEO has a maximum annual incentive opportunity of 200% of contractual salary. The below table details the approved 2023 performance measures and the Board’s assessment of both company and individual IAG CEO performance:

Category	Measure type	Weighting	Threshold	Target	Stretch	Performance delivered	Payout % of maximum for each measure	Weighted Payout %	CEO incentive outcome (£'000)
			At which payments begin (20% pay-out)	(50% pay-out)	Max pay-out (100% pay-out)				
<b>Financial measures</b> 2023	Operating profit before exceptional items (€m)	60%	1,469	2,098	2,727	3,507	100%	60%	£1,023

### Description of performance

In 2023, the Group benefited from its high-quality and increasingly diverse revenue stream, with recovery seen in all our businesses and with particular strength in Spain and the North and South Atlantic. Passenger capacity operated across the year was close to the levels operated in 2019 before the COVID-19 pandemic and we were able to generate higher unit revenues than in 2019, which offset higher fuel costs and supplier cost inflation. The results was a strong operating profit before exceptional items for the year of €3,507 million, versus a target of €2,098 million.

Category	Measure type	Weighting	Threshold	Target	Stretch	Performance delivered	Payout % of maximum for each measure	Weighted Payout %	CEO incentive outcome (£'000)
			At which payments begin (20% pay-out)	(50% pay-out)	Max pay-out (100% pay-out)				
<b>Customer</b> 2023	NPS <sup>1</sup>	20%	16.0	24.0	30.0	16.57	22%	4.4%	£75

### Description of performance

The outcome for 2023 was 16.57 vs a target of 24.0. Disruptions, stemming from diverse factors such as air traffic control failures, strikes, adverse weather events, supply chain challenges, and baggage issues across key airports impacted negatively our NPS. To mitigate this impact our airlines responded proactively to these challenges through initiatives and transformation plans aimed at improving on-time performance and all baggage-related processes, among others. Positive impacts to our NPS can be attributed to substantial investment in our cabins and cabin product, the enhancement of food and drink offering, the effort to digitalise the customer journey, and the improvements in customer care. NPS continues to be a key area of focus for both management team and the Board.

1 For the purpose of the annual incentive award, the weighting of each airline towards the overall NPS score reflects the Group’s areas of focus for 2023.

Category	Measure type	Weighting	Threshold	Target	Stretch	Performance delivered	Payout % of maximum for each measure	Weighted Payout %	CEO incentive outcome (£'000)
			At which payments begin (20% pay-out)	(50% pay-out)	Max pay-out (100% pay-out)				
<b>Carbon</b> 2023	gCO <sub>2</sub> /pKkm	10%	83.5	82.0	80.5	80.5	100%	10%	£171

### Description of performance

The outcome for 2023 was 80.5 vs a target of 82.0. IAG is targeting net zero emissions by 2050 across its Scope 1, 2, and 3 emissions. IAG’s interim targets are an 11% improvement in fuel efficiency 2019-2025, a 20% drop in net Scope 1 and 3 emissions 2019-30, and 10% SAF in 2030.

IAG is on track to deliver its 2025, 2030 and 2050 climate targets by carrying out emission reduction initiatives, working in collaboration with key stakeholders and proactively advocating for supportive government policy and technology development. Key measures to reduce emissions are fleet modernisation, sustainable aviation fuel (SAF), market-based measures including the UK and EU ETS and CORSIA, and carbon removals.

Category	Measure type	Weighting	Threshold	Target	Stretch	Performance delivered	Payout % of maximum for each measure	Weighted Payout %	CEO incentive outcome (£'000)
			At which payments begin (20% pay-out)	(50% pay-out)	Max pay-out (100% pay-out)				
<b>Strategic and personal objectives</b>	As described in the table in the previous page	10%	Low (0% to 40%)	Good to high (45% to 65%)	Exceptional (70% to 100%)	Exceptional	85%	8.5%	£145

### Description of performance

The Committee and the Board considered the CEO’s performance against the KPIs set out on the previous page and assessed his performance against each of those indicators. The IAG CEO has led the group’s recovery with passenger capacity close to pre-pandemic levels and with strong operating profits. He has led the transformation of IAG, strengthening IAG’s position in core markets, delivering world-class operating margins and returns on invested capital. This result led to strong cash generation in the year, strengthening our balance sheet and with a clear plan and delivery against key transformation initiatives. This is a significant achievement particularly given the continued economic uncertainty and challenges faced across the year. The IAG CEO has also driven progress across the ESG agenda, increasing diversity and bench-strength of IAG’s senior leadership, and making significant progress towards its 2025 carbon efficiency target.

<b>Total</b>		<b>100%</b>						<b>82.9%</b>	<b>£1,414</b>
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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 Executive Share Plan).

For all 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.

**2023 CEO performance annual incentive award outcome**

<b>Formulaic scorecard outcome</b>	<b>Remuneration Committee judgement</b>	<b>Final scorecard outcome as % of maximum</b>	<b>82.9%</b>
82.9%	–		X
% of Maximum	No adjustment		
		<b>Maximum bonus opportunity (% of base pay)</b>	<b>200%</b>
			X
		<b>Base pay (£'000)</b>	<b>£853</b>
			=
		<b>2023 Annual Incentive Award (£'000 shown in single figure table)</b>	<b>£1,414</b>
			<b>€1,624</b>

**IAG Restricted Share Plan (RSP) awards**

The RSP was introduced from 2021 to increase the alignment of both interests and outcomes between the Group's senior management and shareholders through the build-up and maintenance of senior management shareholdings and an increased focus on the long-term, sustainable performance of the Company. The simplified structure and transparency of the RSP in comparison to the Performance Share Plan, also provided a better basis to attract and retain senior management talent.

A three-year vesting period and further two-year holding period applies to RSP awards for executive directors, with vesting being dependent upon a satisfactory review of the discretionary underpin by the Remuneration Committee.

Malus and clawback provisions apply to RSP awards enabling the reduction of awards so far as nil value to further ensure that corporate or individual failure is not rewarded under the plan.

### 2021 Restricted Share Plan (RSP) award vesting

The first restricted share award was made in June 2021 and is due to vest in June 2024. In advance of the award vesting, the Committee undertook an assessment of the performance underpin which applies to the restricted share award and considers IAG's overall financial and non-financial performance.

As part of this process, the Committee was presented with a framework to assess whether the underpin had been satisfied, taking into account the overall performance for the financial years 2021, 2022, and 2023. The different elements considered included:

- The overall financial results for the period including IAG's recovery from the pandemic. The Committee's assessment took into account overall profitability, operating margins (including against comparable airlines), revenue, cash generation, return on capital and the Company's investment in fleet, customer and transformation. The Committee was satisfied that the conditions of the underpin in this regard had been satisfied.
- The Group's performance against key non-financial and operational performance measures, including progress towards IAG's sustainability ambitions and its broader social agenda (including diversity and inclusion). The Committee was satisfied that the conditions of the underpin in this regard had been satisfied.
- IAG's risk context, where the Group's overall performance has been fundamentally in line with its approved risk appetite and internal control framework and no material issues have been identified.
- The Group's wider stakeholder experience in the period, which does not give rise to any material concerns.

