

ANNUAL REPORT ON UK CORPORATE GOVERNANCE

Committed to leading with purpose and integrity



Javier Ferrán
Chairman

“Both our purpose and our vision are clearly reflected in the Board and management’s commitment to create long-term sustainable value for our people, customers, shareholders and our society.”

It is my pleasure to present this Corporate Governance report which provides an overview of the way in which our Group is governed and the most relevant matters we have encountered during 2021.

My first year as IAG Chairman has seen unprecedented circumstances and significant change at Board and management level. I am pleased to be supported by such an experienced and committed team as we continue to navigate the impacts of the pandemic.

Both our purpose and our vision are clearly reflected in the Board and management’s commitment to create and deliver long-term sustainable value for our people, customers, shareholders and our society. Firstly, by weathering this crisis and making the most of the recovery. Secondly, by transforming our business and preparing it for a post-COVID future.

In the last year, the Board met 19 times including two dedicated sessions on our strategy and long-term transformation aspirations. The September meeting in Madrid was particularly rewarding as we met face-to-face for the first time since February 2020. It was pleasing to corroborate first-hand that, as productive as online working proved to be, it cannot replace the benefits of being together in person, which is central to our purpose and business.

Our unique model proved resilient and has served us well during the pandemic. The strength of our empowered operating companies has enabled them to respond effectively to a fast-changing environment in the different markets in which they operate. Being part of the Group also enabled us to share strategies and best practices to improve our response to the crisis and coordinate actions accordingly.

Sustainability remains a key priority. As announced last year, the Board is supported in this work by the newly established Safety, Environment and Corporate Responsibility Committee. In parallel, the Management Committee has been bolstered with the appointment of a Chief People, Corporate Affairs and Sustainability Officer to ensure sustainability remains at the core of our strategy.

Board composition

As anticipated, Antonio Vázquez retired as IAG Chairman on January 7, 2021. Moreover, we started the year with three new non-executive directors, Peggy Bruzelius, Eva Castillo and Heather Ann McSharry, who joined the Board on December 31, 2020. In addition, Maurice Lam joined our Board as a non-executive director, at our Shareholders Meeting in June 2021. All of these new appointees have completed their induction programmes during the year as further detailed in the Nominations Committee Report.

Our people

I would like to highlight our renewed focus on our people who are at the centre of everything we do and achieve. The Board has direct oversight over culture, and together with management is redoubling efforts to nurture our talent and align our culture, purpose and strategy. In addition to Nicola Shaw and Alberto Terol, the Board has appointed Eva Castillo as a designated director supporting the workforce engagement initiatives detailed later in this report.

The Board is also prioritising diversity and inclusion. I am pleased that we are leading by example with a significant 42 per cent female representation on the Board, which is 62 per cent of our independent directors, and with women chairing two of the Board committees. We also comply with the Parker Review target for ethnic diversity on FTSE 100 boards. Despite this progress, there is still more to be done across the business and IAG management is committed to do so. To this end, a cross-Group Diversity Panel was created to share best practice and to lead the co-design of new diversity and inclusion initiatives. Additionally, we have set a new target of having at least 40 per cent of senior roles held by women and we will continue to review our policies to ensure we are a diverse and inclusive organisation.

Management changes

I was pleased to welcome two new members of the Management Committee during the year. Firstly, as reported last year, David Podolsky, who was previously at Bain & Co, joined the Group in January 2021 as Chief Strategy Officer, he also became Chief Executive Officer of IAG Cargo from April 2021. Secondly, we appointed Carolina Martinoli as Chief People, Corporate Affairs and Sustainability Officer from April 2021. Carolina has extensive experience in the Group having worked at both British Airways and Iberia for more than 10 years including leadership roles in brand and customer experience, as well as successful business transformation.

Within the Management Committee, Lynne Embleton was appointed Chairman and Chief Executive Officer of Aer Lingus from April 2021. From 2017, she led IAG Cargo and was responsible for setting the business on a digital transformation journey. Prior to this, Lynne held a number of leadership roles at British Airways.

As announced in October 2021, Steve Gunning has decided to stand down as Chief Financial Officer and leave the Group following the release of our full year 2021 results. After a rigorous search process, I am pleased to welcome Nicholas Cadbury who will join us in March 2022. He is a well-respected and experienced CFO with an excellent track record at Whitbread, Premier Farnell and Dixons Carphone, including valuable board experience as non-executive director and Chair of the Audit Committee for Land Securities.

On behalf of the Board, I would like to thank Steve for his significant contribution in helping us build resilience and a solid financial position from which the Group will be able to continue to navigate the challenges ahead.

Board evaluation

Reflecting our commitment to good governance, the Nominations Committee oversaw the evaluation of the Board and all committees' performance. The outcome of this review 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 adhere to high standards of corporate governance so that we can create long-term sustainable value for our shareholders and perform in the interests of all our stakeholders.

As I have said before, our people are at the heart of our business and I would like to express once again our deep appreciation for the efforts and commitment shown during this difficult year. I would also like to thank my Board colleagues for their continued support and dedication throughout this period.

Javier Ferrán
Chairman

Our board of directors



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.



Alberto Terol R N

Key areas of experience:

Finance, professional services, information technology, hospitality industry

Current external appointments:

Vice Chairman, Lead Independent Director and Chair of the Nominations, Remuneration and Corporate Governance Committee, Indra Sistemas. Non-executive Director, Chairman of the Audit Committee, GMP Property SOCIMI, S.A. Non-executive Director, Broseta Abogados. Non-executive director, Schindler España. Independent Director Varma, S.A. Vice Chairman and non-executive Director of Ontime Corporate Union. Patron of Fundación Telefónica. Vice Chairman Circulo de Empresarios. Executive Chairman of various family owned companies.

Previous relevant experience:

International Senior Advisor, Centerbridge 2014-2021. Chairman of the Supervisory Board, Servion GmbH 2017-2019. Non-executive director, OHL 2010-2016. Non-executive director, Aktua 2013-2016. Non-executive director, N+1 2014-2015. International Senior Advisor, BNP Paribas 2011-2014. Member, Global Executive Committee Deloitte 2007-2009 previously from 2003, Member Global Management Committee. Managing Partner, EMEA Deloitte and Global Tax & Legal 2007-2009. Managing Partner, Latin America Deloitte 2003-2007, Integration Andersen Deloitte 2002-2003, Managing Partner EMEA, Arthur Andersen 2001-2002, Managing Partner Global Tax & Legal, Arthur Andersen 1997-2001, Managing Partner, Garrigues-Andersen 1997-2000.



Peggy Bruzelius A

Key areas of experience:

Financial services, corporate finance

Current external appointments:

Chair, Lancelot Holding AB. Non-executive director and Chair of the Audit Committee, Lundin Energy AB. Non-executive director and Chair of the Investment Committee, Skandia Mutual Life Insurance. Member, the Royal Academy of Engineering Sciences.

Previous relevant experience:

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.



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.



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.



Eva Castillo A R

Key areas of experience:

Financial sector, telecoms sector

Current external appointments:

Non-executive director, Caixabank. Non-executive director, Zardoya Otis. 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, 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

- Committee Chair
- Ⓐ Audit and Compliance Committee

- Ⓔ Nominations Committee
- Ⓔ Safety, Environment and Corporate Responsibility Committee

- Ⓔ Remuneration Committee



Margaret Ewing Ⓐ Ⓔ

Key areas of experience:

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

Current external appointments:

Senior Independent 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.



Maurice Lam Ⓐ Ⓔ

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.



Emilio Saracho Ⓔ Ⓔ

Key areas of experience:

Banking, corporate finance, investment management

Current external appointments:

Senior Advisor, Altamar Capital Partners. Non-executive director, Inditex.

Previous relevant experience:

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.



Robin Phillips Ⓔ

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.



Heather Ann McSharry Ⓔ Ⓔ

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.



Nicola Shaw Ⓔ Ⓔ

Key areas of experience:

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

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 at the Strategic Rail Authority 2002-2005. Deputy Director and Deputy Chief Economist, Office of the Rail Regulator (ORR) 1999-2002.

Statement of compliance with applicable corporate governance codes

As a company incorporated and listed in Spain, IAG is subject to applicable Spanish legislation and associated corporate governance framework. In accordance with this, this 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).

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

in July 2018) is available at the website of the FRC (www.frc.org.uk).

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), as well as on the CNMV website (www.cnmv.es). Pursuant to the CNMV regulations, this report has been filed with the CNMV accompanied by a statistical annex covering some legally required data. This Corporate Governance Report is part of the IAG Management Report for the year 2021.

In addition, and as required by the LSE 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 is provided below.

During 2021, IAG fully complied with most of the applicable recommendations of the Spanish Corporate Governance Code. Notwithstanding this, the Company

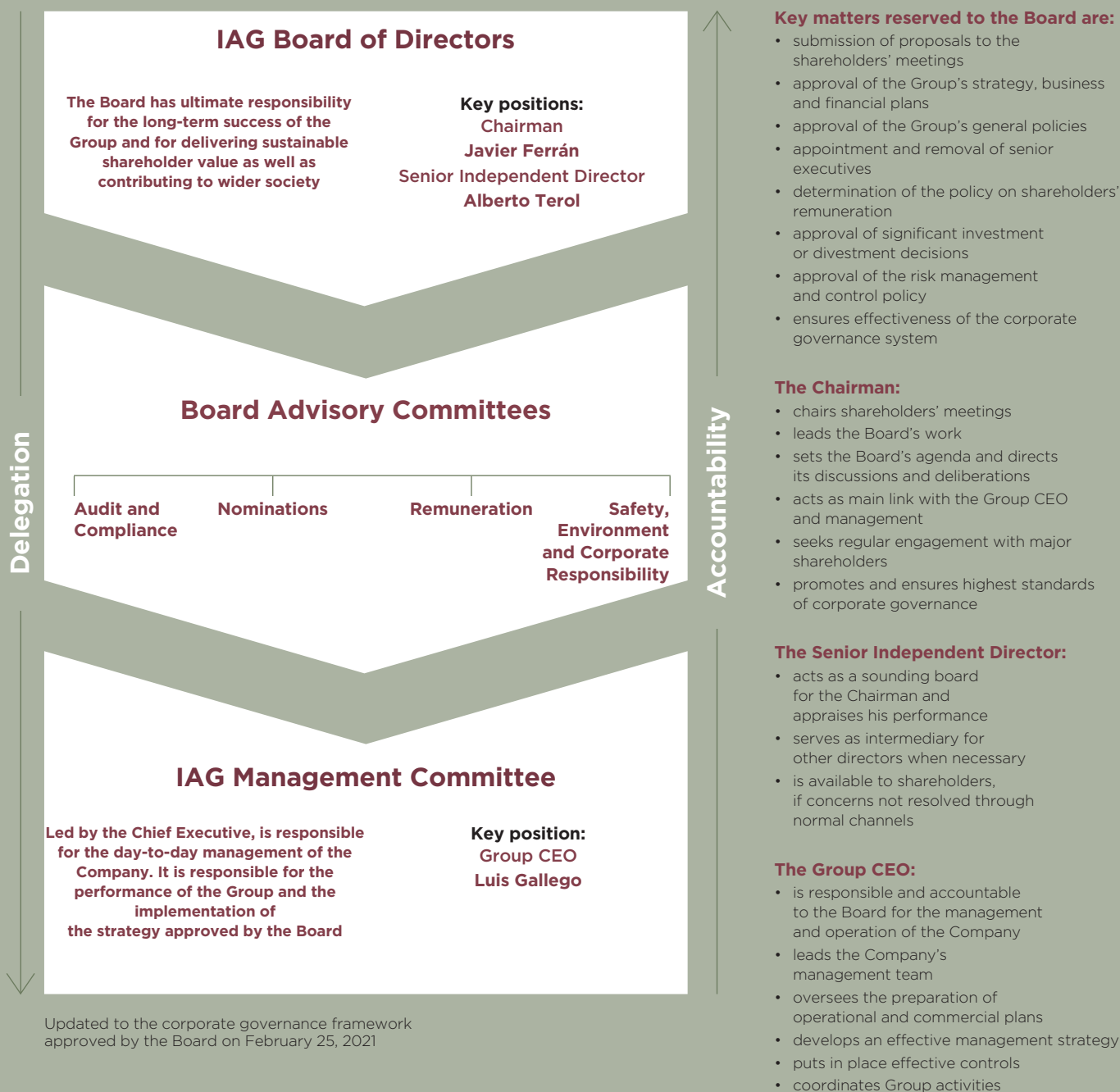
acknowledges that due to applicable legal and regulatory requirements of the aviation sector, the Company's bylaws contain certain share ownership restrictions which are contrary to the provisions of the first recommendation of the Spanish Code. In addition to this, during 2021 the Company partially complied with recommendation number 4 of the Spanish Code, as revised in 2020, because, throughout the year, its policy regarding communication and contact with shareholders, institutional investors and proxy advisors required updating to better address the requirements of the revised recommendation. The policy was revised and approved by the Board on February 24, 2022.

As far as the 2018 UK Corporate Governance Code is concerned, the Company confirms that it applied the principles and complied with all the provisions of the Code in the reporting period.

Applying the principles of the UK Governance Code

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IAG governance framework and division of responsibilities



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. With a light structure, IAG oversees intra-Group coordination and manages central functions, including the development of its common integrated platform.

Each operating company has an individual brand and cultural identity and is responsible for executing its strategy and accountable for its results. Each company has its own board of directors and its own management committee, led by the top executive of each company.

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

Board of Directors: division of responsibilities

The IAG Board is collectively 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 its Regulations, the Board endeavours to reconcile the corporate interest with the legitimate interests, as applicable, of the employees, suppliers, customers and other stakeholders that might be affected, 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 on in this report and in the stakeholder 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. This schedule of reserved matters was reviewed at the Board meeting held on February 25, 2021 and is available on the Company's corporate website (www.iairgroup.com).

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 non-executive independent 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 as amended on February 25, 2021 (available on the corporate website). The Board also approved new and separate regulations for each one of the Board committees as part of the governance review completed in February 2021. These regulations are available on the corporate website. The roles, memberships and activities of these committees during 2021 are described in their individual reports within this Corporate Governance Report.

There is a clear separation of the roles of the Chairman and the Group Chief Executive and 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 the 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 nine independent non-executive directors, one of which is the Chairman, two proprietary non-executive directors and one executive director, IAG's Chief Executive. The biographies of each member of the Board are set out in the Board of Directors section.

Following the significant number of changes in 2020, only one new non-executive director was appointed in 2021, filling the vacancy that arose following the retirement of the former Chairman, Antonio Vázquez, which took place on January 7, 2021. Accordingly, Maurice Lam was appointed a non-executive director at the Shareholders' Meeting held on June 17, 2021. Details of his recruitment process can be found in the Nominations Committee report.

As set out in the Company's Bylaws, the Board shall comprise a minimum of nine and a maximum of fourteen members. As of December 31, 2021, the Board composition was:

Name of Board Member	Position/Category	First appointed
Javier Ferran ¹	Chairman	June 20, 2019
Luis Gallego	Chief Executive	September 8, 2020
Alberto Terol	Senior Independent Director	June 20, 2013
Giles Agutter ²	Director (Proprietary)	September 8, 2020
Peggy Bruzelius	Director (independent)	December 31, 2020
Eva Castillo	Director (independent)	December 31, 2020
Margaret Ewing	Director (independent)	June 20, 2019
Maurice Lam	Director (independent)	June 17, 2021
Heather Ann McSharry	Director (independent)	December 31, 2020
Robin Phillips ²	Director (Proprietary)	September 8, 2020
Emilio Saracho	Director (independent)	June 16, 2016
Nicola Shaw ³	Director (independent)	January 1, 2018

1. Became Chairman on January 7, 2021 following the retirement of Antonio Vázquez.

2. Appointed on proposal from Qatar Airways (Q.C.S.C), a significant shareholder of IAG.

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

The 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, Steve Gunning, and the Group General Counsel, Chris Haynes, attend all Board meetings.

Directors' independence

The Board, as reported by the Nominations Committee, reviewed directors' independence at its meeting held on January 20, 2022. 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 interests and independence of directors later in this report and the Nomination Committee Report.

The Chairman was considered to be 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, with our longest serving director, Alberto Terol, having served on the Board since 2013.

Appointment, re-election, resignation and removal of directors

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

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

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

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

Notwithstanding the above, a director must resign in the cases established in article 17.2 of the Board Regulations, among other things when the director ceases to have the good standing, suitability, reliability, competence, availability or commitment to office necessary to be a director of the Company 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 a number of disclosure obligations, including the duty to inform the Company of any situation in which they are involved and that 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, taking into account the corporate interest, following a report by the Nominations Committee.