The purpose of the framework was to ensure that the RSP outcome can be justified and to guard against payment for failure. The Committee agreed that, based on this assessment, the conditions set out in the underpin had been satisfied. As a result, it is expected that the 2021 RSP award will vest in full in June 2024. The award is subject to a two-year holding period.

<b>2021 RSP (number of shares awarded)</b>	<b>414,954</b>
	<b>x</b>
<b>Estimated share price<sup>1</sup></b>	<b>£1.5223</b>
	<b>=</b>
<b>Award shown in the single figure table (£'000)</b>	<b>£632</b>
	<b>€726</b>

<sup>1</sup> Value shown represents the estimated value of the 2021 RSP award. The estimate is based on the award vesting in full in June 2024 and on a three-month average share price from 1 October 2023 to 31 December 2023.

### Scheme interests awarded during the financial year 2023 Restricted Share Plan (RSP)

Type of award	Company shares
Basis of determination of the size of award	Awards only made to consistently high-performing executives within key roles who have the potential to take on greater organisational responsibility and whom the Company wishes to retain for the long term.
Executive Director award face value	IAG CEO (Luis Gallego) – 150% of base salary
Date of grant	13 March 2023
Grant price	£1.53
Vesting period	Three years: 13 March 2023 to 13 March 2026
Holding period	Two years: 13 March 2026 to 13 March 2028
Discretionary underpin description	No performance measures are associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted. In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures, as well as any material risk or regulatory failures identified. Financial performance may include elements such as revenue, profitability, cash generation, return on capital and benchmarked with comparable airlines. Non-financial performance may include a range of operational and strategic measures critical to the Company's long-term sustainable success. This assessment will ensure any value delivered to executive directors is fair and appropriate in the context of the performance of the business and experience of our stakeholders and that corporate or individual failure is not rewarded. In the case of significant failure on the part of the Company or the individual, vesting may be reduced, including to nil. Full disclosure of the Remuneration Committee's considerations in assessing the underpin will be disclosed in the relevant Directors' Remuneration Report.

### Total pension entitlements

Luis Gallego 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 (1 January 2023 to 31 December 2023). He received cash in lieu of contributions of £106,600. This value is equivalent to 12.5% of base salary paid during the financial year and is comparable to the rate for the majority of the UK workforce.

### Statement of directors' shareholding and share interests

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

Under the Group's shareholding guidelines, the IAG CEO is required to build up and maintain a shareholding of 350% of salary and other executive directors are required to build up and maintain a shareholding of 200% of basic salary.

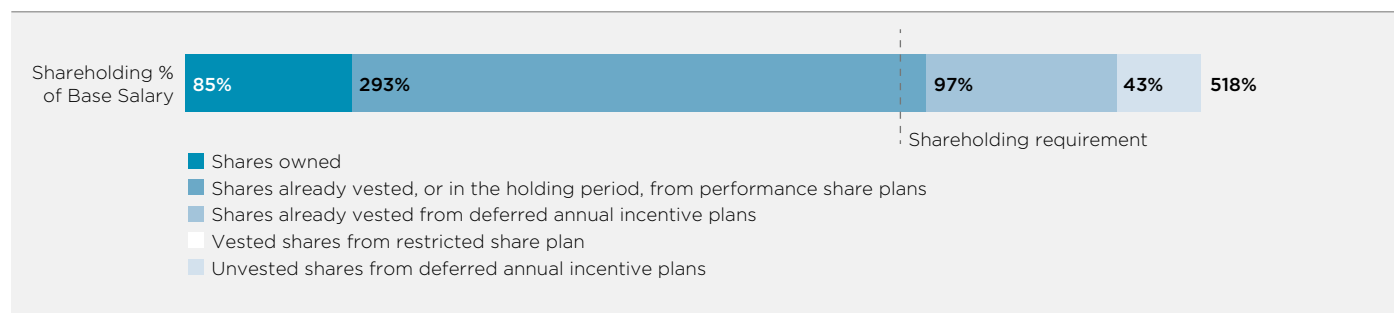
In addition, executive directors are required to retain all shares received via incentive plans until 100% of their shareholding requirement is attained.

The Committee has reviewed the IAG CEO's progress against the requirement and notes that he is compliant with the policy requirement.

CEO, Luis Gallego	Policy requirement		3.5 times salary
	Actual		5.18 times salary (1,475,751 shares)

Shares which qualify towards the Policy include shares already held by the executive, vested and exercised shares, vested and unexercised shares including those in the performance share plan holding period, vested shares in the restricted share plan holding period and unvested deferred annual incentive shares.

The chart and table below summarise current executive directors' interests as of 31 December 2023:



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	Vested shares from restricted share plan	Unvested shares from deferred annual incentive plans	Total qualifying shares held <sup>1</sup>	Consequence of a +/- €0.5 share price change (€)
Luis Gallego	350% of salary	403,834	557,207	277,619	0	237,091	1,475,751 (518% of salary)	737,875

<sup>1</sup> In accordance with the Policy, the share price used to calculate the percentage of salary guideline is either the share price on the date of award or on the date of vesting/exercise.

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

### 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. The current executive director has no external non-executive appointments.

### IAG CEO remuneration history

The table below shows the IAG CEO single total figure of remuneration for the latest ten-year rolling period:

		IAG CEO - total single figure of remuneration	Annual incentive payment as a percentage of the maximum	Long-term incentive vesting as a percentage of the maximum
2014	Willie Walsh	£6,390,000	97.78% of maximum	85.00% of maximum
2015		£6,455,000	80.00% of maximum	100.00% of maximum
2016		£2,462,000	33.33% of maximum	50.00% of maximum
2017		£3,954,000	92.92% of maximum	66.67% of maximum
2018		£3,030,000	61.85% of maximum	46.19% of maximum
2019		£3,198,000	51.97% of maximum	72.11% of maximum
2020	Willie Walsh	£662,000	No annual incentive payment	Zero vesting of long-term incentives
	Luis Gallego	£301,000	No annual incentive payment	Zero vesting of long-term incentives
2021	Luis Gallego	£1,110,000	No annual incentive payment	Zero vesting of long-term incentives
2022		£2,577,000	83.5% of maximum	Zero vesting of long-term incentives
2023		£3,070,000	82.9% of maximum	- <sup>1</sup>