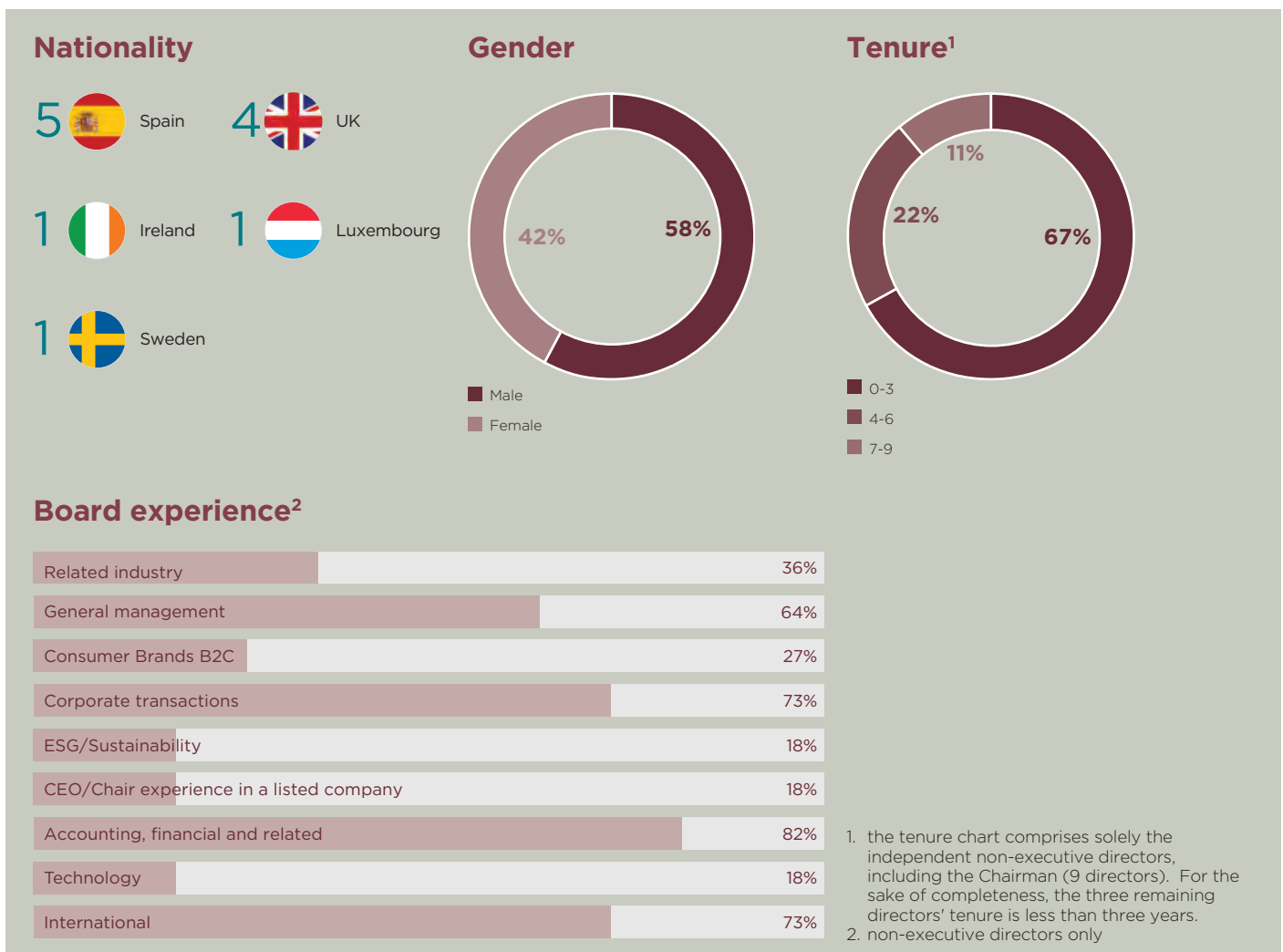
The Board may only propose the removal of a non-executive director before the end of the mandate when it considers there is just cause, following a report by the Nominations Committee. For these purposes, just cause is deemed to exist when the director takes up new positions or enters into new obligations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

The removal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that determine a material change of control.

A director who stands down before the end of their term of office must adequately explain the reasons for this decision, or in the case of a non-executive director, their opinion on the reasons for the Shareholders' Meeting resolution, in a letter to be sent to all the directors. In addition, these explanations need to be included in the Company's Annual Corporate Governance Report and if relevant for shareholders, the Company should publish an announcement of the departure as soon as possible, with sufficient reference to the reasons or circumstances provided by the director.

The rules above have been updated in accordance with the Spanish Corporate Governance Code Recommendations approved in June 2020 and are

incorporated in the Board Regulations approved in February 2021, which are available on the Company's website (www.iairgroup.com), and on the website of the Spanish CNMV (www.cnmv.es).



Board leadership and company purpose

2021 continued to be a difficult year for the airline industry. A year in which IAG's management team had to focus on the immediate challenges, while also laying the foundations for the transformation of the Group so that it can emerge more competitive in the future. This includes ensuring our corporate culture is aligned with the Group strategy and reflects the values across the Group.

IAG's purpose - 'To connect people, businesses and countries'- underpins the Group's vision to be the world's leading airline group, maximising sustainable value creation for its stakeholders. IAG will continue to use its unique business model to pursue this purpose and vision and always aims to deliver sustainable value for its customers, its people, its shareholders and the communities it serves.

By connecting people, businesses and countries, the Group is able to provide the jobs, prosperity and cultural benefits that travel has always created. While a number of important new initiatives and projects have been launched during the year, there is more to be done to achieve the aspirations the Group has set for itself.

The Board believes that IAG can achieve its purpose and vision by promoting the Group's key values, which are ambition, teamwork, innovation, pragmatism, efficiency and responsibility. In 2022, the Board will review how these values are further embedded in the organisation and how this links to the work on corporate culture and on people that started in the last quarter of 2020, ensuring that the complete exercise takes root with the strategy and the transformation of the Group.

Further detail on IAG's purpose and values can be found throughout this annual report, and in particular on the first pages of the Strategic Report and the introductory letters of the Chairman and the Group Chief Executive.

Corporate culture

IAG's Code of Conduct, approved by the Board in 2019, remains our guide to the core behaviours that we seek to encourage and instil throughout the Group. This Code applies to all directors and employees and establishes our principles of integrity, as well as outlining where compliance is required.

To help strengthen the work on culture, in April 2021, Carolina Martinoli joined IAG's Management Committee as Chief People, Corporate Affairs and Sustainability Officer, with the remit to place a special focus on people, culture and sustainability.

At the annual strategy meeting held in September 2021, the Board devoted a special session on our people and how best to develop the Group's corporate culture. Consistent with IAG's model, the individual operating companies remain responsible for the design and implementation of their respective plans under the Group common framework. IAG plays an important role to set minimum principles and standards, to enable the sharing of best practices and the design of Group-wide projects where appropriate.

As reported last year, in the last quarter of 2020, a Group-wide Organisation Health Index (OHI) exercise facilitated by an external firm was completed. The objective is to have a unified Group metric which brings together organisational health and culture under a common framework.

The results and initial conclusions from the first survey were shared with the Board during the two-day strategy meeting held in December 2020 in a session devoted to culture and talent. Following this meeting, organisation-wide priorities and action plans were defined and launched in the first half of 2021. With that backdrop, going forward a full OHI survey will be undertaken once a year, with a follow-up pulse survey after six months. All this information will be regularly reported and discussed with the Board.

The Audit and Compliance Committee has also reviewed and reported to the Board the effectiveness and functioning of the Speak Up channels available throughout the Group provided by independent third-party providers, whereby employees are able to raise concerns on a confidential basis. The Committee discussed this report, including the number and nature of issues reported to the Speak Up channels during 2021. Further details can be found in the 'Ethics and integrity' section of the sustainability report.

Investment in the workforce

In general terms, all Group companies invest in their employees through training and development programmes, as well as through healthcare and wellbeing programmes. Terms and conditions are set and managed within each operating company, enabling them to put in place appropriate rewards 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. Across the UK, Spain and Ireland approximately 90% of IAG's workforce are part of collective bargaining agreements with varying levels in other countries the Group operates in. We work closely with employee representatives to consult on reward matters. For those outside of collective agreements, we benchmark roles and rewards against local markets to ensure they remain attractive and competitive.

How the Board considers stakeholders interests

Day-to-day stewardship of all 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.

The Company's governance framework was reviewed in February 2021 and, in accordance with the recommendation of the Spanish Governance Code, one of the Board advisory committees, the Safety, Environment and Corporate Responsibility Committee, was assigned the responsibility to oversee and evaluate the Company's interaction with its stakeholder groups, including the workforce.

Considering the exceptional circumstances in which the Group is currently operating due to the COVID-19 pandemic, the identification of the Group's key stakeholders has been reviewed and updated.

More information on our stakeholders, how they fit in our strategy and business model, their main interests, and our engagement with them can be found in the stakeholder section of this annual report.

Information on the Board's engagement with the workforce is provided in the Workforce engagement section of this Governance report. As far as shareholders are concerned, and as already described in the Stakeholder section, the Chairman has maintained regular engagement with major shareholders in order to understand their views on governance and performance of the Group against the strategy. In addition to this, the Senior Independent Director and Chairman of the Remuneration Committee had significant contact with key shareholders and proxy advisors in relation to IAG's directors' remuneration policy.

The Board has been regularly informed about shareholders' considerations and concerns. The Head of Investor Relations reports regularly to the IAG Board and one of the Company brokers was invited to the annual strategy meeting to discuss investor insights.

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

In their discussions and decisions during the reporting period, the directors of IAG have acted in good faith, with unity of purpose and independent judgement, guided by the corporate interest to promote the success of the company as a profitable and sustainable business in the long term and giving the same treatment to all shareholders in the same position. In doing so the Board had regard and tried to reconcile the corporate interest with the legitimate interests of employees, suppliers, customers and other stakeholders, also taking into consideration the impact of its activities on the community as a whole and on the environment.

Information on how the directors discharged their duties under these principles during the year, including how they had regard to the matters set out above in their discussions and decision making, is included in this section. Further details can also be found throughout the Strategic and Governance reports. Feedback from stakeholders is received at a number of different levels and helps inform numerous decisions directly or indirectly overseen by the Board. In many circumstances, the views of stakeholders are considered and embedded in the proposals shared with the Board or submitted for its decision.

Board decisions, corporate interest and stakeholders

As explained before, 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 for itself the authority on a number of matters including three main areas:

- 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 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.
- 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 instruction covering the IAG Board, the IAG Management Committee as well as the Boards of the main subsidiaries. In addition, another instruction regulates the Group investment process. This framework and the dedication and expert support provided by the different Board advisory committees ensures the existence of an adequate governance system.

The impact on our different stakeholders as well as the consequences of any decision in the long term are usually considered and discussed by the Board. It is not always possible to provide positive outcomes for all stakeholders and on occasions the Board has to make decisions based on the competing priorities of stakeholders. The principles set out in article 3.6 of our Board Regulations, which coincide with those reflected in section 172 of the UK Companies Act, are not exclusively a matter for the Board, they are

embedded throughout the Group’s decision-making processes.

This has been a second unprecedented year for IAG, as such the Board has continued to adjust its ways of working to the business pace. Until August, the Board had biweekly meetings to adequately monitor the business developments, support management during this difficult period and continue to make critical decisions in response to the COVID-19 pandemic.

Adjusting, adapting and restarting operations according to the situation created by the COVID-19 pandemic

The Board oversaw the Company’s management of the crisis and the coordination of the Group’s response, in particular the actions adopted to secure the business in the short-term -reducing costs, strengthening liquidity and preserving cash-. At the same time, the Board maintained focus on the design and actions for the transformation of the Group to ensure it comes out from the crisis competitive and sustainable. Although decisions in relation to employees and customers are taken by the operating companies, the IAG Board exercises oversight and coordination at a Group level.

Decision	S.172 considerations
<p>During this crisis, decisions on costs, regarding employee restructuring or salary reductions and even capital allocation have been difficult and challenging. They illustrate how decisions are taken for the long-term interest of the business, considering our shareholders, but also bearing in mind and trying to reconcile the interests of our employees and customers as far as possible. Significant short-term measures were needed to reinforce the Company’s resilience in the face of a very difficult environment so that the delivery of our long-term strategy and the ongoing creation of value for our shareholders could be ensured.</p>	<p>Corporate interest LT Employees Shareholders Other stakeholders Sustainability</p>
<p>The effort and focus devoted by management and the Board to work on the restructure and rebuild of the business to ensure operational readiness to be prepared to return to operations at short notice once restrictions were eased is another example of decisions taken considering our employees, considering our customers and with an enormous effort deployed to engaging with Governments and regulators.</p>	
<p>The Board was kept informed by the different airline companies on the impact that the pandemic was having on their customers and employees, and about the measures they had to put in place to support them, including the deployment of COVID-19 health and safety procedures,</p>	

COVID-19 Corporate Financing initiatives

During this difficult period, the Group has raised substantial funds from the debt capital markets. The Board received regular funding and liquidity updates, as well as updates on the Group trading performance. In the first half of 2021, IAG issued a €1.2bn senior unsecured bond and a €825m convertible bond. As far as our airlines are concerned, the Board approved the agreement with the UK Export Finance (UKEF) and a syndicate of banks for a 5-year £1.0 billion UKEF guaranteed facility of £1.0 billion for British Airways, which remains undrawn, in addition to a £2.0 billion UKEF guaranteed facility that was announced in December 2020 and fully drawn in early 2021. In March 2021, British Airways, Iberia and Aer Lingus secured \$1,755m of committed funding in the form of a Secured Revolving Credit Facility provided by the Groups relationship banks.

Decision	S.172 considerations
The Board when considering these transactions had to bear in mind a detailed assessment of funding requirements, forecast and modelling scenarios, as well as the relevant transaction terms and conditions, all in order to adopt the decision in the best corporate interest. In addition, the Board had to consider the requirements for security over certain assets and other requirements, including restrictions imposed regarding dividends or executives' remuneration. The Board had to balance the short and long-term interests of the Group to enter into these transactions, the loss of flexibility for the Group on certain matters, as well as the restrictions imposed on other stakeholders, particularly on shareholders.	Corporate interest LT Employees Shareholders Other stakeholders

Remuneration Policy

In 2021, the Company implemented a new remuneration framework for executive directors and senior management. This new remuneration framework is designed to closely align incentives to the Company's strategy and to support the aim of attracting and retaining talent across the Group.

Decision	S.172 considerations
Extensive internal and external engagement had taken place to support the design and implementation of this new remuneration policy. The feedback received internally, from colleagues, and externally, from shareholders and proxy advisors, directly informed its design. The new Restricted Share Plan (RSP) approved by the Board and by shareholders will improve the Group's ability to attract, motivate and retain key management in what is an increasingly competitive global market for leadership talent. Following shareholder feedback, the Board decided to provide greater detail around the RSP performance underpin and to give greater reassurance that any RSP value delivered will be fair and appropriate in the context of sustainable business performance and the experience of stakeholders. The Board's main objective in the implementation of this new remuneration framework is to drive the behaviours that support the delivery of the Group's strategy and business objectives. The new policy also contains the necessary flexibility and discretion to adapt to commercial and market circumstances, as well as to recoup incentives where any performance is subsequently understood to be unfounded. Understanding and balancing the interests of all stakeholders in executive pay decisions ensures outcomes are objective, fair and proportionate. The simplification of our remuneration framework and the focus on long-term performance, supports the Group's management to continue to deliver our strategy and sustainable shareholder returns.	Corporate interest LT Shareholders Employees Sustainability Values and corporate reputation

Purpose, values and sustainability matters

Our role in the world is to connect people, businesses and countries. We do this and create value through a unique model that enables Group airlines to perform in the long-term interests of customers, people, shareholders and society. We hold ambition, teamwork, innovation, pragmatism, efficiency and responsibility as key values that enable us to fulfil our purpose.

Decision	S.172 considerations
<p>The Board believes that our purpose should drive our strategy, guide our culture and provide a framework for consistent decision making which benefits all stakeholders. During 2021, the Board, through its Safety, Environment and Corporate Responsibility Committee, reviewed the materiality assessment completed by an independent third party to assess which business activities have a material impact on the environment and people and what is most important to key stakeholders. IAG's sustainability strategy, initiatives and reporting are based on the feedback received. IAG has a vision to be the world's leading airline group on sustainability, which entails not only transforming its own business, but working to create a truly sustainable aviation industry. IAG is committed to delivering best practices in sustainability programmes, processes and impacts. The IAG Board is convinced that sustainability is fundamental to long-term growth. In line with this, at the annual strategy meeting, the Board considered the People and ESG strategic principles for the Group. In January 2022, the Board considered in detail the Company's approach and ambition regarding diversity and inclusion.</p> <p>The Board considers all these matters as they are key for the long-term sustainability of our business, because ESG factors have become increasingly more material for shareholders, investors and debt providers, and also because they are more and more relevant for our own employees and customers.</p>	<p>Corporate interest LT Shareholders Employees Customers Sustainability Values and corporate reputation</p>

Workforce engagement

The COVID-19 pandemic significantly curtailed the Board's usual programme of site visits and face-to-face engagement with management and employees which could only be resumed during the last quarter of 2021. The Board has been regularly informed about initiatives at each operating company with respect to their workforce during the pandemic. A session at the annual strategy meeting was devoted to the analysis and discussion of the results and initial conclusions from the employee survey

completed in the Group, as well as to discuss the Group's approach and ambition on employee matters.

Eva Castillo, Nicola Shaw and Alberto Terol have been designated as the directors responsible for workforce engagement. Recent Board engagement sessions have been held with British Airways, Iberia, IAG Loyalty, IAG Cargo, IAG Tech, Vueling and Aer Lingus. The sessions have been very constructive with an opportunity to hear from different employee groups and see latest

innovations. Key themes have been the impact of changes to terms and conditions, the company's plans regarding resourcing as we emerge from the pandemic, the effectiveness of communications channels, the approach to flexibility as more teams return to offices, and the Group's focus on development and careers. Each visit included a debrief for senior teams on emerging issues to ensure appropriate actions are taken forward.

Board and committee meetings

The Board was scheduled to meet eight times during the year, including its annual two-day strategy meeting scheduled for September 2021.

Since the start of the year, the Board moved from weekly to holding bi-weekly meetings to continue monitoring the impact of the pandemic and the Group's response. Since the end of July 2021, the Board returned to its normal meeting schedule as travel restrictions started to be lifted and the Group's business started to approach its recovery path. The total number of Board meetings held during the reporting period was 19. Details of attendance at Board and committee meetings are shown further on in this report.

In addition, there were two board meetings held by written procedure without a meeting, with all board members agreeing to adopt certain resolutions by such procedure.

The Board Secretariat together with the 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 Chief Executive Officer, with the support from the General Counsel and the Board Secretariat. During 2021, as was the case in 2020, the Board's main focus was conditioned by the COVID pandemic, supporting management and exercising oversight over the Group's businesses and stakeholders' interests and the Group's continued response to the pandemic. The key activities of the Board in 2021 are detailed in the Board activities table further on in this report.

After the review and approval of the minutes of the prior Board meeting, each Board meeting continues with a report from each of the committees' chairs. 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. This is followed by a general update from the Group Chief Executive and subsequently, from the Chief Financial Officer.

All scheduled Board meetings include a private session for non-executive directors to meet with the Chairman to discuss any matters arising. In addition to this, 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 met with the non-executive directors, without the Chairman, as part of the chair 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 director, although non-executive directors may only grant their proxy to another non-executive director. These proxies need to be in writing and specifically granted for each meeting. No director may hold more than three proxies, 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.

Due to the extensive number of additional Board meetings held during the year due to the COVID pandemic, and sometimes called at short notice, some directors were not able to attend all meetings.

Board and committee attendance during 2021

Board member ¹	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Safety, Environment and Corporate Responsibility Committee
Javier Ferrán ²	19/19		7/7		1/1
Luis Gallego	19/19				
Giles Agutter	18/19		6/7		3/3
Peggy Bruzelius	18/19	10/10			
Eva Castillo	17/19	8/10		8/10	
Margaret Ewing ³	19/19	10/10	6/6		
Maurice Lam ⁴	8/8	4/4			2/2
Heather Ann McSharry	19/19		7/7	10/10	
Robin Phillips	19/19				3/3
Emilio Saracho	19/19			9/10	3/3
Nicola Shaw	19/19			8/10	3/3
Alberto Terol ⁵	18/19	6/6	7/7	10/10	

1. Antonio Vázquez Romero did not attend any Board or committee meetings during 2021 as he retired from the Board on January 7, 2021.
2. Appointed Chairman of the Board on January 7, 2021. Stepped down from the Safety, Environment and Corporate Responsibility Committee on June 17, 2021.
3. Appointed member of the Nominations Committee on January 28, 2021.
4. Joined the Board and respective Board committees on June 17, 2021.
5. Stepped down from the Audit and Compliance Committee on June 17, 2021.

Board activities

2021 continued to be an unprecedented year for the Group, as it continued to face the biggest challenge the airline industry has ever encountered. The Board activity clearly reflects these circumstances. The key areas of Board activity during 2021 are outlined herein:

Strategy and planning

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

- Strategic Context
- Role of the Centre
- IAG Loyalty full potential
- Cargo Update
- Technology Excellence
- IAG fleet transformation and strategy
- London Gatwick/Paris Orly updates
- People and ESG update
- Partnerships and M&A Scan
- Transformation plans and indicative Financials
- Strategy follow-up items

Performance and monitoring

- Operating companies regular reporting
- Quarterly and full year financial reporting
- Monthly financial report (reviewed at the relevant meeting or distributed to all Board members)
- Group capital allocation principles review
- Review of different joint business arrangements
- Update on the UK Information Commissioner's Office proceedings against British Airways and related litigation

COVID-19 crisis

- Updates on liquidity status and forecasting, and passenger revenue information
- Follow up on travel restrictions and updates on capacity

Significant transactions, investments and expenditures

- Air Europa acquisition follow up
- Financing arrangements
- Fleet updates
- Technology investments
- Financing arrangement for the acquisition or lease of aircrafts
- Disposals/write-off of aircraft and deferral 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 yearly report to the Board

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, including new directors' remuneration policy
- Shareholders' meeting call notice and proposed resolutions
- Review of the Board committee's composition
- Board and committees evaluation and improvement priorities
- Update on the D&O insurance programme
- Corporate governance updates

Board information and training

In general all Board and committee meeting documents are available to all directors, 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 2021 financial year.

In 2021 the Board received specific briefings on corporate governance and key legal and regulatory developments. In addition to this, most directors attended two deep-dive briefings organised by the Audit and Compliance Committee regarding the BEIS open consultation in relation to the UK Government's white paper "Restoring trust in audit and corporate governance: proposals on reforms", and in relation to the BA defined benefit pension obligations. Furthermore, two sessions of two hours each were held, with the support from an external firm and co-chaired by the Audit and Compliance Committee and the Safety, Environment and Corporate Responsibility Committee chairs, regarding governance of climate-related risks and opportunities and non-financial reporting requirements.

Directors are offered the possibility to update and refresh their knowledge of the business and any technical related matter on an ongoing basis to enable them to continue fulfilling their responsibilities effectively. Directors are consulted about their training and development needs and given the opportunity to discuss training and development matters as part of the Board annual performance evaluation.

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 particulars of each of the markets in which the Group operates, as well as an understanding of the Group business model and its different businesses. The programme is also a useful tool to introduce the new director to the IAG Management Committee as well as to the different operating companies' teams.

In January 2021, an induction programme for the three newly appointed directors was initiated following the IAG induction guidelines. On this occasion, meetings with management were arranged to prioritise a rapid introduction to the Group and briefings on main current matters, with a second phase of customary meetings with all Management Committee members and other key positions within IAG. Additionally, an induction programme was launched for Maurice Lam following his appointment in June 2021. Further detail are provided in the Nominations Committee report

Due to COVID-19 related constraints, practically all meetings were held virtually, and directors' visits to the Group's key sites and meetings with each operating company's leadership team had to be delayed. As will be mentioned later in the context of the Board evaluation, these site visits will be resumed in 2022 as far as possible.

As explained next as part of the Board evaluation section, the feedback received from new directors on the IAG induction programme is very positive. Directors consider that the programme of meetings is very thorough, providing very complete information on the Group and the industry. In the present circumstances, an important effort was made to share insights into issues currently impacting the Group, particularly given the extremely difficult and uncertain conditions arising from the pandemic.

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. The last external review was conducted in 2019, therefore an internal evaluation was completed for 2021.

The internal evaluation was led by the Chairman and conducted by the Board Secretariat using a self-assessment questionnaire, complemented by a general discussion of the full Board on the outcome from the survey and proposed actions at the Board meeting held on December 16, 2021.

The overall conclusions of the review were positive, confirming that the Board and the committees continue to adequately fulfil their responsibilities. Directors considered that there has been an outstanding commitment and engagement from all Board members during the year while the business continues to face the challenges of the COVID-19 crisis. The continued management of the Board's agenda and the frequency of meetings have ensured that the Board remained briefed and able to support management throughout the year as circumstances changed. In relation to the areas for focus agreed for 2021, the Board considered that good progress had been made in all of them considering the complexity of the situation. In particular, induction programmes were reinforced to facilitate the rapid introduction and adaptation of the new directors and the new Safety, Environment and Corporate Responsibility Committee was established and meetings commenced in May as per its agreed plan of activities.

Actions agreed for 2022 include:

- to consider how best to reinforce the Board's competencies on IT and digital matters
- as long as travel restrictions allow, to organise Board meetings in Barcelona and Dublin, including meetings with Vueling and Aer Lingus management teams
- review of the annual calendar to ensure adequate coverage of key areas agreed
- improvements to the follow up of matters arising and reporting back to the Board

- continue to increase the level of engagement between the Board and senior executives, facilitating managers below Management Committee to present at Board meetings
- monitoring and building on the work done following the setting up of the Safety, Environment and Corporate Responsibility Committee

Other Statutory Information

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

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

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 shareholders' meeting held on June 17, 2021, 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 airlines of the IAG Group. This close relationship of commercial cooperation, which has always been undertaken on an arms'-length basis and on market terms, which 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 United Kingdom 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. This year IAG's internal regulations on related party transactions were revised to bring them into line with the changes introduced in the Spanish Companies Act regarding the regime for related party transactions in listed companies. According to this new requirement, 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. 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, buy-backs and treasury shares

The Annual General Meeting held on June 17, 2021 authorised the Board, with the express power of substitution, for a term ending at the 2022 Annual General Meeting (or, if earlier, 15 months from June 17, 2021), to:

- increase the share capital pursuant to the provisions of Article 297.1.b) of the Spanish Companies Law, by up to fifty per cent of the aggregate nominal amount of the Company's issued share capital as at the date of passing such resolution (such amount to be reduced by the maximum amount that the share capital may need to be increased by on the conversion or exchange of any securities issued by the Board under the relevant authorisation), through the issuance and placement into circulation of new shares (with or without a premium) the consideration for which shall be cash contributions;
- issue securities (including warrants) convertible into and/or exchangeable for shares of the Company, up to a maximum limit of 1,500,000,000 euros or the equivalent thereof in another currency, provided that the aggregate share capital that may need to be increased on the conversion or exchange of all such securities may not be higher than fifty per cent of the aggregate nominal amount of the Company's issued share capital as at the date of passing such resolution (such amount to be reduced by the amount that the share capital has been increased by the Board under the relevant authorisation);
- exclude pre-emptive rights in connection with the capital increases and the issuance of convertible or exchangeable securities that the Board may approve under the previous authorities for the purposes of allotting shares or convertible or exchangeable securities in connection with a rights issue or in any other circumstances subject to an aggregate maximum nominal amount of the shares so allotted or that may be

allotted on conversion or exchange of such securities of five per cent of the aggregate nominal amount of the Company's issued share capital as at June 17, 2021;

- carry out the acquisition of its own shares directly by the Company or indirectly through its subsidiaries, subject to the following conditions:
 - the maximum aggregate number of shares which is authorised to be purchased shall be the lower of the maximum amount permitted by the law and such number as represents 10 per cent of the aggregate nominal amount of the Company's issued share capital on June 17, 2021, the date of passing the resolution;
 - the minimum price which may be paid for an ordinary share is zero;
 - the maximum price which may be paid for an ordinary share is the highest of:
 - an amount equal to five per cent above the average of the middle market quotations for the shares as taken from the relevant stock exchange for the five business days immediately preceding the day on which the transaction is performed;
 - 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; in each case, exclusive of expenses.

The shares acquired pursuant to this authorisation may be delivered directly to the employees or directors of the Company or its subsidiaries or as a result of the exercise of option rights held thereby. For further details see note 29 to the 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 of December 31, 2021, the share capital of the Company amounted to 497,147,601 euros (2020: 497,147,601 euros), divided into 4,971,476,010 shares (2020: 4,971,476,010 shares) of the same class and series and with a nominal value of €0.10 each (2020: €0.10 each), fully subscribed and paid.

As of December 31, 2021, the Company owned 10,153,335 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 December 31, 2021 the equivalent of 55,871,936 shares was held in ADR form (2020: 40 million shares).

Company's share capital

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

The significant shareholders of the Company at December 31, 2021, 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%
Lansdowne Partners International Limited	-	80,876,691	Funds and accounts managed by Lansdowne Partners (UK) LLP	80,876,691	1.627%

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.

Considering the COVID pandemic circumstances as well as the recommendation of the Spanish Corporate Governance Code, the Company facilitated virtual attendance and participation to the 2021 Annual Shareholders' Meeting using an online platform. Further detail on the 2021 Annual Shareholders' Meeting is provided in the Stakeholder engagement section.

The Shareholder's Meeting Regulations, which establishes 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 per cent of the Company's share capital, or of the voting rights corresponding thereto, expressly indicating the nationality of the transferor and/or the transferee obliged to notify, as well as the creation of any charges on shares (or interests in shares) or other encumbrances whatsoever, for the purposes of the exercise of the rights conferred by them.

In addition, pursuant to article 10 of the Bylaws, the Company may require any shareholder or any other person with a confirmed or apparent interest in shares of the Company to disclose to the Company in writing such information as the Company shall require relating to the beneficial ownership of or any interest in the shares in question, as lies within the

knowledge of such shareholder or other person, including any information that the Company deems necessary or desirable in order to determine the nationality of the holders of said shares or other person with an interest in the Company's shares or whether it is necessary to take steps in order to protect the operating rights of the Company or its subsidiaries.

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

Limitations on ownership of shares

In the event that the Board deems it necessary or appropriate to adopt measures to protect an operating right of the Company or of its subsidiaries, in light of the nationality of its shareholders or any persons with an interest in the Company's shares, it may adopt any of the measures provided for such purpose in article 11 of the Bylaws, including the determination of a maximum number of shares that may be held by non-qualifying shareholders provided that such maximum may not be lower than 40 per cent of the Company's share capital. If such a determination is made and notified to the stock market, no further acquisitions of shares by non-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.

Report of the Nominations Committee



Javier Ferrán
Nominations Committee Chair

Committee members	Date appointed
Javier Ferrán (Chair)	September 8, 2020
Giles Agutter	September 24, 2020
Margaret Ewing	January 28, 2021
Heather Ann McSharry	December 31, 2020
Alberto Terol	June 20, 2019

Dear Shareholder

On behalf of the Nominations Committee, I am pleased to introduce my first full year report as its Chair.

Beyond the regular issues, the Committee's work in 2021 has focused on reviewing the appointments to, and changes within the IAG Management Committee as the Group Chief Executive has continued to strengthen his senior team. During the year, the Committee considered changes to three Management Committee positions, the appointment of a new Director of Strategy, that of the new Chief People, Corporate Affairs and Sustainability Officer, and the move of Lynne Embleton as new Chief Executive of Aer Lingus.

In addition, the Committee oversaw the process for the appointment of Nicholas Cadbury as our new Chief Financial Officer, who will be joining the Group on March 21, 2022 following the departure of Steve Gunning.

Further details of these management changes is provided in this report.

Another important area of focus for the Committee has been management succession planning and talent development, including diversity requirements. In fact, in September, the Committee undertook a detailed review of the new plans and initiatives in line with the Group's people strategy. In 2022, we will continue to focus on this important area, overseeing the development of the plans that have been presented.

In June 2021, we welcomed a new non-executive director, Maurice Lam, whose appointment process was managed by the Committee during the first half of the year.

Following the recent non-executive directors appointments, the Committee oversaw their extensive induction programmes. Due to existing COVID-related restrictions, the induction meetings were held virtually. Despite the existing challenges, thanks to IAG's management commitment support, the feedback received from directors has been very positive. We hope to complete the induction with site visits to the Group's operations during 2022.

We close the year satisfied that we have a Board with the right skills and experience to continue providing the highest standards of leadership and oversight in the years ahead. We are also satisfied that the Board composition meets the target for the proportion of women on boards set out in the Hampton-Alexander Review as well as the recommendation on ethnic diversity on boards in the Parker Review. We hope to further consolidate and improve this progress, and trust that the Board's leadership will serve as an anchor for the management team's own plans 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 February 25, 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. 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.

As mentioned in the 2020 Nominations Committee report, the only new appointment to the Committee was that of Margaret Ewing on January 28, 2021.

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 IAG Management Committee members)

New Board appointment



Maurice Lam
Non-executive director

Soon after joining the Board in June 2021, I attended IAG's induction programme which introduced me to the Group, its management and business. Given the pandemic situation and the fact that I was the only newly appointed member at that time, this induction consisted in a number of one to one virtual meetings with key members of management.

I have a financial services background and am relatively new to the airline industry. The quality of the thorough and open exchange together with the level and completeness of the information provided, helped me significantly to better understand the industry dynamics and its business logic.

We had the opportunity to share insights into issues impacting the Group, particularly in the context of the uncertain conditions prevailing from COVID-19 and its unpredictable developments. We also had interesting discussions on challenging subjects like climate change, cybersecurity and other emerging risks and their potential impacts.

Although the induction meetings were held virtually, the time commitment and the quality of the interactions provided me with a good start to building a relationship with key people in the

Group; indeed this proved to be very useful when we finally met physically last September for the 'Strategic meetings'. I felt encouraged to exchange at any time, an extremely important enabler to successfully fulfil my independent director role.

Currently, planned site visits to the different locations of IAG entities are still outstanding and I am looking forward to participating in these as soon as conditions allow.

As a new member of the Board, its Audit and Compliance Committee and its Safety, Environment and Corporate Responsibility Committee, I feel well integrated so far, and from the start felt motivated to be actively engaged in all issues affecting the Group.

The complexity and diversity of the Group implies quite a lot of information to read and digest ahead of meetings. I feel the diversity and experience of the different board and committee members, under strong leadership and guidance, facilitate probing questions and challenging discussions; this is particular important in an environment where forecasting in current volatile and uncertain times, leading to the need to consider a variety of options, has to be continuously performed by management and overseen by the Board.

I am proud to be a Board Member of IAG and look forward to contributing in this recent role.

- 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 2021

The Committee met seven times during 2021, including four scheduled and three ad hoc meetings. Directors' attendance at these meetings can be found in the Corporate Governance section. The Group Chief Executive is 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 and search process for a new non-executive independent director
- review of the Board committees' membership, including that of the new Safety, Environment and Corporate Responsibility Committee
- Board succession planning
- review of the directors' independence
- review of compliance with the Directors' Selection and Diversity Policy
- management succession plans
- launching of the Board annual evaluation process, as well as that of the Nominations Committee
- changes to Group company boards
- review of investor feedback from the 2021 Annual General Meeting
- update on regulatory developments on diversity matters.