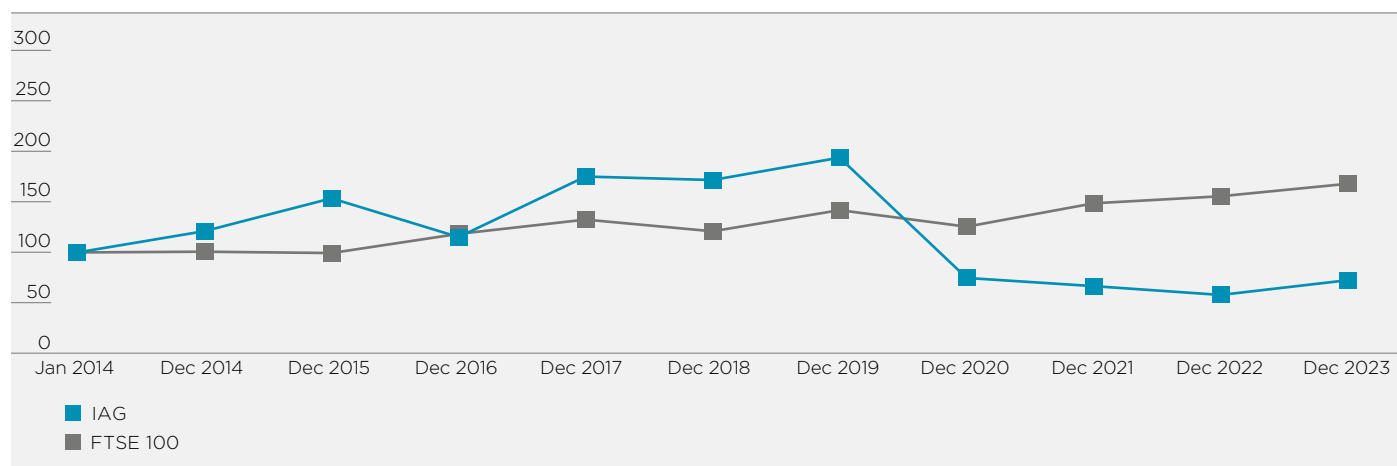
<sup>1</sup> 2023 Long-Term incentive: from 2021, restricted share awards were granted to the IAG CEO which have no performance conditions and vest subject to the satisfaction of performance underpins. The value of the restricted share awards are included in the single total figure table in the relevant year

Single total figure of remuneration includes basic salary, taxable benefits, pension-related benefits, Annual Incentive Award and Long-Term incentive vesting.

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

The chart below shows the value by 31 December 2023 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. The other points plotted are the values at intervening financial year ends. 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.



### Non-executive directors

Non-executive directors are paid a flat fee each year, as per the following table.

Role	2023 Fee	2024 Fee
Non-executive Chairman	€645,000	€645,000
Non-executive directors	€120,000	€120,000
Additional fee for holding the Chair of the Audit and Compliance Committee and of the Remuneration Committee	€20,000	€30,000
Additional fee for holding the Chair of the Nominations Committee and of the Safety, Environment and Corporate Responsibility Committee	€20,000	€20,000
Additional fee for Senior Independent Director	€30,000	€30,000

The fees for non-executive directors were reviewed in October 2023. The fees for the position of non-executive director will remain unchanged for 2024, as they have been since 2011.

However, the Board, with the favourable report from the Remuneration Committee, agreed that the additional fee for holding the Chair of a Committee would increase to €30,000, with effect from 1 January 2024, for the Chair of the Audit and Compliance Committee and of the Remuneration Committee. This more closely reflects the complexity and time commitment of these roles.

### Single total figure of remuneration for each non-executive director

The total remuneration of each of the non-executive directors for the years ended 31 December 2023 and 31 December 2022 is set out in the table below.

Director (€'000)	2023			2022		
	Fees	Taxable benefits	Total	Fees	Taxable benefits	Total
Javier Ferrán <sup>1</sup>	645	8	653	645	5	650
Heather Ann McSharry <sup>1</sup>	170	3	173	147	6	153
Giles Agutter	120	0	120	120	0	120
Peggy Bruzelius	120	4	124	120	0	120
Eva Castillo	120	2	122	120	2	122
Margaret Ewing	140	4	144	140	3	143
Maurice Lam	120	9	129	120	12	132
Robin Phillips	120	18	138	120	4	124
Emilio Saracho	120	11	131	120	11	131
Nicola Shaw	140	4	144	140	12	152
Alberto Terol	-	-	-	79	17	96
<b>Total (€'000)</b>	<b>1,815</b>	<b>63</b>	<b>1,878</b>	<b>1,871</b>	<b>72</b>	<b>1,943</b>

1 Heather Ann McSharry was appointed Senior Independent Director and Remuneration Committee Chair in June 2022.

2 Alberto Terol stepped down from the Board in June 2022 and his fees reflect a part year of service. Received no fees in 2023.

### Additional explanations in respect of the single total figure table for each non-executive director

Each non-executive 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.

### Taxable benefits

Taxable benefits for non-executive directors relate to personal travel benefits.

### Exchange rates

For the year to 31 December 2023, £:€ exchange rate applied is 1.1486 (2022: 1.1744).



### Directors' interests in shares

	Total shares and voting rights	Percentage of capital
Javier Ferrán	774,750	0.016
Luis Gallego	937,618	0.019
Giles Agutter	625	0.000
Peggy Bruzelius	0	0.000
Eva Castillo	0	0.000
Margaret Ewing	18,750	0.000
Maurice Lam	0	0.000
Heather Ann McSharry	55,000	0.001
Robin Phillips	0	0.000
Emilio Saracho	0	0.000
Nicola Shaw	4,285	0.000
<b>Total</b>	<b>1,791,028</b>	<b>0.036</b>

There have been no changes to the shareholdings set out above between 31 December 2023 and the date of this report.

### Payments to past directors

Travel benefits were received during 2023 by the following former non-executive directors:

Former non-executive directors	Value
Antonio Vázquez	€6,000
Alberto Terol	€11,000
Patrick Cescau	€27,000
Maria Fernanda Mejía	€15,000
Deborah Kerr	€3,000
Baroness Kingsmill	€7,000
Kieran Poynter	€11,000
Dame Marjorie Scardino	€19,000
James Lawrence	€10,000

### Wider workforce in 2023

A key area of focus for the Committee over 2023 has been understanding the broader workforce experience in light of the current economic environment and cost-of-living pressure and the actions taken to support our wider workforce.