Throughout the year, Spencer Stuart provided recruitment consultancy services to the Committee. Spencer Stuart does not have any other connection with the Company or individual directors and is a signatory to the UK Voluntary Code of Conduct for Executive Search Firms.

Non-executive directors appointment process

As already anticipated, the Nominations Committee and the Board were keen to improve ethnic diversity, and this was taken into consideration when a new search was started following the retirement of Antonio Vázquez in January 2021. Spencer Stuart was appointed to conduct this search on January 7, 2021. In May 2021, the Committee was pleased to recommend the appointment of Maurice Lam, who joined the Board at IAG's Annual Shareholders' Meeting on June 17, 2021.

Maurice brings extensive financial audit, and risk-related experience to further reinforce the composition of the Audit and Compliance Committee.

This search process was completed pursuant to the IAG Directors Selection and Diversity Policy as confirmed by the Nominations Committee in the review completed in January 2022. The process was carried out in accordance with the following principles:

- an executive search firm was engaged to conduct this search, which is a signatory to the UK Voluntary Code of Conduct for Executive Search Firms.
- the search criteria were formulated following the evaluation of the balance of skills, experience, independence, diversity and knowledge on the Board, alongside the then existing succession plans for directors, and taking into consideration the conclusions from the annual review of the Board performance.
- based on these considerations, the role and capabilities required for this particular appointment were established. As the Committee is keen to ensure a broad diversity in the Board, it was also agreed to put a special focus on diversity, in particular on minority ethnic diversity. These specifications were included in the search firm's engagement letter.
- a long-list of candidates were reviewed during February and March 2021 and, following a detailed analysis of the profiles of the candidates included, a shortlist of potential candidates was agreed.
- the final shortlist was reviewed and discussed by the Chair of the Nominations Committee and Chairman of the Board with the Committee members, and according to the conclusions reached and after hearing the feedback from a compliance perspective from the Group General Counsel, it was reported to the Nominations Committee.
- following the interview process of the shortlisted candidates, a final candidate was then agreed, and submitted for final approval at the Nominations Committee held on May 5, 2021. A final report was presented to the Board endorsing the nomination.

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 of any areas that could require strengthening from a skills and succession perspective. The conclusions of this exercise helped to inform new directors' searches and the profile and skills required.

In September 2021, the Committee reviewed in detail the Board succession planning, including the Board refreshment timeline, the Board skills matrix, as well as the identification of potential successors for the different positions.

Board positions and committee memberships

On February 24, 2021 the Nominations Committee considered the composition of the new Safety, Environment and Corporate Responsibility Committee which was subsequently approved by the Board. This committee is chaired by an independent non-executive director, Nicola Shaw, and is composed of non-executive directors with a majority of independent directors.

Following the Annual Shareholders' Meeting in June, the Committee reviewed the Committees' composition, and proposed the appointment of Maurice Lam as a member of the Audit and Compliance Committee and of the Safety, Environment and Corporate Responsibility Committee, replacing Alberto Terol on the former, and Javier Ferrán on the latter.

Directors' independence, performance and re-election

The Nominations Committee, having considered the matter carefully, is of the opinion that all of the current non-executive directors, 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.

All proposals for the appointment or re-election of directors presented to the 2021 Shareholders' Meeting were accompanied by an explanatory report issued by the Board of Directors with the support of the Nominations Committee assessing the competence, experience and merits of each candidate. The Committee also reviews the time commitment and availability of each non-executive director, which during 2021 was again remarkable. 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, discharged

their duties effectively and that each was making a valuable contribution to the leadership of the Company for the benefit of all shareholders.

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 Company.

Management appointments and succession planning

As mentioned in the Committee report for 2020, in January 2021, the Committee endorsed the appointment of David Podolsky as new Director of Strategy.

In February 2021, the Committee considered and reported to the Board on the appointment of Lynne Embleton as the new Chair and Chief Executive of Aer Lingus with effect from April 6, 2021. At the same meeting, the Committee also considered and endorsed the appointment of Carolina Martinoli in a new role as Group Head of Culture, Talent and Sustainability Officer with her becoming Chief People, Corporate Affairs and Sustainability Officer in May 2021.

Although this was not a position on the IAG Management Committee, the Committee also reviewed the appointment of David Shepherd, Chief Commercial Officer of Aer Lingus, as managing director and member of the board of IAG Cargo, reporting to David Podolsky who leads IAG Cargo as a Management Committee member and chairs the IAG Cargo board of directors.

Finally, the Committee reviewed the search and selection process for the position of Chief Financial Officer of the Company. The search was conducted with the assistance of Egon Zehnder. This process culminated in October 2021 with the announcement of the appointment of Nicholas Cadbury, Chief Financial Officer of Whitbread, to replace Steve Gunning, who will be leaving in March 2022.

In the September meeting, the main principles and objectives of the Group management succession planning process were presented to the Committee. The process is currently being reviewed to better align it to IAG's broader people strategy. Several matters were discussed at this meeting, including: how to keep the right balance between succession and external recruitment and the different implications this could have from a cultural perspective; the relevance of structured processes and methodology for talent development and promotion; the focus on diversity standards; the role of the Group and that of the different operating companies. The Committee was also updated on the Group key roles, including an analysis of leadership changes since 2019, highlighting the high churn suffered

in the leadership teams and across the Group critical roles in the same period.

It was agreed that the Committee will be kept updated on the initiatives and developments of this plan, as this is an area on which it was agreed to put a special focus following the Committee's performance evaluation last year.

Diversity

The Nominations Committee remit was reviewed in 2021 and its responsibility for diversity was confirmed from three different perspectives as far the Board and senior management are concerned. The Committee is responsible for developing measurable objectives, for monitoring progress towards their achievement and compliance with IAG's diversity policies, and to oversee the development of a diverse pipeline for Board and senior management succession.

The IAG Directors Selection and Diversity Policy, which is available on IAG's website, sets out the principles that govern the directors selection process and the approach to diversity on the Board of Directors and on the Management Committee. This policy reflects IAG's commitment to promote equality and diversity.

The IAG Board recognises the value of having a variety of opinions, perspectives, skills, experiences, backgrounds and orientations to enrich discussions and to have better decision-making processes.

Considering the ongoing work on people and culture in the Group, it has been deemed appropriate to delay the review of the Group's diversity and inclusion policies to this year, in order to ensure adequate consistency in these initiatives.

The procedure for the appointment of directors follows the principles established in the Directors Selection and Diversity Policy. As recommended by the Spanish Good Governance Code, the Nominations Committee reviews compliance with this policy on an annual basis. This review was completed in January 2022.

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

This selection process is described in detail in the preceding section on 'Non-executive directors' appointment process'.

Female directors currently represent 42% of the Board of Directors and 62% of the independent non-executive directors. In addition to this, two of the four Board advisory committees are chaired by women. From an ethnic diversity perspective, the IAG Board has met the UK Parker Review objective, having appointed in 2021 one director from a minority ethnic group.

The Board and the Nominations Committee are committed to improving diversity, and gender diversity across the Group, and encourages and supports management actions in this regard. As explained below, the Committee has agreed to maintain its focus on diversity and inclusion as a priority for 2022.

Given its relevance, the Board reviewed the Group's diversity and inclusion strategy during its annual strategy session in September 2021. In addition, in January this year, the Group's gender diversity initiatives and ambitions within this new diversity framework were shared again with the full Board.

Further explanations of the steps that IAG is taking to promote diversity and inclusion across the Group is set out in the 'Diversity, inclusion and equality' section of the sustainability report.

The Committee annual evaluation

The annual performance evaluation of the Board and its committees was internally facilitated, having been carried out by an independent external facilitator in 2019. The evaluation concluded that the Committee operated effectively during the year. Although significant progress has been made, the Committee will continue prioritising its focus on the two areas identified in the prior evaluation, that is management succession planning, including talent retention and talent development, and diversity and inclusion initiatives at management level.

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)	February 25, 2021
Giles Agutter	February 25, 2021
Emilio Saracho	February 25, 2021
Robin Phillips	February 25, 2021
Maurice Lam	June 17, 2021

Dear Shareholder

I am pleased to share with you my first report as Chair of the IAG Safety, Environment and Corporate Responsibility Committee (SECR Committee), which details the work of this Committee and our ambitions and achievements during 2021.

At IAG, we believe in the huge social and economic benefits our business creates by bringing people together. In line with our Group’s purpose, we’re committed to ensuring aviation remains a force for good in the world. That means ensuring every business decision is rooted in the values that we hold and the desire to do the right thing for all our stakeholders. Only then can we create a resilient business that will grow sustainably for the long-term. This inspires the work of this new Committee

which has a key role in supporting the Board by providing guidance and direction on IAG’s sustainability and corporate responsibility ambitions.

The Committee was incorporated in February 2021 with new membership, expanding the remit of the former Safety Committee, to oversee environmental matters and corporate responsibility and met for the first time in May. In June 2021, Maurice Lam joined us following his appointment as non-executive director at the Annual Shareholders’ Meeting, replacing Javier Ferrán.

The SECR Committee has oversight over safety matters. Although this responsibility lies with each airline in accordance with its applicable standards, its own culture and the circumstances and particularities of

each business, the Committee carries out a high-level overview of safety activities and informs the Board as appropriate. More importantly, we aim at promoting the discussion of common issues and sharing best practice. This has proved to be a very valuable tool in facing the unprecedented impact of the COVID pandemic.

Sustainability takes many forms. From stewardship of the environment to social matters. We seek to actively manage our impact on the world by setting ambitious targets, measuring our progress, and transparently reporting on the steps we are taking. In 2021, the Committee oversaw and discussed the Group’s initiatives in this area, from how we approach carbon emissions, to the new diversity targets we have established, the improvement in our reporting and the partnerships that we have joined to drive positive change.

On the environmental front, tackling climate change remains the most material issue, as validated by the stakeholder materiality exercise completed this year. In 2021, we became the first airline group in Europe to commit to deploying 10 per cent sustainable aviation fuel (SAF) by 2030, equating to 1 million tons of SAF per year. We have also continued to embed our net zero transition pathway within our business and remain focused on the delivery of our ambitious targets.

Listening to our stakeholders is crucial to inform our priorities and plans to deliver a fully sustainable business. In line with the feedback received, and going beyond environmental issues, the Committee will, along with our climate change commitments, continue to focus on social and corporate responsibility matters in the coming year.

It is fundamental to our ambition that we do business in the right way which is why sustainability is at the heart of our strategy. We are committed to building a truly sustainable, responsible and inclusive business to deliver long term value for our people, customers, shareholders and the communities we serve. Together we can make a lasting difference to the world.

Nicola Shaw
Safety, Environment and Corporate Responsibility Committee Chair

The Safety, Environment, and Corporate Responsibility Committee

The Committee composition, competencies and operating rules are regulated by article 33 of the Board Regulations as well as the Regulations of the SECR Committee, as approved by the Board on February 25, 2021. A copy of the Board and the SECR Committee Regulations can be found on the Company's website.

The Committee is made up of no fewer than three directors appointed by the Board, with the necessary dedication, capacity and experience. All the members of the Committee shall be non-executive directors and a majority of them shall be 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, overseen by their respective safety committees. 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 the 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 2021, the Committee held three meetings. Directors' attendance at these meetings is detailed in the Corporate Governance report. At its first meeting, the Committee agreed on its plan of activities for 2021 as well as its standard annual plan for the following years.

During 2021, the Committee focused on the following activities during the year:

- safety readiness programmes of the Group airlines
- overview of an airline company safety framework
- safety review report of the Group airlines
- Conclusions from the IAG Investors ESG survey
- key upcoming EU and national ESG consultations
- 2021 stakeholder materiality assessment process and conclusions
- update on sustainable aviation projects and other low carbon initiatives
- review of the 2020 IAG Modern Slavery Statement
- update on emerging trends and benchmark analysis on ESG
- review of ESG ratings and relevant sustainability indexes
- Group sustainability strategy and policies review
- 2021 Non-Financial Information Statement and other sustainability reporting, including review of compliance and key metrics.
- diversity and Inclusion review

In addition to this, two externally provided training sessions were organised together with the IAG Audit and Compliance Committee, focusing on the Board's ESG compliance and reporting responsibilities, with a particular attention to climate change. A follow up discussion was also held at the SECR Committee December meeting.

Safety

In May 2021, the SECR Committee reviewed the four Group airlines' plans to restart and readiness to fly in the ramp up of the operations for the summer period. The Committee was briefed on the challenge the airlines faced under a dynamic and uncertain cancellation phase, the large-scale parking and storage plan which continued to vary, the extensive staff furlough programme to match a much reduced flying programme, a restart phase with significant uncertainty and including a new operational and customer environment. The different teams presented their respective plans to ensure a safe return into operations but also building on the opportunities that the situation also brings and on the possibility of sharing best practices across the Group benefiting from the safety and security network already established between the Group airlines and the support provided from the centre.

The Committee reviewed the relevant areas of each operating company's performance across the Safety Risk Management activities. In line with the above, in addition to each airline's standard reporting, the Committee devoted special attention to the different challenges posed by the COVID pandemic on the safety management systems and environment.

ESG investors survey and materiality assessment

Two key exercises on ESG were completed in 2021. The first one was the survey that the IAG Investor Relations team conducted to get input from IAG institutional shareholders and investors on ESG matters. The top 100 shareholders plus ten additional investors were contacted to participate. They were consulted on their approach to ESG when analysing investments, how they saw that evolving, what IAG is lacking, what should be the Group's focus in terms of reporting and the gap between their expectations and what IAG is currently doing. The Committee discussed with the Investor Relations and Sustainability teams the feedback received, including both qualitative and quantitative findings, as well as the conclusions and recommendations to be drawn from this important engagement.

The second exercise was the materiality assessment completed between April and June 2021 to seek the Group stakeholders' perspective regarding sustainability priorities. This was facilitated by a leading sustainability consultancy Simply Sustainable as an independent third party and it included both a medium (two years) and a long-term (ten years) approach. The Committee considered the design, methodology and content of the process, and was also briefed on the main conclusions drawn and actions to be taken to ensure this properly informs IAG's strategy and reporting going forward. A complete description of the materiality assessment can be found in the Sustainability Report.

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, among others, the UK BEIS consultation on Mandatory Climate Change Reporting, the EU 'Fit for 55' and the UK 'Jet Zero' consultations.

As part of the materiality assessment process, a benchmarking analysis was completed to position IAG versus best practice in the different areas considered.

Sustainable aviation strategy, projects and other low carbon initiatives

At the December SECR meeting the Committee reviewed and approved the updated IAG sustainability strategy with an increased focus on delivery of carbon mitigation initiatives particularly the commitment to 10% sustainable aviation fuels by 2030.

The Committee also closely follows the Group's various projects on sustainable aviation fuels and hydrogen projects, namely Lanzajet, Velocys/Altalto and ZeroAvia, discussing the relevant pathway, status and next steps. In this respect, the Committee also considered the Group's positioning and the various initiatives management undertakes to ensure appropriate policies support the development of these projects.

Human rights and modern slavery

In July, the Committee was briefed on the steps IAG is taking to ensure that slavery and human trafficking are not taking place in the Group's businesses or in its supply chain, providing an update on the Group's key initiatives. In particular, the Committee reviewed IAG's Modern Slavery Statement and submitted it for approval to the Board of Directors.

IAG's Code of Conduct, which is also applicable to IAG directors, establishes the Group's commitment to respect human rights in the business, underpins IAG's framework in this area, which also includes anti-bribery and anti-fraud policies and control, whistleblowing channels and reporting, and the Group's slavery and human trafficking statement. As far as suppliers are concerned, IAG screens suppliers to identify and mitigate potential incidences of human rights violations, and modern slavery clauses feature in all new supplier contracts as well as contract renewals. In addition to IAG's own Modern Slavery statement, IAG asks suppliers to adhere to the third IAG Group Slavery and Human Trafficking Statement.

In 2022, the Committee will focus on the assessment of human rights risks within the business and its supply chain, including environment, labour and human rights, and ethics.

Diversity and Inclusion initiatives

At the December meeting, the Committee assessed and refreshed the Group's diversity and inclusion commitments and oversaw the programme of activities envisaged under the Group's diversity and inclusion plans.

The Committee noted the progress made in the year, including the establishment of the new IAG Diversity Panel and refreshed plans for each operating company to underpin the Group's new targets and ambition, but also noted the adverse impact on workforce composition and gender pay due to the pandemic and restructuring activities over the last year.

Review of ESG ratings and relevant sustainability indexes and Group reporting

At its July meeting, the Committee was updated on the different IAG ESG ratings. The Committee considered the situation of each one of them and the actions proposed to be addressed by management, with particular attention to the Carbon Disclosure Project (CDP), on which relevant disclosures were filed at the end of July.

The Committee annual evaluation and priorities for 2022

As the Committee started to be operative in May 2021, its annual performance evaluation was completed by the Committee Chair based on the conversations held with Committee members and management. The Committee was said to be operating effectively during 2021. Nonetheless, considering the early life of this Committee and the important expectations and business focus in this area, it was considered appropriate to add two additional meetings to the 2022 schedule, and to restructure the Committee plan of activities accordingly.

Report of the Audit and Compliance Committee



Margaret Ewing
Audit and Compliance Committee Chair

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

Dear Shareholder

On behalf of the Board, I am pleased to present the Report of the Audit and Compliance Committee, which provides an overview of the role of the Committee and the key matters considered in 2021, including insight into how the Committee has discharged its responsibilities and provided assurance on the integrity of the 2021 Annual Report and Accounts (2021 ARA). It is our responsibility to ensure that financial information published by the Group properly presents its activities to all stakeholders in a way that is transparent, useful and understandable and is aligned with the latest guidance and requirements of regulators. In addition, the Committee's fundamental priorities include ensuring the quality and effectiveness of the external and internal audit processes and

monitoring the management of the principal risks of the business.

The continuation of the COVID-19 pandemic and its impact on governments' policies regarding flying restrictions, the aviation industry and our business has meant that throughout 2021 the Group has continued to face unprecedented and significant challenges. The Committee continued to apply an increased level of focus on the effect of this situation on our people and financial integrity, for example, management's ability to forecast the recovery adds additional complexity to those significant accounting judgements based on future expectations. I would like to take this opportunity, on behalf of the Committee, to acknowledge and express our significant gratitude to management and teams who have continued to adapt so well to the pandemic. We recognise that retaining our best people is more

important than ever as they continue to work with determination as the business hopefully moves into a recovery phase and a progressive return to normal operations, which will bring further challenges for the finance and auditing teams. I would also like to thank Steve Gunning, our Group CFO, who steps down in March this year. Steve has been instrumental in leading the Group through the most challenging of times and has ensured that he is leaving the Group in a strong liquidity position. I welcome Nicholas Cadbury, our new CFO, and look forward to working with him in future.

Alberto Terol stood down from the Committee in June 2021, and I would like to thank him for his significant contribution, playing a key role in advocating strong internal control, risk management and compliance practices across the Group. I welcome Maurice Lam, who joined the Board and the Committee in June. Maurice is an experienced audit committee member with a breadth of finance, audit and accounting knowledge. Upon Maurice's appointment, I met with him to brief him on the key issues and priorities for the Committee this year as well as providing insights into certain industry-specific accounting and risk issues.

Throughout 2021, I have maintained a dialogue with other members of the Committee, management and the internal auditor, including meeting with 'agenda topic owners' prior to Committee meetings, ensuring the Committee would be provided with the necessary information to enable it to guide, challenge and advise and, when required, make informed decisions. I also met regularly with the lead partners of our new external auditor, KPMG, as part of my ongoing review of their effectiveness, particularly in this year of their transition. In addition, other Committee members met with finance team representatives, management and internal and external auditors, as part of their induction.

The Committee held ten formal meetings during 2021 (compared to twelve in 2020) and several ad hoc meetings on topics such as fuel hedging strategy and policy. 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 Committee has had clear oversight over the continuing impact of COVID-19 on the business,

particularly in respect of the significant operational, compliance and financial risks that could materially impact the Group's financial position and ability to execute and deliver its strategy. A critical area of focus for the Committee has been the smooth transition to KPMG as our external auditor. KPMG presented an update of their transition at each Committee meeting, providing the Committee with their observations and plans. This included presenting their 2021 audit plan and risk assessment in November and plan for their review of the financial statements for the first six months of the year (in May), both of which the Committee discussed in detail and approved.

This report describes how the Committee has monitored and assessed the effectiveness of the external auditor during 2021. KPMG's fresh perspective, challenge and rigour have drawn the Committee's and management's attention to a requirement for renewed consideration of the application of certain accounting policies and judgements. Management have responded positively to KPMG's findings. The Committee has spent considerable time reviewing and scrutinising the Group's financial results, including the areas of challenge by the external auditor, and details of the significant issues we considered can be found in this report.

During the year, several risk deep dives and educational sessions were held for the Committee (particularly given the recent appointment of three of the members) to ensure collective robust knowledge of issues unique to this industry and our businesses, key financial risks and more complex accounting judgements, as well as the impact of emerging regulatory and non-financial information requirements. These sessions covered topics such as fuel hedging, British Airways pensions, loyalty programmes and the associated accounting, ESG and sustainability. In addition, briefing sessions by management and the external auditor have ensured that all Committee members are aware of the rapid evolution of corporate governance proposals and regulatory guidelines in the UK and EU, including the Department for Business, Energy and Industrial Strategy (BEIS) consultations on UK Corporate Governance and Audit Reform, the European Commission's consultation "Corporate reporting - improving its quality and enforcement" and FRC and CNMV thematic reviews.

I believe that, throughout 2021, 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; rapidly changing principal and emerging risks were identified and effectively managed; compliance with all regulatory and legal obligations; and sound financial

judgements and estimates continued to be made. The internally facilitated evaluation of the Committee's effectiveness during 2021 supported this conclusion. The evaluation findings, which were shared with the Board, indicated that the Committee continued to perform effectively and had addressed its key priorities and action plan for 2021.

As we look forward to this current year, 2022, further relaxation in travel restrictions and the anticipated increase in business and operations levels of activity and revenues, the Committee will continue to provide robust challenge of management and our external and internal auditors. We will target known and emerging risk areas for deep dives and ensure that the transformation occurring across the Group, as well as challenges posed by the implementation of changes in corporate governance and regulatory requirements, are appropriately reflected in the Group's accounting, internal control, risk and compliance procedures.

I hope that you find this report informative and can continue to take assurance from the work undertaken by the Committee during 2021 and planned for 2022. The Committee seeks to respond to shareholders' and other stakeholders' expectations in our reporting. I welcome feedback on this Committee report or other related issues and an opportunity to meet with investors during 2022.

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. The Committee and Board approved revisions to the Regulations in February 2021 to reflect the latest guidance and regulatory requirements in Spain and the UK. A copy of these Regulations can be found on IAG's website.

The Committee's composition, competencies and attendance

Detailed biographies of all current Committee members are included in this Annual Report. The Board is satisfied that the Committee has retained competence relevant to its overall responsibilities and 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. 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 team, including the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller, were invited to attend specific agenda items as required and when relevant.

A private session of the Committee members was held at the end of each Committee meeting and during the year the Committee met privately with each of the external and internal auditor.

The Committee's responsibilities and activities

The Committee's principal responsibility is 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. 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 2021 and until the date of this report is detailed below.

Area of Committee focus	Activities
Financial reporting	<ul style="list-style-type: none"> • reviewing the financial statements and announcements of the Group to ensure integrity; • consideration of the process for confirming and recommending to the Board that the 2021 Annual Report and Accounts is fair, balanced and understandable; • reviewing and challenging significant accounting estimates, judgements and accounting policies applied in the financial statements of the Group and related reporting and disclosures; and • reviewing and challenging management’s assessment of the going concern and viability of the Group.
External auditor	<ul style="list-style-type: none"> • 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.
Internal auditor	<ul style="list-style-type: none"> • oversight of the internal auditor focusing on the appropriateness of the internal audit skills and resourcing, approving the audit plan, reviewing audit results 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.
Internal Control over Financial Reporting (ICFR)	<ul style="list-style-type: none"> • consideration and challenge of management’s analysis of risks in financial reporting, identification of key financial controls and documentation of accounting processes; • monitoring the internal controls procedures adopted by the Company, to verify compliance with them; and • 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.
Enterprise risk management	<ul style="list-style-type: none"> • 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; • 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 an appropriate risk appetite has operated throughout the period; • reviewing the approach adopted by the Board in defining the Group’s risk appetite in light of the changing environment in which the Group will operate as it emerges from the destructive effects of the pandemic and executes on its transformation strategy; • 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; • 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 unprecedented decline in demand and its continued appropriateness in managing these risks; and • overseeing tax risk management and considering the tax strategy before recommending to the Board for approval and publishing on the IAG website.
Legal and compliance	<ul style="list-style-type: none"> • reviewing the Group’s anti-bribery, sanctions, competition, privacy and Spanish Criminal Code compliance programmes including the latest related risk heat maps, regulatory developments, the key programme activities during 2021 and priorities for 2022; • 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: incidents reported via the whistleblowing 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 • consideration of litigation status reports from the General Counsel including the status of remaining and potential civil litigation actions. (See note 33 to the financial statements.)

Area of Committee focus	Activities
IT, cybercrime and GDPR	<ul style="list-style-type: none"> reviewing and monitoring key cyber security and data privacy management improvement projects including visibility of trend analysis and benchmarking external data to better understand the Group's progress.
Non-Financial Information	<ul style="list-style-type: none"> 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 assurance report and conclusions; and 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 financial statements and financial and cashflow forecasts.
Insurance	<ul style="list-style-type: none"> 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).
Investor relations	<ul style="list-style-type: none"> reviewing management's summary and analysis of the Group's investor/analyst views regarding accounting policies, risks and disclosures to ensure that investor views are taken into account where required.
Governance and other matters	<ul style="list-style-type: none"> reviewing and recommending to the Board the adoption of amendments to relevant policies. In 2021 this included updating the related party transactions policy (incorporating changes to Spanish Law 5/2021 April 12 implementing the European Shareholder Rights Directive II) and revising the internal procedures to ensure compliance with the new requirements; and considering the implications of both the European Commission's consultation "Corporate reporting – improving its quality and enforcement" as well as the UK Government's proposals regarding audit and corporate governance reforms, agreeing with management's initial plans for potential implementation of relevant aspects of the proposals and reviewing and submitting our detailed response to the BEIS consultation.

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 2021 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, including the Company's response to the pandemic and its implications for the future strategy of the Group, 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 December 31, 2021 (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 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
Viability and going concern assessments	<p>Throughout the year and in finalising the 2021 financial statements and Annual Report, given the ever evolving relaxation and subsequent tightening of government restrictions in relation to travel and the continuation of economic uncertainty arising from the global COVID-19 pandemic, the Committee has considered and robustly challenged management's going concern review and viability assessment, including the supporting analysis.</p> <p>The Committee considered the enhanced level of assessment and rigour applied by management reflecting the volatility in the external environment that directly impacted management's ability to forecast the recovery. This included review of critical estimation assumptions and judgements applied in relation to cash flow forecasts over the short, medium and long term, many of which are based on events outside of the Group's control such as the predictability of the pattern of government restrictions.</p> <p>Management sense-checked the assumptions underlying the Base Case projections and Downside scenarios by comparison to forecasts available from informed external commentators including IATA, analysts and other industry-wide researchers.</p> <p>The Committee provided robust challenge of the assumptions applied in management's Base Case projections (reflecting the continuing impact of the pandemic, progressive relaxation of Government travel restrictions and related recovery forecasting), the selection of the four sensitivity scenarios to be modelled to stress the business plan, the assessment of the severity and plausibility of these events occurring during the viability period and underlying assumptions and reverse stress test scenarios. The Committee also reviewed the external auditor's findings and conclusions on this matter. The Viability statement section of this Annual Report provides details of the Base Case and Downside scenarios applied in assessing the appropriateness of the Board's viability statement and application of the going concern basis of accounting.</p> <p>Following this thorough challenge, the Committee recommended the viability and going concern statements and related disclosures to the Board for inclusion in the 2021 half-year interim results announcement and the 2021 Annual Report and Accounts, including a related 'material uncertainty' statement in respect of going concern and viability and significantly expanded disclosures.</p>
Impairment of non-financial assets	<p>The Committee reviewed management's assessment of potential impairment of cash generating units (which hold the goodwill, intangible and tangible assets of the Group's businesses). The Committee considered the methodology applied, the critical assumptions adopted (including, for each CGU, discount rates, long-term growth rates, weighted average cost of capital and cash flow forecasts as reflected in the operating companies' forecasts consolidated in the Group's three-year Financial Plan). The impairment review, although required to be undertaken only annually unless there is a trigger of impairment, was undertaken at both the half year and year end.</p> <p>The Committee challenged both management and the auditor as to the level of prudence / optimism included in the underlying cash flow forecasts and impairment modelling assumptions. The Committee further challenged both management and the auditor as to whether the cash flow models used in the impairment modelling were consistent with those used for other critical estimates and in particular the going concern modelling. The Committee noted the impairment review was undertaken on a multi-scenario basis and that no impairment was required in either the base case scenario or when applying a weighted combination of the base case and downside scenarios. The Committee agreed that management's assessment of no impairment of CGUs was appropriate, as was the disclosure within the Financial Statements as to the assumptions and sensitivities applied in the assessment of the carrying value of the CGUs.</p> <p>The Committee also discussed management's assessment of the carrying value of specific assets including in 2021 the reversal of impairment recognised originally in 2020 as a result of aircraft being stood down and subsequently brought back into service. The Committee agreed that the reversal was appropriate resulting from the standing up of four leased Airbus A320s.</p>

Matter	Action taken by the Committee and outcome/future actions
Hedge accounting	<p>The Committee considered management’s discontinuation of hedge accounting for those transactions not expected to occur over the remaining course of 2021 and the associated gains/losses in the cash flow hedge reserve reclassified to the Income statement. These amounts, which are significantly less than in 2020, have arisen from the substantial deterioration in demand for air travel caused by COVID-19, which resulted in a significant level of hedged fuel purchases in US dollars and hedged passenger revenue transactions in a variety of foreign currencies to no longer be expected to occur, based on the Group’s operating forecasts prevailing at the balance sheet date. The Committee agreed with management’s approach to continue to derecognise hedge accounting for these transactions.</p>
Exceptional items and alternative performance measures	<p>In response to the FRC’s thematic review and letter to the Chairman on alternative performance measures and exceptional items, and challenge from the Committee and external auditor, management tabled a proposed revision to the exceptional items and APM accounting policy. Management also performed analysis to facilitate the response to the FRC’s letter from the Committee. Following review of the draft policy revisions, the Committee requested management to reconsider the definition of what should be classified as exceptional, considering the position of industry peers. The outcome of this assessment was subsequently reflected in the revised policy approved by the Committee.</p> <p>The Committee also requested a detailed analysis of items proposed by management for treatment as an exceptional item. The Committee considered all items proposed to be classified as exceptional items in the financial statements with reference to the revised policy and took into account the history of exceptional items and the views of the external auditor.</p>
Loyalty revenue recognition	<p>The Committee is satisfied that the judgements and 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. The Committee’s scrutiny included training and deep-dive risk sessions on loyalty accounting.</p>
Defined benefit pension obligations	<p>The Committee is satisfied that the judgements and estimates relating to defined benefit pension obligations reflect assumptions supported by independent experts including actuarial specialists engaged by the Group. In reaching its conclusion, the Committee also considered KPMG’s audit of the defined benefit pension obligations, which they had identified as a Key Audit Matter. The Committee’s scrutiny included training and deep-dive risk sessions covering British Airways’ defined benefit pension obligations.</p> <p>The Committee observed KPMG’s challenge of the Group’s accounting policy for administration costs associated with the Group’s defined benefit pension schemes. Whilst the Committee supported management’s rationale for the original policy (as had the previous external auditor), the Committee observed good debate of the arguments put forward by both management and KPMG in Committee meetings, including discussion of the treatment of similar costs in other organisations.</p> <p>The debate ultimately resulted in management’s proposal to change the accounting policy, including an associated prior year adjustment, which was supported by KPMG. The Committee challenged management as to whether such a change in accounting policy provided more relevant and useful information to users of the financial statements and ultimately agreed with management that the revised policy better reflects the underlying management and operation of the Group’s defined benefit schemes, while remaining in compliance with IAS 19.</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
Fraud procedures	<p>The fraud risk profile of the Group continued to develop in 2021 as working practices continued to evolve and teams adapted to the changing outlook and level of business operations.</p> <p>The Committee reviewed management's annual fraud risk assessment and noted alignment between the assessment, the assurance map, including lines of defence, and the approved internal audit plan covering key financial reporting anti-fraud controls as well as audits targeted at specific fraud risk across the Group during this period.</p> <p>In addition, the Committee reviewed the design of the internal control framework to prevent and detect fraud. This included consideration of the key controls and assurance activities taking place across the Group in relation to financial and non-financial fraud, whether from internal or external sources.</p> <p>On behalf of the Board, the Committee will continue to monitor fraud and internal controls carefully, including consideration of the 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>
Interest rate and foreign exchange hedging policy	<p>The Committee reviewed management's proposals for a revised fuel hedging strategy and policy. The Group's previous risk management strategy was to build up fuel hedges gradually over a three-year period when the level of forecast fuel consumption and passenger revenues were more certain. Due to the current COVID-19 related market volatility and unpredictable nature of government restrictions, management proposed a revision to the fuel hedging strategy and supporting policy. The Committee recommended several enhancements to management's proposals, which were accepted by management and resulted in the Committee approving the current fuel price hedging strategy and policy. The revised strategy includes a reduction in the minimum percentage of hedging coverage as well as the use of alternative financial instruments to increase flexibility.</p> <p>The Committee also considered the Group's review of both the Foreign Exchange Risk and Interest Rate Risk policies. The Committee agreed with management's conclusion that no significant changes are required to either policy. Management's conclusions were supported and informed by both external advice and competitor analysis, including retrospective and forward-looking analysis, peer benchmarking and outside-in analysis by key financial institutions. In agreeing with management's conclusion, the Committee requested management closely monitor the ongoing applicability of the policies.</p>
Fleet maintenance and aircraft refit	<p>The Committee considered management's assessment and application of existing accounting policies. In doing so, KPMG and the Committee challenged management on the appropriateness of the accounting treatment of fleet assets, and in particular accounting for heavy maintenance events and the componentisation of such assets on acquisition. Management presented the existing accounting policies, supplemented with alternative treatments, including the retrospective impact of any change in accounting policy. The Committee further challenged KPMG on the existing accounting policies and the alternatives presented by management.</p> <p>Following discussion with management and the external auditor, the Committee agreed with management that no change in accounting policy was merited.</p>
Corporate governance and audit reform	<p>The Committee considered the European Commission's consultation "Corporate reporting – improving its quality and enforcement" as well as the Group's formal response to the BEIS open consultation in relation to the UK Government's white paper "Restoring trust in audit and corporate governance: proposals on reforms". The Committee and management are broadly supportive of the key objectives and ambition of the proposed reform package.</p> <p>The Committee approved the Group's formal written response to BEIS and awaits the publication of the outcome of the consultation to identify a plan to achieve compliance by the date of required implementation. The response was an opportunity to not only demonstrate support for certain proposals but also to highlight where a few aspects would create challenges, given the unique position of IAG as a Spanish holding company of a Spanish and UK listed multinational group, with a UK subsidiary that is a Public Interest Entity.</p>
Non-financial information and environment	<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. The Committee focusses on the integrity of the data, effectiveness of relevant controls, and balance of the narrative supporting each data point disclosed. During 2021, management has worked towards improving the process and controls to obtain reliable workforce data and the Committee has requested an Internal Audit to be undertaken in 2022.</p> <p>In ensuring climate change and other matters related to ESG had been considered and disclosed, with supporting evidence and balance, by the Group, 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.</p> <p>The Committee considered the financial modelling regarding the Group's various climate change commitments and the resultant incorporation of the modelling assumptions into the financial reporting, and its underlying assumptions and judgements. Such consideration included review and challenge of management regarding the enhanced disclosure note regarding the impact of climate change on financial reporting. The Committee also reviewed the limited assurance report from KPMG on the Group's non-financial information, including TCFD compliance.</p>

The Committee will continue to receive regular updates on all of the above matters in 2022.