#### Workforce experience highlights

- Within IAG's unique operating model, employee reward is owned and managed within each operating company, to enable them to deliver the right customer and employee experience.
- Our employees have been central to our recovery and key to delivering for our customers. Operating companies continue to support our people through these challenging times and ensure our pay models are sustainable, fair and aligned to the operating company's competitiveness.
- Almost 90% of employees are subject to collective bargaining agreements with more than 30 collective bargaining agreements across the Group, many of them reviewed in 2023.
- The Committee has received regular updates on workforce experience and in particular the steps the operating companies have taken to support colleagues both in terms of support with cost of living challenges, and their overall wellbeing.
- This includes regular updates on the investments our operating companies have made in improving the colleague experience and our employee benefit schemes. This includes enhanced flexible benefits offerings (e.g. enhanced British Airways staff travel), mental health and physical health offerings (e.g. implementation of EAPs (employee assistance programmes) and free menopause support) and financial wellbeing support.
- The Committee's insight into the experience of our colleagues helps to ensure that our decisions regarding executive remuneration take into account the approach taken across our workforce and reflect the expectations of all our stakeholders.

#### Engaging with employees

All members of the Remuneration Committee participate as designated directors in the Board workforce engagement plan. This engagement also includes remuneration and other workforce experience matters relevant to the Committee.

The key themes from the engagement were shared with the Board in order to understand colleague experiences and to identify any areas for improvement. Further explanations of the Board engagement with employees is set out in the Stakeholders engagement section of the Corporate Governance report.

#### Gender pay

Operating companies have implemented a range of initiatives to support gender equality including reviewing recruitment processes to ensure diverse shortlists and interview panels, setting up mentoring and networking opportunities to women and providing educational programmes for girls and young women considering career paths in aviation.

As the Group built back resources during 2023, in particular in airport operations, customer and IT roles, the composition of the workforce has changed, with the resultant median pay point for both men and women changing compared to 2022. The result is that at Group level, there has been a year-on-year reduction in the median salary gap from 12.9% in 2022 to 8.4% in 2023.

#### Workforce remuneration

Each operating company has sought to reach collective agreements that best support colleagues whilst ensuring the business and pay remains competitive. This has included changes in allowances, one-off payments and contractual pay increases throughout the Group.

Each operating company is committed to creating a positive working environment but also to actively contribute to and support the overall wellbeing of every colleague through the provision of a comprehensive range of health, financial, and lifestyle benefits.

Remuneration decisions made by the Committee align with our strategy, our stakeholders' interest in our delivery of long-term sustainable value and with the wider workforce in line with the principles set out in our policy.

### Alignment of Executive Director and workforce remuneration

The Committee has oversight of workforce remuneration and related policies across the Group and takes this into account when setting remuneration for the IAG CEO and senior management. The table below summarises the remuneration structure for the wider workforce.

	IAG CEO	Below Board level
<b>Base Salary</b>	<p>2023 was the first year since appointment in 2020 that the CEO received an increase. The 4% awarded was below the average increase for the majority of the wider workforce.</p> <p>Salary increases as a percentage of salary are normally aligned with, or lower than, those of the wider workforce.</p>	<p>Almost 90% of our employees are subject to collective bargaining agreements (CBA). Many of them were reviewed over the course of 2023, with the aim to create a stronger link to market alignment and to ensure that pay is both competitive and sustainable.</p> <p>Salary increase budgets for employees are determined by each operating company for each country.</p> <p>Salary increases reflect position against market, performance, skills, contribution and development in role.</p> <p>If we compare the 2023 base salary increases of the IAG CEO against the UK workforce in 2023, of the circa 31,600 employees present in both 2022 and 2023, the median salary increase awarded was 10.3% of contractual base salary.</p>
<b>Taxable Benefits</b>	Benefit packages are broadly aligned with those of other employees who joined in the same country at the same time.	Benefits are set by operating companies at a competitive level and are appropriate given local market practice.
<b>Pension</b>	Pension contribution of 12.5% of salary in line with the rate applicable to the majority of the workforce in the country in which the individual is based.	Pension arrangements reflect local market practices and requirements.
<b>Annual Incentive Awards</b>	<p>The maximum opportunity in the annual incentive plan is 200% of salary.</p> <p>The majority of the annual incentive is based on financial measures. In 2023, 60% was based on operating profit before exceptional items, 20% on customer NPS, 10% on IAG-specific carbon efficiency measure, to further drive progress towards our Flightpath Net Zero 2050 commitment, and 10% on strategic and personal objectives.</p> <p>For 2023 50% of any bonus earned is deferred into shares for three years.</p>	For eligible employees incentive plans were in place against objectives designed to focus on financial, customers, carbon efficiency and personal. Opportunities vary by role and outturns and payments against these plans were managed at a local level.
<b>Long-term Incentives</b>	<p>Maximum restricted share plan opportunity of 150% of base salary and subject to the satisfaction of performance underpins.</p> <p>Awards are subject to a three-year vesting period followed by a two-year holding period.</p>	<p>Restricted share awards granted to senior managers across the Group to incentivise long-term shareholder value creation.</p> <p>Also by exception, other identified employees may participate where an award of long-term incentives is deemed critical to retention.</p>

### CEO pay ratio

The following table sets out IAG's CEO pay ratio figures from 2019 to 2023.

Year	CEO single figure (£'000)	Method <sup>1</sup>	25 <sup>th</sup> percentile pay ratio	Median pay ratio	75 <sup>th</sup> percentile pay ratio
<b>2023</b>	<b>3,070</b>	<b>Option A</b>	<b>62:1</b>	<b>50:1</b>	<b>32:1</b>
2022	2,577	Option A	59:1	45:1	29:1
2021	1,110	Option A	29:1	21:1	14:1
2020	963	Option A	34:1	23:1	15:1
2019	3,198	Option A	109:1	72:1	49:1

The pay ratio figures in the above table are calculated using the following UK employee remuneration information:

Year	UK employee pay	25 <sup>th</sup> percentile pay	Median pay	75 <sup>th</sup> percentile pay
	<b>Basic salary (£'000)</b>	<b>30.2</b>	<b>43.5</b>	<b>66.8</b>
<b>2023<sup>2</sup></b>	<b>Total remuneration (£'000)</b>	<b>49.2</b>	<b>61.4</b>	<b>95.3</b>
	Basic salary (£'000)	27.7	40.9	62.4
2022	Total remuneration (£'000)	43.4	57.1	90.5
	Basic salary (£'000)	26.9	39.7	60.6
2021 <sup>3</sup>	Total remuneration (£'000)	38.6	53.4	80.7
	Basic salary (£'000)	17.2	28.6	45.2
2020 <sup>4</sup>	Total remuneration (£'000)	28.4	42.8	63.9
	Basic salary (£'000)	20.1	32.3	46.5
2019	Total remuneration (£'000)	29.4	44.2	64.7

- 1 The ratio continues to be calculated on the most statistically accurate basis, Option A. UK employee pay is based on the payroll records of 40,248 employees who were in the Group for the whole of or some of 2023.
- 2 To ensure the accuracy of these calculations, earnings data were collected directly from the UK payroll on a month-by-month basis. Any variable incentive elements in respect of 2023, payable to employees later in 2024, are modelled on an employee-by-employee basis against agreed frameworks. This approach enables fair and accurate comparison to the IAG CEO 2023 single total figure of remuneration.
- 3 To provide a fair and representative view to all remuneration received by UK employees, the 2021 basic salary and total remuneration figures include statutory and company top-up furlough payments. With the UK furlough scheme having ended in September 2021, this consideration is not relevant for 2022 or 2023.
- 4 The 2020 UK employee remuneration figures excluded all types of furlough payment and were representative of earnings for time worked but were not representative of the full level of pay received by employees and their actual remuneration experience.