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 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 covers processes applied by the Company, Aer Lingus, British Airways, IAG GBS, IAG Loyalty, Iberia, and Vueling and covers processes performed by IAG GBS and IAG Cargo on behalf of the operating companies. The Committee reviews and validates the Group’s approach to complying with the CNMV’s ICFR recommendations.

In 2021, the Committee reviewed the results of the internal audits of ICFR (which included IT general controls) as well as the results of the external audit. Despite the operating conditions of 2021 and the continuation of remote working and ERTE or furlough being applied for much of the year, no 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 2021 in relation to the Internal Audit function included:

- reviewing and agreeing the internal audit 2021 plan and 2022 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) and amendments to the 2021 plan (as the internal auditor responded to the pandemic’s impact on the Group). This included ensuring the 2021 plan continued to focus on fraud risk while

also ensuring coverage of specific risks, including cyber security, 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;
- holding regular meetings during the year between the Committee, the Head of Group Audit and the external audit partner as well as ensuring the Head of Group Audit feels able to raise any concerns informally and directly with the Chair of the Committee; and
- 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.

During 2021, the Committee requested an independent effectiveness review of the Internal Audit function. This review was undertaken by Deloitte UK and concluded that Internal Audit remains a high performing function.

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 the Group’s relevant principal risks (ie those that are capable of being subjected to an audit review).

External audit

The Committee engaged throughout the year with KPMG, with the engagement partners attending all Committee meetings as well as a series of ad hoc meetings. The Committee Chair met frequently with the Group and lead audit partners throughout the year to review Group developments, audit progress and their planned reporting. The Committee’s key activities in relation to its interaction with KPMG included:

- review of KPMG’s transition and first year audit arrangements and plan and overseeing implementation progress throughout 2021;
- approval of the 2021 external audit plan and strategy including consideration of scope, approach and methodology (including comparison to prior external auditor approach and reasons for differences), emerging industry and Group-specific audit risks and materiality. Monitoring the audit plan’s implementation, including receiving regular reports from KPMG on 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 fleet maintenance and aircraft refit discussed above.
- performing an assessment of the effectiveness and independence of KPMG, including the quality of the 2021 audit, and reviewing and approving the fees and terms of reference; and
- reviewing and approving 2021 non-audit services expenditure against policy and previously determined limit guidance. Reviewing and approving non-audit services limit guidance and expectations for 2022.

External audit scope, materiality and execution

The Committee discussed and agreed the scope of the audit with KPMG in November, prior to the commencement of the year end audit, ensuring that the audit strategy was robust and informed by the auditor’s review of the financial statements for the six months to June 30, 2021 and assessment of the Group’s key risks, particularly those that are significant to the audit. KPMG explained to the Committee the key tests that they 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. In addition, KPMG presented a dynamic risk assessment providing the Committee with an enhanced four-dimensional view of risk by evaluating each risk’s interconnectivity and how rapidly they can materialise. The auditor and the Committee

confirmed a shared understanding of these risks and key audit matters, including going concern and viability, the carrying value of tangible and intangible assets and how these were to be considered in the audit approach.

The auditor confirmed that 96 per cent (2020: 97 per cent) of the Group's revenue and 90 per cent (2020: 91 per cent) of the Group's total assets would be subject to a full scope audit and that specific scope procedures would be performed on IAG Loyalty. The Committee agreed 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 acknowledged KPMG's challenge in setting materiality given the economic and financial consequences of COVID-19 on the Group's revenues and profitability. The Committee challenged the auditor on the appropriateness of applying one measure of materiality only to the Group's income statement and balance sheet, given the carrying values of categories of assets and liabilities and the anticipated loss before tax for the year. The auditor explained the requirements of the relevant auditing standard and explained that, due to the current volatility, the default benchmark for a group like IAG does not currently provide an appropriate basis for setting materiality. Consequently, the Committee was satisfied with the method used by the auditor to determine materiality and the consequential level of materiality applied during the 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. As 2021 is KPMG's first year as IAG's external auditor, the Committee received an update from KPMG at all 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, 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, while the 2021 external audit was deemed to be effective and of good quality, there were some areas identified for improvement and this has been reported to the Lead Engagement Partner. The Committee's independent assessment considered the overall quality of the audit, including the independence of KPMG and whether the auditor exhibited an appropriate level of challenge and scepticism in their work and dealings with management. However, the Committee also acknowledged management's identified areas for improvement, which KPMG has agreed to action during 2022.

In particular, the Committee 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. An example of where the Committee observed the external auditor demonstrate both professional scepticism and a challenge of management was in relation to the treatment of administration costs associated with the Group's defined benefit pension schemes. 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 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 agreed the audit fee. KPMG assured the Committee that despite a significant increase compared to the 2020 fee, the approved 2021 fee was at a level that was appropriate for the scope of the audit, to enable a quality audit to be undertaken and to allow for additional

procedures in relation to the ongoing impact of the COVID-19 pandemic, as well as the impact of UK audit reform.

- reports from the external auditor were reviewed during all scheduled Committee meetings in 2021 and again in January and February 2022 Committee meetings, covering: the conclusions of the review of the Group's results for the half year, audit planning and transition 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 Committee meetings during the year, including ad hoc meetings, to answer any questions the Committee had outside of these formal updates.
- Taking all aspects of the assessment throughout the year into consideration, the Committee concluded that it is satisfied that, despite it being the first year, 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

To comply with the Spanish Act 22/2015, the Committee conducted an audit tender process that concluded in January 2020. Since KPMG's appointment as the auditor of the Company 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 2021. The Committee will be required to consider and approve the reappointment of KPMG annually from 2024.

External auditor non-audit services and independence

Non-audit services provided by the external auditor are subject to a Board-approved policy that prohibits certain categories of work and controls the overall level of expenditure. The Company complies voluntarily with the revised UK standards in relation to non-audit services and the Committee concluded that KPMG is independent.

The Committee reviews the nature and volume of projects undertaken by the external auditor on a quarterly basis and all projects are either pre-approved in line with the list of permitted services in the FRC's Revised Ethical Standard 2019 or approved by the Committee Chair for projects over €100,000 or of an unusual nature and then retrospectively approved by the Committee. The overall volume of work is addressed by a target annual maximum of €1.7 million with an additional allowance of up to €1.3 million for large projects where the external auditor is uniquely placed to carry out the work.

Spend in 2021 is within the total target maximum and was €423,000 with an additional €776,000 relating to preparatory work performed on an aborted corporate finance transaction that would have been required under the regulations and most effectively performed by the statutory auditor. 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



Alberto Terol
Remuneration Committee Chair

Committee members

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

Dear Shareholder

On behalf of the Board, I am pleased to present our 2021 Directors' Remuneration Report, my second as chair of the Committee. This report includes both our current Directors' Remuneration Policy, as approved by Shareholders at the 2021 Annual Shareholders' Meeting, and our 2021 Annual Report on Remuneration, detailing how our policy was implemented during 2021. I will also present our proposed policy amendment to the Restricted Share Plan (RSP) for the IAG CEO, which is detailed later in the report.

As set out in more detail elsewhere in this report, COVID-19's continued impact in 2021 has been both more severe and more prolonged in our sector than others. However, the strength, stability and resilience of the IAG platform and focus of our reorganised Management Committee have enabled us to face into this protracted headwind, make improvements

to the business and prepare for growth. This work has positioned the Group to take full advantage of the recovery that we are now beginning to experience in early 2022.

We believe that our new Directors' Remuneration Policy, strengthened by the proposed amendment to the IAG CEO RSP opportunity, will support the strategic priorities of the Company as we respond to the unique challenges faced by the airline industry. It will provide the Committee with the necessary flexibility to motivate and retain our key talent at a time when other markets are further progressed in their recoveries. I would like to thank shareholders on behalf of the Committee for supporting us in the transition to this framework.

Performance delivered in 2021

The proficient stewardship of the Group in 2021 both optimised preparations and opportunities for our recovery and ensured progress continued to be made against our strategy and the creation of long-term,

sustainable value for our shareholders. In particular, the Group was effective in raising and maintaining cash liquidity through banks and public markets and positive levered free cash flows were achieved in 2021 as a result of improved operating cash flows and successful debt capital raising.

The establishment of the new Manchester base for Aer Lingus, Paris-Orly expansion for Vueling, strengthening of IAG Loyalty and relaunch of the BA Gatwick shorthaul network from summer 2022 (with flight sales having begun in December 2021) all showed significant progress against our long-term strategic initiatives, despite the challenges presented by the pandemic.

Similarly, the Group's climate change commitments continued to lead the global aviation sector towards net zero emissions by 2050, evidenced by IAG being the first European airline to commit to 10% sustainable aviation fuel by 2030, alongside multiple other environmental projects and innovations.

2021 shareholder consultation and support for new policy

In my report last year, I described how we held a number of highly productive meetings with major shareholders to better understand their expectations on evolving Remuneration Policy design and implementation.

This feedback directly informed the design of our new Policy for 2021 and I was pleased that this collaboration was evident in the strong levels of support received for the new policy at the Annual Shareholders' Meeting in June 2021. I was also pleased to see a strong level of support for the 2020 Annual Report on Directors' Remuneration.

Against the backdrop of the biggest crisis the aviation industry has ever faced, the new Policy proposed a change in remuneration components from the 2018 policy's Performance Share Plan (PSP) to Restricted Shares (RSP) awarded under the Executive Share Plan (ESP) approved in June 2021. The strong level of support received from shareholders for this change enables us to improve simplicity and transparency, as well as strengthen the alignment of interests between our senior leaders and our shareholders. The RSP improves our ability to attract, motivate and retain our Management Committee and other key roles in what is an increasingly competitive market for talent.

Principal changes from the previous policy:

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

Following shareholder feedback, we have given greater reassurance that any RSP value delivered will be fair and appropriate in the context of sustainable business performance and the experience of our stakeholders.

It is the Committee's view that these changes have both strengthened the link between remuneration outcomes and delivery of our strategy, and also aligned our remuneration framework with best practice and the 2018 UK Corporate Governance Code. I would like to take this opportunity to thank shareholders for their contribution towards, and support for, these changes in 2021.

Response to COVID-19 during 2021 and remuneration impacts

At the end of 2020, the decision was taken to continue temporary salary and fee reductions into 2021 at a rate of 10 per cent for the IAG CEO and non-executive directors. Prior to this, the IAG CEO and non-executive directors had taken 20 per cent salary and fee reductions from the beginning of April 2020. The ongoing reduction in fixed pay maintained alignment of interests with the Group's stakeholders.

These lowered salary and fee levels were maintained for executives for the full year, extending beyond the UK Government's Coronavirus Job Retention Scheme, which ceased at September 2021.

Awards made in 2021

Following the Board's approval of the decision to cancel the 2020 annual incentive plan, no cash or share-based

annual incentive plan awards were made to directors or managers in 2021.

Following shareholder approval of the Executive Share Plan in June 2021, a number of deferred, conditional long-term share awards were made to selected members of the Group's senior management, whose skills and contribution are critical to the delivery of IAG's long-term strategy.

As part of these awards, the IAG CEO received an RSP grant under the Executive Share Plan, consistent with the terms of the new Directors' Remuneration Policy. This award will vest in 2024, contingent on the satisfaction of the performance underpin, following which a two-year holding period will apply.

Summary of 2021 outcomes and senior leadership performance

The choice of performance measures for the 2021 annual incentive plan reflected the priorities for the Group during the uncertain and changing pandemic environment, namely, the need to protect capital, continue to provide an exceptional customer experience and ensure the Group's management delivered their functional objectives.

The significant volatility and overall reduction in flying schedules, as well as the unpredictability of passenger load factors experienced in 2021, made the implementation of a planned carbon efficiency measure impractical. Senior managers continued to focus on the delivery of the Group's low-carbon transition pathway as part of individual and functional objectives.

The uncertain and changing outlook for 2021, also made it appropriate to set and review targets at six-monthly intervals. This ensured the Group's senior leadership remained focused on the right priorities in light of changing government policies and commercial conditions.

Throughout the ongoing challenges of 2021, the Group's senior leadership demonstrated their ability to respond to changing priorities and deliver strong underlying improvements in the areas where outcomes remained within senior leaders' ability to influence.

This effective management of significant short-term challenges alongside the preparation of the business for the return to flying, has set the foundations for success in 2022 and the longer term.

Variable pay outcomes for the IAG CEO in 2021

Prior to Committee's review of the 2021 Annual Incentive Plan performance measures, the IAG CEO confirmed to the Board that he did not wish to be considered for a 2021 annual incentive award. In explaining his reasons for this, the IAG CEO has reflected on the experience of all the Group's stakeholders during 2021 due to the protracted nature of the pandemic and has sought to ensure his experience is aligned with theirs in a genuinely meaningful way. His decision demonstrates both personal integrity and a long-term commitment to the Group and its stakeholders. This request has been accepted by the Board, mindful of considerations in relation to our key stakeholders, who express their thanks to the IAG CEO for his enormous personal

contribution and critical stewardship of the Group in 2021.

This will therefore be the second year in succession that the IAG CEO will not receive an annual incentive award.

Additionally, the 2019 PSP award reached the end of its three-year performance period in December 2021. As a result of the pandemic, all three measures (relative TSR, EPS, and RoIC) fell short of the threshold level at which shares are paid out, resulting in a zero vesting outturn for the IAG CEO.

Neither short- or long-term awards were therefore realised by the IAG CEO in respect of 2021.

Implementation of the Policy in 2022

With positive signs of recovery now visible in the external market and reductions to all directors' salaries, pension contributions and fees having been in place continuously for 20 months, it was agreed to reinstate full director fixed pay from January 1, 2022. It should be noted that this is the first point at which the full contractual CEO salary of £820,000 per annum, approved for implementation at September 2020, has been paid to the IAG CEO. For non-executive directors, full fees were restored from January 1, 2022.

With the return of more normalised flying schedules and passenger volumes expected in 2022, it was agreed to reintroduce a carbon efficiency annual incentive measure for 2022. The metric used to assess this measure will be grammes of CO₂ per passenger kilometre, an unchanged basis from 2020.

Our objective of continuing to build aligned interests between IAG senior leaders and the Group's shareholders will be supported in 2022 by the second year of RSP grants. However, to ensure the Group is able to offer the IAG CEO a fair and proportionate long-term incentive opportunity, reflective of the complexity of the Group, its strategy, and one that adequately recognises ongoing external challenges, a proposal to amend the IAG CEO's maximum annual RSP opportunity will be presented at the 2022 Annual Shareholder's meeting. I have already engaged with a number of our largest shareholders regarding this change and the reasons for it. This resolution will propose an increase in RSP opportunity from 100 per cent of salary to 150 per cent of salary.

The Committee believes a change to a more commensurate IAG CEO RSP opportunity is essential in light of the growing opportunities for talent in the external market. In the Committee's view, the CEO's existing arrangements are becoming increasingly uncompetitive compared to companies both inside and outside of the aviation industry. The Group competes for talent in a global market and recent evidence suggests that the rate of executive pay growth in mainland Europe

and US has been faster than the UK with the opportunity gap to US packages being a particular retention concern.

Since the start of the pandemic the Group has lost a number of critical senior individuals to competitors in other sectors. Also, over the past year, the Group's own executive recruitment experience has confirmed the rising market for executive pay, reducing the relative positioning of the IAG CEO's total compensation compared to that of his executive team and increasing the compression in pay levels within the executive team. These factors highlight the challenges we face in retaining our top talent essential to the Group's transformation, as well as the important role that fair and competitive remuneration play in this.

We do not feel that it would be in IAG or our shareholders' best interests to compromise our ability to retain the current IAG CEO. The current environment amplifies the need for the IAG CEO's skills, capabilities and deep aviation experience. We therefore have the strong view that it is in IAG and our shareholders' best interests to change the RSP opportunity and place more emphasis in the CEO's remuneration package on sustained long-term performance.