The comparison in the ratio versus 2019 demonstrates the continuing impact of the pandemic and is an accurate reflection of the contraction in IAG CEO's pay, with the IAG CEO's remuneration currently being around 96% of 2019 levels.

The increase in the UK employee remuneration in 2023 reflects:

- Across our operating companies we have put in place a number of programmes to support our people through the current economic uncertainty.
- Payments made to managers under the 2023 annual incentive plan.
- Changes to the size and composition of the UK workforce between years, with pay for 36,474 employees being reported for 2022 and 40,248 for 2023.

The change in the IAG CEO's remuneration between 2022 and 2023, is due to:

- An increase of 4% in basic salary for 2023, first increase since appointment in 2020 and below the average increase of the wider workforce (with no increase in 2021 and 2022, 10% reduction in 2021 and 20% reduction in 2020).
- The inclusion of an estimated value of the 2021 RSP award, that is estimated to vest in full in June 2024.
- As disclosed in our 2022 Director's Remuneration Report, from January 2021 until December 2022 the Executive Director was eligible for a transitional allowance of £250,000 p.a., to reflect that as a result of his role as IAG CEO, he and his family moved to live in the UK. This allowance provided a two-year fixed period of transitional support. Payment of the transitional allowance ceased in December 2022.

The Committee recognises that the current ratio continues to reflect recovery from the pandemic, and will continue to increase to a more representative level.

### Change in directors' remuneration compared to employees

The table below shows a comparison of the change in year-on-year remuneration for directors of the Group, against the equivalent change for UK employees from 2021 to 2023.

Director (€'000)	2022 to 2023			2021 to 2022			2020 to 2021		
	Salary or fees	Taxable benefits	Annual incentive	Salary or fees <sup>1</sup>	Taxable benefits	Annual incentive	Salary or fees <sup>1</sup>	Taxable benefits	Annual incentive
Luis Gallego <sup>2</sup>	2%	(78%)	1%	13%	3%	100%	269%	315%	0%
Javier Ferrán <sup>3</sup>	0%	60%		13%	25%		436%	0%	
Heather Ann McSharry <sup>4,6</sup>	16%	(50%)		36%	100%		-	-	
Giles Agutter <sup>5</sup>	0%	0%		11%	(100%)		260%	100%	
Peggy Bruzelius <sup>6</sup>	0%	100%		11%	0%		-	-	
Eva Castillo <sup>6</sup>	0%	0%		11%	100%		-	-	
Margaret Ewing	0%	33%		11%	100%		18%	(100%)	
Maurice Lam <sup>7</sup>	0%	(25%)		107%	500%		-	-	
Robin Phillips <sup>5</sup>	0%	350%		11%	100%		260%	0%	
Emilio Saracho	0%	0%		11%	57%		6%	17%	
Nicola Shaw	0%	(67%)		14%	100%		21%	(100%)	
<b>All UK employees<sup>8,9</sup></b>	<b>6%</b>	<b>0%</b>	<b>93%</b>	<b>3%</b>	<b>0%</b>	<b>(37%)</b>	<b>39%</b>	<b>0%</b>	<b>131%</b>

1 The comparison of fees for all directors in respect of 2020 and 2021, reflects a 20% COVID-19 related reduction operated between 1 April 2020 and 31 December 2020 and a 10% reduction operated for the full year in 2021.

2 Luis Gallego: An increase of 4% in basic salary for 2023 (below the average increase for the wider workforce) and no transitional allowance. The comparison of 2021 vs 2022 reflects the first year since appointment in 2020 receiving full contractual salary and the first Annual Incentive Award since 2019. The comparison of 2020 vs 2021 reflects a part year of remuneration in 2020 versus a full year in 2021.

3 The uplift in fees for Javier Ferrán between 2020 and 2021 reflects his role as a non-executive director in 2020 and his assumption of the role of the Chairman from 7 January 2021, for the remainder of the reporting period.

4 The uplift in fees for Heather Ann McSharry between reflect her appointment as Senior Independent Director and Remuneration Committee Chair since June 2022.

5 The comparison of 2020 vs 2021 remuneration for Luis Gallego, Giles Agutter and Robin Phillips reflects a part year of director service and remuneration in 2020 versus a full year of director service and remuneration in 2021.

6 Eva Castillo, Heather Ann McSharry, and Peggy Bruzelius were appointed as directors on 31 December 2020, but received no remuneration for 2020.

7 The comparison of 2021 vs 2022 reflects a part year of director service in 2021 versus a full year in 2022.

8 The All UK Employee 2022 and 2023 salary medians underlying the 6% uplift in median salary are taken from UK employee earnings published in the 2023 CEO pay ratio section.

9 The reported change in the median value of all UK employee annual incentives from 2022 to 2023 (93%) reflects the strong financial performance of the Group in the year.

### Relative importance of spend on pay

The table below shows, for 2023 and 2022, total remuneration costs, adjusted operating profit/(loss) and dividends for the Company.

	2023	2022
Total employee costs, IAG <sup>1</sup>	<b>€5,423,000,000</b>	€4,647,000,000
Total remuneration, directors (including non-executive directors)	<b>€4,678,000</b>	€4,969,000
IAG operating profit before exceptional items	<b>€3,507,000,000</b>	€1,225,000,000
Dividend declared	-	-
Dividend proposed	-	-

1 Total employee costs are before exceptional items.



**Supplementary information - Directors' share options and shares**

The following table details the nil-cost options over ordinary shares of the Company granted to the current IAG CEO under the IAG PSP as at 31 December 2023:

Director	Date of grant	Number of options at 1 January 2023	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 31 December 2023
	28 May 2015	131,242	-	-	-	-	1/1/2020	31/12/2024	131,242
	7 March 2016	98,001	-	-	-	-	1/1/2021	31/12/2025	98,001
	6 March 2017	174,504	-	-	-	-	1/1/2022	31/12/2026	174,504
Luis Gallego	6 March 2020	538,805	-	-	538,805	-	lapsed		-
<b>Total nil-cost options over ordinary shares</b>		<b>942,552</b>	<b>-</b>	<b>-</b>	<b>538,805</b>	<b>-</b>			<b>403,747</b>

The award granted on 6 March 2020 was tested at the end of the performance period. Threshold performance was not achieved for any measure and therefore the award lapsed in full (one third of the award was subject to TSR performance measured against a comparator index, one third was subject to adjusted EPS performance, and one third was subject to RoIC performance).

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the PSP awards was 2020: 459 pence; 2017: 546 pence; 2016: 541 pence; and 2015: 550 pence.

The following table details the conditional share awards over ordinary shares granted under the Restricted Share Plan (RSP) to Executive Directors:

Director	Date of grant	Number of conditional shares granted	Vesting date	Shares lapsed at vesting due to underpin	Holding period expiry date	Number of unvested conditional shares at 31 December 2023	Number of vested conditional shares at 31 December 2023
	23 June 2021	414,954	23 June 2024	-	23 June 2026	414,954	-
	21 March 2022	581,907	21 March 2025	-	21 March 2027	581,907	-
	28 October 2022	290,953	21 March 2025	-	21 March 2027	290,953	-
Luis Gallego	13 March 2023	835,751	13 March 2026	-	13 March 2028	835,751	-
<b>Total conditional share awards (RSP)</b>		<b>2,123,565</b>				<b>2,123,565</b>	

RSP awards are subject to a discretionary underpin prior to vesting. This review, performed by the Remuneration Committee, considers the Company's overall performance, including financial and non-financial performance measures, as well as any material risk or regulatory failures identified. In the event of a significant failure on the part of the Company or the Executive Director, malus and clawback provisions are available to the Remuneration Committee.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the RSP awards was 2023: 153 pence (both awards in 2022: 141 pence and 2021: 198 pence).

### Incentive Award Deferral Plan (IADP)

Under the current policy, 50% of any Annual Incentive Award for executive directors is made in deferred shares under the Executive Share Plan. Under this plan, incentive award shares are deferred for three years from date of grant. The following table details the current Executive Director's holdings of conditional awards over ordinary shares of the Company granted under the IAG IADP. Awards are shown for the performance periods ended 31 December 2019 and 31 December 2022.

No award was made in respect of 2020 (in March 2021) following the decision to cancel the 2020 IAG Annual Incentive Plan. Additionally, no award was made for 2021 (March 2022), as the IAG's CEO confirmed to the Board that he did not wish to be considered for a 2021 Annual Incentive Award, waiving any 2021 incentive opportunity.

Executive Director	Performance year award relates to <sup>1</sup>	Date of award	Number of Shares at 1 January 2023	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of unvested shares at 31 December 2023
	2019	6 March 2020	81,520	81,520	6 March 2023	-	-	-
Luis Gallego	2022	13 March 2023	447,341	-	13 March 2026	-	-	447,341
<b>Total</b>			<b>528,861</b>	<b>81,520</b>		<b>-</b>	<b>-</b>	<b>447,341</b>

<sup>1</sup> For the performance period ended 31 December 2023 the award is expected to be made March 2024.

Under the Executive Share Plan rules an IADP will not lapse on leaving employment before the vesting date unless exceptional circumstances occur, such as gross misconduct, in which case the award would lapse in full. IADP awards are also subject to the policy's malus and clawback provisions.

The values attributed to the Company's ordinary shares in accordance with the plan rules for IADP awards (relating to the previous year's performance) were 2020 award: 459 pence; and 2023 award: 153 pence.

The share price on the date of the vesting of the 2020 IADP award (6 March 2023) was 155 pence. The monetary 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.

# 2024 Directors' Remuneration Policy

## Introduction

Our current Directors' Remuneration Policy was approved by shareholders at the 2021 Annual General Meeting (and partially amended in 2022). In line with the three-year cycle in UK and Spanish remuneration regulations we will be submitting a new Directors' Remuneration Policy which will be put forward for shareholder approval at the 2024 Annual Shareholders' Meeting. The proposed policy can be found below.

## 2024 Directors' Remuneration Policy

This section sets out the Directors' Remuneration Policy of International Consolidated Airlines Group which will be put to shareholder approval at the 2024 Shareholders' Meeting.

This Directors' Remuneration Policy is adapted to the wording of article 529 novodecies of the Capital Companies Act, as amended by Law 5/2021 of 12 April, and shall apply, in accordance with the provisions of section 1 of said article 529 novodecies, from the date of its approval by the 2024

Shareholders' Meeting and during the following three financial years. Any amendment or replacement thereof during such period shall require the prior approval of the Shareholders' Meeting in accordance with the procedure established for its approval.

Although IAG, as a Spanish-incorporated company, is not subject to the remuneration reporting regulations that apply to UK-incorporated companies, it is firmly committed to UK best practice and will continue to operate in accordance with the UK remuneration reporting regulations.

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

## IAG Remuneration Principles

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

### **Consideration of shareholder views**

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

In developing our approach to our Director's Remuneration Policy review, we consulted with our major shareholders and main proxy advisory bodies. No concerns were raised with our Policy proposal, and we received valuable questions and feedback which will help shape our future discussions.

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

### **Consideration of employment conditions elsewhere in the Group**

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

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

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

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

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

### **Proposed changes to Directors' Remuneration Policy**

After a detailed review of the current Directors' Remuneration Policy the Committee has concluded that the existing policy continues to provide the most appropriate framework for aligning executive and shareholder interests at this current time. As IAG returns to strong sustainable performance, the Committee believes there will be a time when it is appropriate to incentivise our CEO and his team to deliver our long-term financial and sustainability ambitions through robust long-term incentive targets. It is therefore our intention to keep our long-term incentive model under review to ensure that it continues to remain effective. We will consult with shareholders (and seek approvals as required) in the next three years to the extent that any changes are proposed.

While we propose to retain the current Directors' Remuneration Policy structure and framework, the Committee is proposing some minor Policy amendments to ensure that we remain competitive over the short term, as outlined below:

- Approach to annual bonus deferral: under our 2021 remuneration policy, any annual bonus earned is paid 50% in cash, with 50% deferred into shares for three years. This deferral has been an important way of increasing personal shareholdings and satisfying the Group's minimum shareholding requirements of 350% of salary for the CEO. Recognising that our control mechanism for ensuring alignment with shareholder interests is the minimum shareholding requirement itself, and that the minimum shareholding requirement can be fully met without the reliance on annual bonus deferral, under our 2024 remuneration policy the Committee is proposing that the bonus deferral is rebalanced from 50% to 20% of any annual bonus earned deferred into shares, subject to the executive meeting their minimum shareholding requirement. The remaining 80% of the annual bonus earned will be paid in cash. The deferral rate will remain at 50% until the minimum shareholding requirement is met; and
- If a broad-based employee share plan is implemented, Executive Directors will be able to participate on the same basis as other employees.