As part of its overall review of the IAG CEO's package, the Committee has decided to defer the annual review of the IAG CEO's salary to the second half of 2022 to better understand the Group's recovery from the pandemic. Whilst the proposed increase to the IAG CEO's RSP opportunity will increase competitiveness of the overall remuneration package and is therefore a step in the right direction, the Committee is acutely aware of the importance of ensuring that the salary level is also competitive in the context of a dynamic talent market in the geographies in which the Group operates and competes for talent.

Strategy and link to remuneration

IAG was formed to create a new, disruptive industry model based around consolidation, strategic flexibility and financial performance. Our role in the world is to connect people, businesses and countries. We do this and create value through a unique model that enables our airlines to perform in the long-term interests of our customers, people, shareholders and society, knowing that success in each reinforces the others. We hold ambition, teamwork, innovation, pragmatism, efficiency and responsibility as key values that enable us to fulfil our purpose. The flexibility in our framework allows us to be agile and respond quickly to changing operating environments.

The Committee's main objective in the implementation of the Directors' Remuneration Policy is to drive the behaviours that support the delivery of our strategy and business objectives. Through

this overarching principle, we embed our pay for performance approach, ensuring both our short- and long-term incentive plans only pay out if sustainable progress and value is delivered to our shareholders. With the proposed amendment, our policy will continue to contain the necessary flexibility and discretion to adapt to commercial and market circumstances, as well as recoup incentives where any performance is subsequently understood to be unfounded. In this way we drive the right culture and maintain alignment of interests between our senior management and our shareholders, which is also reinforced by our minimum shareholding requirements that continue to apply for two years post-employment for executive directors.

Understanding and balancing the interests of all stakeholders in executive pay decisions ensures outcomes are objective, fair and proportionate. The simplification of our remuneration framework and the focus on long-term performance, supports the Group's management to continue to deliver our strategy and sustainable shareholder returns.

Looking ahead

The Committee believes that the 2021 Policy, supported by the amendment to the current IAG CEO RSP opportunity, will better underpin delivery against multi-year objectives and will further the alignment between our strategy and executive pay decisions.

On behalf of the Committee, I would like to thank shareholders for their engagement and support over the past year and request that this continues into 2022 as we seek to make an important change to the Policy this year.

I hope that our Remuneration Report is clear in explaining how the new Policy has been implemented in 2021 and that it receives your support at our 2022 Shareholders' Meeting.

Approved by the Board and signed on its behalf by

Alberto Terol

Remuneration Committee Chairman

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

<p>Clarity</p>	<p>Changes to the Policy in 2021 were designed to improve both simplicity and transparency. Revisions in the areas of pensions, minimum shareholding and long-term incentive either simplified existing structures, such as the replacement of PSP with RSP, or introduced straightforward rules for new items, such as the post-employment shareholding requirement. This 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.</p>
<p>Simplicity</p>	<p>Our corporate governance structure provides for a cross-over 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. 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.</p>
<p>Risk</p>	<p>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.</p>
<p>Predictability</p>	<p>Our executive remuneration performance measures, targets, underpins 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, alongside the independent nature of executive remuneration decisions, supports proportionate remuneration outcomes relative to company and individual performance measures, as well as the wider performance environment.</p>
<p>Proportionality</p>	<p>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 new RSP, and high overall proportion of deferred executive pay, enable a focus on transformation and long-term success.</p>
<p>Alignment to culture</p>	

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 on June 17, 2021 following close consultation with major shareholders.

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

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

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

Directors' Remuneration Policy

Key elements of pay

Executive directors

The Company's remuneration approach is to provide total remuneration outcomes that reflect the delivery of the business strategy, are competitive, and take into account each individual's performance of their role in the Company's work.

The Committee receives regular updates on pay and conditions of the Group's employees and takes this into account when considering executive directors' remuneration.

The current Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved at the Shareholders' Meeting on June 17, 2021 and reflects recent regulatory and corporate governance framework changes. We are proposing to make an amendment to the current Directors' Remuneration Policy in respect of the restricted share award opportunity for the IAG CEO, which will be put forward for shareholder approval at the 2022 Annual Shareholders' Meeting. The policy (including the amendment) can be found later in this report.

The Committee maintains an ongoing evaluation of the policy to ensure its components, opportunities and implementation outcomes continue to achieve the Policy's objectives.

Service contracts and exit payments policy

Executive directors

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

The contracts of executive directors are for an indefinite period.

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

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

The period of notice required from the executive is six months; the period of notice required from the Company is 12 months. Where the Company makes a payment in lieu of notice, a lump sum in lieu of the first six months' base salary is payable within 28 days of the date of termination of employment. A payment in respect of base salary for the second six-month period only becomes payable if, in the Company's opinion, the executive has taken reasonable steps to find alternative paid work and then only in six one-monthly instalments. The Company may reduce the sum payable in respect of any month by any amount earned by the executive (including salary and benefits) referable to work done in that month.

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

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

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

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

Non-executive directors

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

Non-executive director	Date of the first appointment	Date of last re-election
Javier Ferrán	June 20, 2019	June 17, 2021
Alberto Terol	June 20, 2013	June 17, 2021
Giles Agutter	September 8, 2020	June 17, 2021
Peggy Bruzelius ¹	December 31, 2020	June 17, 2021
Eva Castillo ¹	December 31, 2020	June 17, 2021
Margaret Ewing	June 20, 2019	June 17, 2021
Heather Ann McSharry ¹	December 31, 2020	June 17, 2021
Maurice Lam	June 17, 2021	-
Robin Phillips	September 8, 2020	June 17, 2021
Emilio Saracho	June 16, 2016	June 17, 2021
Nicola Shaw	January 1, 2018	June 17, 2021

¹ Ratification of the appointment by co-option and re-election at June 17, 2021.

Annual Remuneration Report

The Annual Remuneration Report sets out how the Directors' Remuneration Policy (as approved by shareholders at the Shareholders' Meeting on June 17, 2021) was and will be implemented in 2021 and 2022, respectively.

The Committee's activities during the year

In 2021, the Committee met ten times and discussed, amongst others, the following matters:

Meeting	Agenda items discussed
January	2020 Directors' Remuneration Report and Non-Financial Information Statements Share ownership update: Review of executive holdings, share awards authority and dilution limits Management Committee pay benchmarking review Approval of remuneration for a new Management Committee member Update on the Remuneration Policy proposal
February	Approval of 2020 Directors' Remuneration Report 2021 Directors' Remuneration Policy development update Vesting outcome of the Performance Share Plan (PSP) 2018 award Capital increase impact on in-flight long-term incentives Approval of remuneration for new Management Committee members
March	Approval of the 2021 Annual Incentive Plan
May	2021 Directors' Remuneration Policy - final proposal 2021 Annual Incentive Plan update Executive Share Plan (ESP) proposal and associated rules Authorisation for the allotment of shares for IAG share plans
June	Approval of grants under ESP following shareholder approval
July	Review of non-executive director fee taxation
September	2021 Annual Incentive Plan measures and performance update
October	Approval of remuneration for a new Management Committee member
November	2021 Annual Incentive Plan measures and performance update Market update presented by external provider 2019 and 2020 PSP outturn forecast
December	IAG executive directors' Remuneration Policy consultation Approval of buy-out share awards to be granted under the ESP rules and delegation of authority

Subject to audit

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 2021. An explanation of how the figures are calculated follows the table.

Director ('000)	Salary		Benefits		Pension		Total Fixed		Annual incentive		Long-term incentive		Total Variable		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Luis Gallego (GBP) ^{1,2,3,4}	738	206	280	69	92	26	1,110	301	0	-	0	-	0	-	1,110	301
Luis Gallego (€) ^{2,3,4}	855	232	324	78	107	29	1,286	339	0	-	0	-	0	-	1,286	339

- 1 Remuneration is paid to the Executive Director in sterling and expressed in euro for information purposes only.
- 2 2020 values only reflect Luis Gallego's period of service as an executive director from September 8, 2020 to December 31, 2020. The full IAG CEO single figure history is shown later in this report.
- 3 2020 and 2021 benefits totals include a fixed series of relocation payments to support Luis Gallego's move to the UK in summer 2020. The majority of payments were made in 2020, with payments ceasing at February 2021.
- 4 Personal tax return benefit is included as a new taxable benefit in 2021. Also from 2021, the Executive Director is eligible for a transitional allowance of £250,000 p.a. (gross), in view of the additional costs associated with living in the UK whilst personally maintaining a base in Madrid, given the Company's significant presence in Spain. This is included in the 2021 benefits value and accounts for £250,000 of the overall value (further details in Taxable benefits section below).

Additional explanations in respect of the single total figure table for 2021

Only the current IAG CEO, Luis Gallego, served as an executive director in 2021. 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 as an executive director for each performance year. For 2020, the significantly reduced values reflect two considerations. Firstly, salary is only reported from appointment as an executive director on September 8, 2020. Secondly, the salary value reflects that a COVID-related reduction of 20 per cent of base salary operated for all directors during 2020. In contrast, for 2021, the IAG CEO served the full performance year as an executive director and the level of COVID-related salary reduction was decreased from 20 per cent to 10 per cent. The IAG CEO's contractual salary was £820,000 on appointment.

Taxable benefits

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

The Executive Director received payments relating to his relocation from Spain in 2020. These relocation payments terminated in February 2021.

From January 2021 the Executive Director became eligible for a transitional allowance to reflect that as a result of his role as IAG CEO he and his family now live in the UK. This allowance provides a two-year fixed period of transitional support and considers that the IAG CEO continues to personally maintain a base in Madrid given the Company's significant operations and business in Spain. The value of the transitional allowance is not included in the calculation of any pension, incentive or other benefit values. Payment of the transitional allowance will terminate in December 2022.

Pension-related benefits

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

Annual incentive plan

The IAG CEO confirmed to the Board that he did not wish to be considered for a 2021 annual incentive award, waiving any 2021 incentive opportunity. The single total figure of remuneration therefore shows that no annual incentives have been awarded to the IAG CEO either for 2020 or 2021.

Long-term incentive vesting

This relates to the IAG PSP 2019 award based on performance measured to December 31, 2021. The outcomes of the performance conditions resulted in zero vesting for the IAG CEO and are described in detail later in this report.

Share price appreciation and depreciation

The amount of remuneration attributable to share price appreciation is zero, as there was zero vesting of the IAG PSP 2019 award. 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 all executive directors. For the year ended December 31, 2021 the Company paid life insurance premium contributions of €13,464 (2020: €15,366).

Exchange rate for 2021

For the year to December 31, 2021, €:£ exchange rate applied is 1.1587 (2020: 1.1273).

Variable pay outcomes

2021 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 reflect the most important priorities for Group for the year to deliver long-term sustainable returns. For 2021, in view of the ongoing restrictions to flying, the identified priorities were to focus on protecting capital, improving operating efficiencies, reducing costs, continuing to offer our customers an outstanding experience, whilst exploring and taking advantage of the new opportunities that would present themselves with the return to flying. The planned reintroduction of a carbon efficiency measure in 2021 was deferred until 2022, owing to the significantly reduced flying schedule and passenger volumes expected during the reporting period.

The 2021 performance year was split into two halves, reflecting the highly uncertain and changing external environment and enabling appropriate measures to be adopted for the anticipated change in commercial conditions expected with recovery.

The 2021 Annual incentive plan structure for the IAG CEO was as follows:

- **Financial measures - (60%)**
- **Customer – Net Promoter Score (20%)**
- **Strategic and personal (20%)**

Strategic and personal objectives focussed on:

Effectively navigating the pandemic: Responding to changing external factors and ensuring IAG is operational ready to take advantage of opportunities as market restrictions ease.

Lead sustainable aviation: Driving IAG's sustainability strategy and progressing towards ambitious carbon targets and building industry momentum towards a net zero world.

Set strategy and plans to maximise long term value for IAG: Oversee business transformations at the operating companies to ensure IAG emerges more efficiently from the crisis, and further develop the capability, culture, diversity and talent to underpin Group strategy and transformation plans.

Under the policy, the IAG CEO has a maximum annual incentive opportunity of 200 per cent of contractual salary.

Decision by IAG CEO not to be considered for 2021 annual incentive

Prior to the Committee's review of the full year 2021 Annual Incentive Plan measures, the IAG CEO advised the Board that he did not wish to be considered for a 2021 Annual Incentive Plan award. This request reflected a desire to maintain a personal alignment of interests with all the Group's stakeholders, many of whom continued to be negatively impacted by the ongoing pandemic in 2021.

The Board has accepted the IAG's CEO's request and expresses its gratitude to him for his long-term commitment to the Group. The Board also recognises that this is the second year for which no annual incentive or long-term incentive has been realised by the IAG CEO. These being in addition to reductions to his fixed pay over the same performance period.

Irrespective of any decision regarding a financial outcome to the IAG CEO, the Board have evaluated the IAG CEO's performance in 2021 as being 'Exceptional' in managing the pandemic, driving the transformation of the Group and in leading sustainable aviation. This performance assessment is set against the context of an extremely uncertain and challenging external environment.

IAG PSP award 2019

The IAG PSP award granted on March 8, 2019 was tested at the end of the performance period which began on January 1, 2019 and ended on December 31, 2021. The award for the current IAG CEO, who was not an executive director of the Group at the time of grant, was equivalent to 150 per cent of salary at the time of the award.

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

The outcomes of the performance conditions were as follows:

Measure	Threshold	Target	Maximum	Outcome	Vesting (as per cent award granted in 2019)
TSR performance compared to the TSR performance of the MSCI European Transportation Index (large and mid-cap) over the full three-year performance period (one-third weighting)	IAG's TSR performance equal to the index (25 per cent vests)	IAG's TSR performance between index return and 8 per cent p.a. outperformance (straight line vesting between threshold and maximum)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent vests)	TSR achieved: -56.75 per cent Underperformed the index by per cent 131.44 per cent	0 per cent
Adjusted EPS. Measure is adjusted EPS in final year of the performance period, i.e. 2021 EPS (one-third weighting)	2021 EPS of 150 €cents (10 per cent vests)	2021 EPS between 150 €cents and 190 €cents (straight line vesting between threshold and maximum)	2021 EPS of 190 €cents (100 per cent vests)	-59.1 €cents per share	0 per cent
RoIC. Measure is RoIC in final year of the performance period, i.e. 2021 RoIC (one-third weighting)	2021 RoIC of 14 per cent (10 per cent vests)	2021 RoIC between 14 per cent and 16 per cent (straight line vesting between threshold and maximum)	2021 RoIC of 16 per cent (100 per cent vests)	-16.4 per cent	0 per cent
Details of any discretion exercised	No discretion exercised by the Remuneration Committee/Board				
Overall outcome for executive director (IAG CEO)					0 per cent

No value was realised by the IAG CEO following the nil vesting of the 2019 PSP award.

IAG PSP award 2018 (vested at December 31, 2020)

The outcome of the previous year's PSP vesting outcome (2018 PSP) is included for reference. This award was granted on May 10, 2018 and was tested at the end of the performance period which began on January 1, 2018 and ended on December 31, 2020. The plan participants who were serving executive directors during the year of vesting (2020), were Willie Walsh, who was Chief Executive Officer of IAG at the time of award and received a grant equivalent to 200 per cent of salary and Enrique Dupuy de Lôme, who was Chief Financial Officer of IAG at the time of the award and received a grant equivalent to 150 per cent of salary. Luis Gallego and Steve Gunning, who were not executive directors at the time of the award in 2018, received awards of 150 per cent and 120 per cent of salary respectively.

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

The outcomes of the performance conditions were as follows:

Measure	Threshold	Target	Maximum	Outcome	Vesting (as per cent award granted in 2018)
TSR performance compared to the TSR performance of the MSCI European Transportation Index (large and mid-cap) over the full three-year performance period (one-third weighting)	IAG's TSR performance equal to the index (25 per cent vests)	IAG's TSR performance between index return and 8 per cent p.a. outperformance (straight-line vesting between threshold and maximum)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent vests)	Underperformed the index by 20.7 per cent	0 per cent
Adjusted earnings per share (EPS) measured in final year of the performance period (one-third weighting)	2020 EPS of 130 €cents (10 per cent vests)	2020 EPS between 130 €cents and 170 €cents (straight-line vesting between threshold and maximum)	2020 EPS of 170 €cents (100 per cent vests)	-122.6 €cents	0 per cent
Return on Invested Capital (RoIC) measured in final year of the performance period (one-third weighting)	2020 RoIC of 13 per cent (10 per cent vests)	2020 RoIC between 12 per cent and 16 per cent (straight-line vesting between threshold and maximum)	2020 RoIC of 16 per cent (100 per cent vests)	-22.4 per cent	0 per cent
Details of any discretion exercised	No discretion exercised by the Remuneration Committee/Board				
Overall outcome for executive directors					0 per cent

No value was realised by any executive director following the nil vesting of the 2018 PSP award.

Subject to audit

Scheme interests awarded during the financial year

2021 Restricted Share Plan (RSP)

During 2021, the Group revised its approach to long-term incentives, replacing the existing Performance Share Plan (PSP) with a Restricted Share Plan under the new Executive Share Plan, approved by shareholders in June 2021.

The RSP was introduced 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. This assessment focuses on the Company's overall performance during the vesting period, including financial and non-financial performance measures, as well as any material risk or regulatory failures identified and ensures any value delivered to executive directors is fair and appropriate in the context of business performance and shareholder experience. 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.