The Policy as shown on the following pages is intended to apply for three years, until 2027, taking effect from the date of approval.

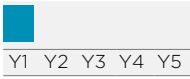
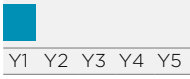
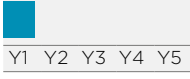
## Key elements of pay

### Executive directors


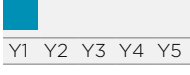

The Company's Policy remains to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework designed to promote the long-term success of IAG, aligned with stakeholder interests. The table below illustrates the components of pay and time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

Total pay over 5 years	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Fixed Remuneration</b>	Salary, benefits and pension				
<b>Annual Incentive</b> (Malus and clawback provisions apply)	50% in cash <sup>1</sup>	50% in shares <sup>1</sup> – Three-year deferral period. No further performance conditions			
1 Where the IAG CEO has met the 350% shareholding guideline then 80% of the award will be paid out in cash with 20% deferred into shares for three years					
<b>Long-term Incentive</b> (Malus and clawback provisions apply)	Up to 150% of salary Three-year vesting period			Two-year holding period No further performance conditions	
<b>Shareholder requirements</b>	Executive Directors' minimum shareholding requirement (including post-cessation requirements)				

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

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



Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
<p><b>Annual incentive award</b></p> <p>Incentivises the delivery of annual KPIs and strategic objectives</p> <p>Up to 200% of salary</p>  <p>Y1 Y2 Y3 Y4 Y5</p> <p>Paid in cash</p>  <p>Y1 Y2 Y3 Y4 Y5</p> <p>Deferred</p>  <p>Y1 Y2 Y3 Y4 Y5</p>	<p>The Board, on a recommendation from the Remuneration Committee, sets the measures and targets that apply to the annual incentive award which are normally measured over a single financial year. These are set by reference to a number of factors, including the Business Plan (as approved by the Board), and the Group's strategic focus.</p> <p>The Board, after considering the recommendation of the Committee, retains the discretion to adjust the formulaic outcome of awards in order to, in its opinion, properly reflect overall corporate performance - see the 'Information supporting the policy tables' section.</p> <p>Once the minimum shareholding requirement is met, 20% of the annual incentive award is normally deferred into shares which will normally be released after a period of three years.</p> <p>Where the executive has not met their minimum shareholding requirement, 50% of the annual incentive award is normally deferred into shares which will normally be released after a period of three years.</p> <p>On vesting, executives will receive the benefit of any dividends paid over the deferred period in the form of dividend equivalent payments.</p> <p>Malus and clawback provisions apply - see the 'Information supporting the policy tables' section.</p>	<p>The maximum opportunity in the incentive plan is 200% of salary. Each performance metric in the incentive plan is independent. For each performance metric in the incentive plan, there will normally be no payment at all until performance for that particular metric has reached the threshold level of the target range. 50% of the maximum will be awarded for on-target performance, and the maximum for each element will only be awarded once a stretch target has been reached.</p>	<p>The majority of the annual incentive is subject to financial measures. Measurable non-financial measures may include, but are not limited to, strategic, personal, customer and ESG objectives.</p> <p>For the bonus deferral award, no other performance conditions apply because it is based on performance already delivered.</p>

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics										
<p><b>Restricted Share Plan (RSP)</b></p> <p>Incentivises long-term shareholder value creation, and retention.</p> <p>Up to 150% of salary</p> <table border="1"> <tr> <td>Y1</td> <td>Y2</td> <td>Y3</td> <td>Y4</td> <td>Y5</td> </tr> </table> <p>5-year vesting + holding period</p> <table border="1"> <tr> <td>Y1</td> <td>Y2</td> <td>Y3</td> <td>Y4</td> <td>Y5</td> </tr> </table>	Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	<p>The RSP consists of an award of the Company's shares which normally vests as long as the executive remains employed by the Company at the time of vesting and subject to the assessment of the underpin.</p> <p>Malus and clawback provisions apply - see the 'Information supporting the policy tables' section.</p> <p>Following the assessment of the underpin, there is normally an additional holding period of at least two years.</p>	<p>The face value of the award(s) will not exceed 150% of salary in respect of any financial year.</p>	<p>No performance measures are associated with the awards.</p> <p>Vesting will be contingent on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted. In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance, as well as any material risk or regulatory failures identified. Financial performance may include elements such as revenue, profitability, cash generation, return on capital and benchmarked with comparable airlines. Non-financial performance may include a range of operational and strategic measures critical to the Company's long-term sustainable success. Whilst the RSP provides a greater certainty of reward by its very nature, the Committee will ensure any value delivered to executive directors is fair and appropriate in the context of the performance of the business and experience of our stakeholders and that corporate or individual failure is not rewarded. In the case of significant failure on the part of the Company or the individual, vesting may be reduced, including to nil. Full disclosure of the Committee's considerations in assessing the underpin will be disclosed in the relevant Directors' Remuneration Report.</p>
Y1	Y2	Y3	Y4	Y5									
Y1	Y2	Y3	Y4	Y5									

## Information supporting the policy tables

### Shareholding requirements

In order to increase alignment with shareholders, executive directors are required to build up a minimum personal shareholding equal to a set percentage of base salary. The share price used to calculate the guideline is either the share price on the date of award or on the date of vesting/exercise. Executive directors will be required to retain the entire 100% of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained. The IAG CEO is required to build up and maintain a shareholding of 350% of basic salary, and other executive directors (to the extent they are appointed to the Board) are required to build up and maintain a shareholding of 200% of basic salary.

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

### Choice of performance measures

The performance measures selected for the annual bonus are ordinarily set on an annual basis by the Committee, to ensure that they remain appropriate to reflect the priorities for the Company in the year ahead. The targets for the performance measures are set taking into account a number of factors, including the Company's annual operating plan, strategic priorities, the economic environment and market conditions and expectations. Non-financial annual bonus measures may include strategic, personal, customer and ESG objectives.

## Malus and clawback provisions

Malus and clawback provisions	Circumstances	The Board, following the advice of the Committee, has authority to reduce or cancel awards before they are satisfied (and/or impose additional conditions on awards), and to recover payments, if special circumstances exist. These special circumstances include (but are not limited to):
		<ul style="list-style-type: none"> <li>• Fraud;</li> <li>• Material breach of any law, regulation or code of practice;</li> <li>• An error or a material misstatement of results leading to overpayment or over-allocation;</li> <li>• Misconduct;</li> <li>• Failure of risk management;</li> <li>• The occurrence of an exceptional event affecting the Company's value or reputation;</li> <li>• Payments based on results that are subsequently found to be materially financially inaccurate or misleading;</li> <li>• Serious reputational damage as a result of a participant's behaviour;</li> <li>• Corporate failure; and</li> <li>• Any other circumstances in which the Board considers it to be in the interests of shareholders for the award to lapse or be adjusted.</li> </ul>
	Period	<ul style="list-style-type: none"> <li>• For the cash element of the annual incentive plan, clawback provisions apply for three years from the date of payment;</li> <li>• For the bonus deferral awards, there will be three years from the date of award in which shares can be withheld, i.e. the entire period from the date of the award until vesting;</li> <li>• For RSP, clawback provisions apply for two years post vesting; and</li> <li>• The proportion of an award to be withheld or recovered will be at the discretion of the Board, upon consideration of the Committee, taking into account all relevant matters.</li> </ul>

### Discretion to adjust formulaic outcomes

The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to adjust (including preventing them in their entirety and making no payment) the formulaic outcome of incentive award payments in order to, in its opinion, properly reflect overall corporate performance. This includes where the business has had an exceptional event, in particular events that significantly impact stakeholders. This will include analysing the performance of the participant and the underlying financial performance of the Group to check whether they have been satisfactory in the circumstances and whether vesting levels reflect overall corporate performance. The Remuneration Committee can also take other factors it considers relevant into account. Underlying financial performance is defined as the overall performance of

the Company, which may be considered with reference to a range of measures as the Remuneration Committee considers most appropriate at the time. Stakeholders would include shareholders, customers, and the Company's workforce. The Board also has authority to reduce the award levels at grant and/or the vesting outcomes for the RSP where the Company has experienced a significant fall in share price, as a result of which it considers that participants have unduly benefited from windfall gains.

### Benefits, expenses and taxation

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

### Non-executive directors

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

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

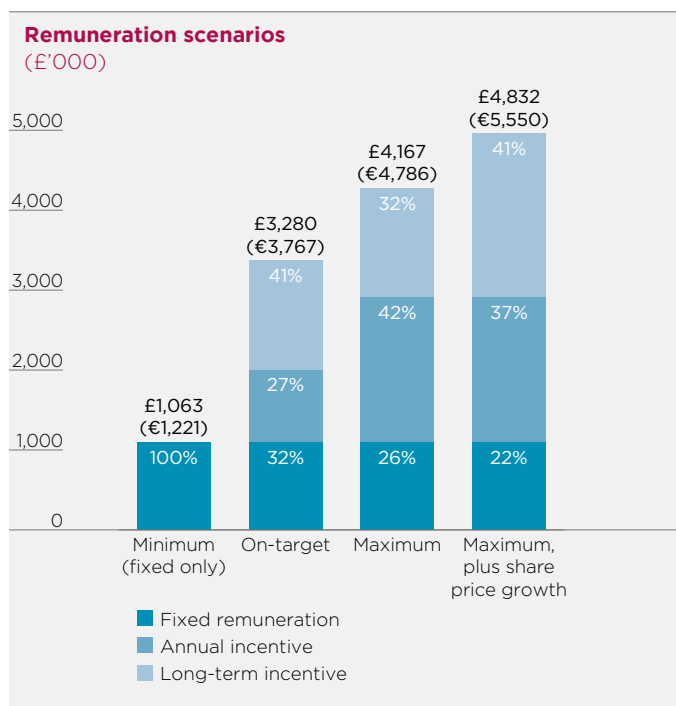
### Remuneration scenarios

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

### IAG CEO - 2024 remuneration scenario assumptions

The assumptions underlying each scenario are described below.

Minimum (fixed only)	Consists of basic salary, taxable benefits and pension-related benefits										
	Basic salary is at 1 January 2024										
	Benefits are valued using the figures in the single figure table										
	Pensions are valued by applying cash allowance rate of 12.5% of basic salary at 1 January 2024										
	<table border="1"> <thead> <tr> <th></th> <th>Basic Salary (£'000)</th> <th>Benefits (£'000)</th> <th>Pension (£'000)</th> <th>Total fixed (£'000)</th> </tr> </thead> <tbody> <tr> <td>IAG CEO</td> <td>887</td> <td>65</td> <td>111</td> <td>1,063</td> </tr> </tbody> </table>		Basic Salary (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)	IAG CEO	887	65	111	1,063
	Basic Salary (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)							
IAG CEO	887	65	111	1,063							
On-target	<p>If the director performs in line with the Company's expectations.</p> <p>The opportunity for the annual incentive is 100% of basic salary under this scenario.</p> <p>The opportunity for the long-term incentive (RSP) is 150% of basic salary.</p>										
Maximum	<p>The maximum award opportunity for annual incentive is 200% of basic salary under this scenario.</p> <p>The opportunity for the long-term incentive (RSP) is 150% of basic salary.</p>										
Maximum plus share price growth	The same assumptions apply as for 'Maximum' but with a 50% share price appreciation, solely for the purpose of illustrating a wider range of potential remuneration outcomes.										
All scenarios	<p>Euro amounts are shown at the 2023 exchange rate £:€ 1.1486.</p> <p>Long-term incentives consist of share awards only which are measured at face value, i.e. no assumption is made for dividend equivalents which may be payable.</p>										



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



**Service contracts and exit payments policy Executive directors**

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

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

The contracts of executive directors are for an indefinite period.

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

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

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

In the event of an executive's redundancy, compensation, whether in respect of a statutory redundancy payment or a payment in lieu of notice or damages for loss of office, is capped at an amount equal to 12 months' base salary. The Company will honour the contractual entitlements of a terminated director; however, the Company may terminate an executive's service contract with immediate effect and without compensation on a number of grounds including where the executive is incapacitated for 130 days in any 12-month period, becomes bankrupt, fails to perform his or her duties to a reasonable standard, acts dishonestly, is guilty of misconduct or persistent breach of his or her duties, brings the Company into disrepute, is convicted of a criminal offence, is disqualified as a director, refuses to agree to the transfer of his or her service contract where there is a transfer of the business in which he or she is working or ceases to be eligible to work in Spain or the UK (as applicable).

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

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

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

In the event of an executive director's termination from the Company, they must not be employed by, or provide services to, a restricted business (i.e. an airline or travel business that competes with the Company) for a period of 12 months.

**Non-executive directors**

Non-executive directors (including the Chair) do not have service contracts. Their appointment is subject to the Board Regulations and the Company's Bylaws. They do not have the right to any compensation in the event of termination as directors. Board members shall hold office for a period of one year. The non-executive directors' letters of appointment are available for inspection, on request, at the Company's registered office.

### **Notes to the policy tables**

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

### **Common award terms**

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

### **External non-executive directorship**

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

### **Approach to recruitment remuneration**

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

On appointment, new executive directors will have their basic salary set by taking into account factors such as the external market, their peers, and their level of experience. New executive directors will participate in the annual and long-term incentives on the same basis as existing directors.

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

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

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

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

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