For 2021, the face value of the IAG CEO's award was reduced from 200 per cent of salary to 100 per cent of salary in association with the change from a PSP to an RSP opportunity.

Details of 2021 RSP executive director award

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 (per cent of base salary)	IAG CEO (Luis Gallego) - 100 per cent
Date of Grant	June 23, 2021
Grant price	£1.97
Vesting period	Three years: June 23, 2021 to June 22, 2024
Holding period	Two years: June 23, 2024 to June 22, 2026
Discretionary underpin description	No performance measures are associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, assessed three years after grant. In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified. Financial performance may include elements such as revenue, profitability, cash generation, return on capital and benchmarked with comparable airlines. Non-financial performance may include a range of operational and strategic measures critical to the Company's long-term sustainable success. 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 at the point of vesting.

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 (January 1, 2021 to December 31, 2021). He received cash in lieu of contributions of £92,251. This value is equivalent to 12.5% of base salary paid during the performance period and is comparable to the rate for the majority of the UK workforce.

Payments for loss of office

Antonio Vázquez, who stood down from the Board on January 7, 2021, has received the following payments during 2021: a Chairman's fee for the part month only of €11,288, taxable benefits of €6,848, and a lump sum retirement benefit relating to his historical Iberia service contract, valued at €2,800,000 plus accrued interest, administered via an external insurance provider. The information regarding his retirement benefit was fully disclosed in the 2020 Annual Report and Accounts.

No other loss of office payments were made to current or past directors during 2021.

Payments to past directors

Patrick Cescau received travel benefits worth €10,249 during 2021.

Maria Fernanda Mejia received travel benefits worth €13,451 during 2021.

Deborah Kerr received travel benefits worth €2,392 during 2021.

Baroness Kingsmill received travel benefits worth €6,113 during 2021.

James Lawrence received travel benefits worth €2,337 during 2021.

Keiran Poynter received travel benefits worth €604 during 2021.

Dame Marjorie Scardino received travel benefits worth €7,436 during 2021.

Willie Walsh received travel benefits worth £159 during 2021.

Subject to audit

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 per cent of salary and other executive directors are required to build up and maintain a shareholding of 200 per cent of basic salary.

In addition, executive directors are required to retain all shares received via incentive plans until 100 per cent 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.

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 table below summarises current executive directors' interests as of December 31, 2021:

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 ¹
Luis Gallego	350 per cent of salary	403,834	513,747	169,545	0	82,731	1,169,856 (491 per cent of salary)

¹ 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.

Non-executive directors

Non-executive directors are paid a flat fee each year, as per the following table. The fees in the table are the contractual rates and do not reflect the pandemic-related reductions that were applied to non-executive director fees in 2020 and 2021.

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

Single total figure of remuneration for each non-executive director

The fees shown in the following table reflect that all non-executive directors agreed to a reduction in all types of fees received in order to preserve cash and maintain the Group's competitive positioning during the pandemic. Between April 1, 2020 to December 31, 2020, a 20 per cent reduction applied to all fee types. Thereafter in 2021, the reduction was decreased to 10 per cent and applied for the full year.

Director (€'000)	2021 fees	2021 taxable benefits	Total for year to December 31, 2021	2020 fees	2020 taxable benefits	Total for year to December 31, 2020
Antonio Vázquez ^{1,2}	11	7	18	548	0	548
Javier Ferrán ³	573	4	577	107	4	111
Alberto Terol	153	9	162	128	10	138
Giles Agutter	108	4	112	30	0	30
Marc Bolland ⁶	-	-	-	84	3	87
Peggy Bruzelius ⁴	108	0	108	-	-	-
Eva Castillo ⁴	108	0	108	-	-	-
Margaret Ewing	126	0	126	107	4	111
Deborah Kerr ⁶	-	-	-	107	-	107
Maurice Lam ⁵	58	2	60	-	-	-
Heather Ann McSharry ⁴	108	0	108	-	-	-
Maria Fernanda Mejía ⁶	-	-	-	102	15	117
Robin Phillips	108	0	108	30	0	30
Kieran Poynter ⁶	-	-	-	84	2	86
Emilio Saracho	108	7	115	102	6	108
Nicola Shaw	123	0	123	102	1	103
Total (€'000)	1,692	34	1,725	1,531	45	1,576

1 Antonio Vázquez retired from the Board on January 7, 2021, receiving a Chairman's fee for that part month only.

2 Antonio Vázquez's lump sum retirement benefit relating to his historical Iberia service contract, valued at €2,800,000 and accrued interest, and administered via an external insurance provider, was delivered to him at point of retirement, as fully disclosed in the 2020 Annual Report and Accounts.

3 Javier Ferrán was appointed Chairman on Antonio Vázquez's retirement on January 7, 2021 and his January 2021 fees reflect a blend of non-executive director and chair fees.

4 Peggy Bruzelius, Eva Castillo Sanz and Heather Ann McSharry joined the Board on December 31, 2020, but received no remuneration for 2020.

5 Maurice Lam joined the Board on June 17, 2021 and his fees and taxable benefits reflect a part year of service.

6 Marc Bolland, Deborah Kerr, Maria Fernanda Mejía and Kieran Poynter all stepped down from the Board during 2020 and received no fees in 2021.

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 December 31, 2021, €:£ exchange rate applied is 1.1587 (2020: 1.1273).

Directors' interests in shares

	Total shares and voting rights	Percentage of capital
Javier Ferrán	774,750	0.016
Luis Gallego	829,544	0.017
Alberto Terol	102,341	0.002
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
Total	1,785,295	0.036

There have been no changes to the shareholdings set out above between December 31, 2021 and the date of this report.

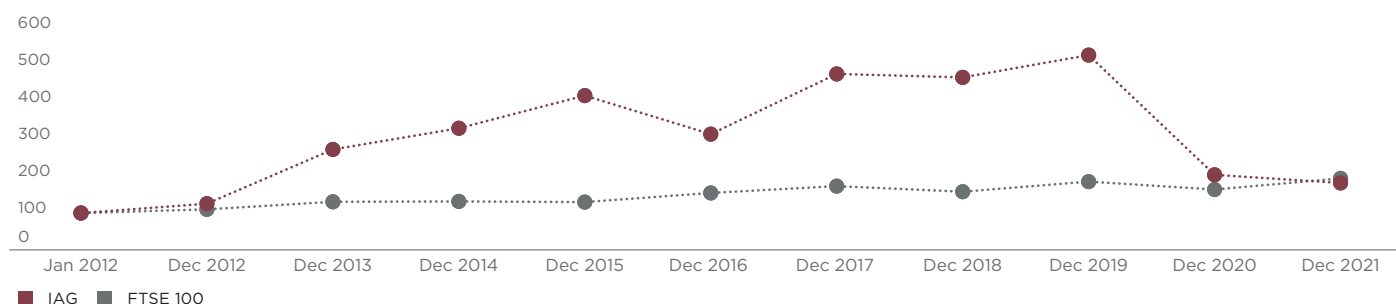
Share scheme dilution limits

The Investment Association sets guidelines that restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10 per cent of the issued ordinary share capital and restrict the issues under the Company's discretionary schemes to 5 per cent in any ten-year period. At the Annual Shareholders' Meeting on June 17, 2021 the Company was given authority to allocate up to 100,000,000 shares (2.01 per cent of the share capital at that time) under the Executive Share Plan in 2021, 2022, 2023 and 2024 financial years. Of this a maximum of 5,000,000 shares could be allocated to executive directors under the Executive Share Plan for awards made during 2021, 2022, 2023 and 2024 financial years. Should some or all of these above-mentioned shares not be allocated to the executive directors, they may be allocated to the remaining participants in the Executive Share Plan.

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

The chart shows the value by December 31, 2021 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.



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	
2012	£1,083,000	No annual incentive payment	Zero vesting of long-term incentives	
2013	£4,971,000	78.75 per cent of maximum	100 per cent of maximum	
2014	£6,390,000	97.78 per cent of maximum	85 per cent of maximum	
2015	£6,455,000	80 per cent of maximum	100 per cent of maximum	
2016	£2,462,000	33.33 per cent of maximum	50 per cent of maximum	
2017	£3,954,000	92.92 per cent of maximum	66.67 per cent of maximum	
2018	£3,030,000	61.85 per cent of maximum	46.19 per cent of maximum	
2019	£3,198,000	51.97 per cent of maximum	72.11 per cent of maximum	
2020	Willie Walsh Luis Gallego	£662,000 £301,000	No annual incentive payment No annual incentive payment	Zero vesting of long-term incentives Zero vesting of long-term incentives
2021	£1,110,000	No annual incentive payment	Zero vesting of long-term incentives	

Single total figure of remuneration includes basic salary, taxable benefits, pension-related benefits, annual incentive award and long-term incentive vesting, and in 2020 and 2021 reflects agreed reductions to salary and pension benefits in light of the pandemic.

Percentage change in remuneration of the IAG CEO compared to employees

The table below compares the remuneration outcomes of the IAG CEO against the UK workforce in 2021. The 'all UK employees' comparator group remains unchanged from that used for 2020 on the continued rationale that using the largest comparator group provides the most representative and meaningful comparison for the UK workforce.

Over 90 per cent of UK employees reported are employed by British Airways, with the majority of the remainder employed by either employees of other airlines currently working in the UK, IAG Head Office, the Group's specialist procurement function GBS, IAG Tech, IAG Loyalty or IAG Cargo. The comparison therefore provides a full cross-section of roles, job functions and seniority levels in the UK. The use of the UK population also keeps a broad alignment with the population captured for the IAG CEO pay ratio, providing a more consistent population basis for all senior executive and workforce pay comparisons.

For specific comparisons, such as the award of salary increases, a 'same store' employee population is used focusing only on employees who were present in both 2020 and 2021, to give a more representative comparison against the salary increase eligible population.

	IAG CEO	UK employees
2021 basic salary increases	<p>Reductions to the IAG CEO's salary and pension benefits operated from his appointment in September 2020, through to December 2021.</p> <p>The IAG CEO was not awarded a salary increase in 2021.</p>	<p>In 2021, due to the focus on preserving cash, salary increases were only approved on an exceptional basis, such as in promotion situations. Of the circa 24,000 employees present in both 2020 and 2021, less than 5 per cent (circa 1,200 employees) received contractual salary increases in 2021. For employees receiving increases, the median salary increase awarded was 6.15 per cent of contractual basic salary. The value of salary and fixed pay actually received by UK employees was primarily driven by the COVID response measures and resource requirements for the role the employee performed.</p>

	IAG CEO	UK employees
2021 annual Incentive awards	The cancellation of 2020 Annual Incentive plan by the Committee and the IAG CEO's request not to be considered for an award under the 2021 Annual Incentive Plan means he received no annual incentive award for 2020 or 2021.	The impact of the pandemic in 2020 and need to preserve cash had the impact of either cancelling the operation of incentive plans (such as the IAG Annual Incentive Plan, for which most UK managers are eligible) or significantly reducing the value of any incentives distributed. For 2021, incentive plans were in place against objectives designed to focus on protecting cash, supporting customers and ensuring IAG navigates the pandemic and is positioned to take advantage of opportunities as market restrictions ease. Outturns and payments against these plans were managed at a local level.
Taxable benefits	Following his international relocation in 2020, from 2021 the IAG CEO began to receive a tax advisory support benefit, the value for which is expected to be £7,000 for 2021. He also received £8,000 in relocation benefits in 2021 in relation to his relocation to the UK in H2 2020. In 2021, the IAG CEO became eligible for a two-year, fixed-term £250,000 per annum transitional allowance, enabling him to personally maintain a base in Madrid given the Company's significant operations and business in Spain.	The value and level of taxable benefit offered to employees remained unchanged in 2021.

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 2019 to 2021.

Director (€'000)	2020 to 2021			2019 to 2020		
	Salary or fees value change from 2020 to 2021 ⁵	Taxable benefits value change from 2020 to 2021	Annual incentive value change from 2020 to 2021	Salary or fees value change from 2019 to 2020	Taxable benefits value change from 2019 to 2020	Annual incentive value change from 2019 to 2020
Luis Gallego ¹	269%	315%	0%	-	-	-
Antonio Vázquez ²	(98%)	100%		(15%)	(100%)	
Javier Ferrán ³	436%	0%		67%	100%	
Alberto Terol	20%	(10%)		(6%)	(62%)	
Giles Agutter ¹	260%	100%		-	-	
Peggy Bruzelius ⁴	-	-		-	-	
Eva Castillo ⁴	-	-		-	-	
Margaret Ewing	18%	(100%)		67%	300%	
Maurice Lam	-	-		-	-	
Heather Ann McSharry ⁴	-	-		-	-	
Robin Phillips ¹	260%	0%		-	-	
Emilio Saracho	6%	17%		(15%)	(67%)	
Nicola Shaw	21%	(100%)		(15%)	(94%)	
All UK employees^{6,7}	39%	0%	131%	(11%)	-	-

1 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.

2 Antonio Vázquez retired from the Board at January 7, 2021 and his remuneration comparison compares a full year of chairman service in 2020, versus a part month 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 Chairman role at January 7, 2021, for the rest of the reporting period.

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

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

6 The All UK Employee 2020 and 2021 salary medians underlying the 39% uplift in median salary are taken from UK employee earnings published in the 2021 CEO pay ratio section and reflect the inclusion of company top-up and statutory furlough payments as part of reported employee salaries in 2021, that were not included in 2020.

7 The reported change in the median value of All UK employee annual incentives from 2020 to 2021 (131%) reflects the distribution of considerably reduced award values in both years.

Relative importance of spend on pay

The table below shows, for 2021 and 2020, total remuneration costs, adjusted operating profit/(loss) and dividends for the Company.

	2021	2020
Total employee costs, IAG ¹	€ 3,031,000,000	€ 3,247,000,000
Total remuneration, directors (including non-executive directors)	€3,011,000	€ 3,339,000
IAG operating profit/(loss), excluding exceptional items	€ (2,970,000,000)	€ (4,365,000,000)
Dividend declared	-	-
Dividend proposed	-	-

1 Total employee costs are before exceptional items and include furlough grants received.

CEO Pay Ratio

The following table sets out IAG's CEO pay ratio figures in respect of 2021, 2020 and 2019.

Year	CEO single figure (£'000)	Method	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
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 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2021	Basic salary (£'000)	26.9	39.7	60.6
	Total remuneration (£'000)	38.6	53.4	80.7
2020	Basic salary (£'000)	17.2	28.6	45.2
	Total remuneration (£'000)	28.4	42.8	63.9
2019	Basic salary (£'000)	20.1	32.3	46.5
	Total remuneration (£'000)	29.4	44.2	64.7

The ratio continues to be calculated on the most statistically accurate basis, Option A. UK employee pay is based on the payroll records of 29,774 employees who were in the Group for the whole of or some of 2021. 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. 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. With the UK furlough scheme having ended in September 2021, this consideration should not be relevant for future years reporting.

To ensure the accuracy of these calculations, earnings data was collected directly from the UK payroll on a month-by-month basis. Any variable incentive elements in respect of 2021, payable to employees later in 2022, are modelled on an employee-by-employee basis against agreed frameworks. This approach enables fair and accurate comparison to the IAG CEO 2021 single total figure of remuneration.

The continued low ratio for 2021 shows the impact of the ongoing pandemic to the IAG CEO's pay. The increases in remuneration for both the IAG CEO and UK employees in 2021, maintain the ratio in a broad equilibrium, with the ratio reducing slightly by two points from 2020.

The increase in the UK employee remuneration in 2021 reflects:

- The rise in employee pay resulting from the reporting of all amounts paid to employees in 2021 (in 2020, UK Government furlough and company top-up amounts were not reported as part of employee earnings)
- Any payments made to managers under the 2021 annual incentive plan
- Changes to the size and composition of the UK workforce between years, with pay for 37,081 employees being reported for 2020 and 29,744 for 2021

The change in IAG CEO remuneration between 2020 and 2021, is due to balance of changing factors as follows:

- The higher proportion of contractual salary and pension contributions received by the IAG CEO in 2021 vs 2020.
- The increase in the value of the IAG CEO's taxable benefits resulting from his eligibility to a transitional allowance in 2021.
- No short- or long-term incentives being received by the IAG CEO in 2021.

The ratio reported for the second year of the pandemic is the lowest the Group has reported since disclosure of this metric commenced. The reduction in the ratio from 2019 demonstrates the continuing impact of the pandemic and is an accurate reflection of the contraction in IAG CEO pay, with current IAG CEO remuneration being around 35 per cent of 2019 levels. The fall in the ratio at all quartiles from 2019 and 2020 demonstrates that the implementation of the Policy in 2021 has not favoured the IAG CEO at the expense of the wider workforce.

The Committee is aware that the current ratio, whilst temporary, is an outlier amongst similar profile organisations. As the Group continues its recovery from the pandemic and IAG CEO variable incentives again begin to be payable against the generation of sustainable shareholder value, it is expected that the Group's CEO pay ratio will increase to a more representative, pre-pandemic range.

Implementation of Remuneration Policy for 2022

At the outset of 2022, the Directors' Remuneration Policy continues to apply only to the IAG CEO, who is currently the only IAG executive director.

With the Group emerging from the pandemic at end of 2021, and the CEO having voluntarily given up over £150,000 in salary and pension allowances since assuming the IAG CEO role at September 2020, it was agreed to cease the IAG CEO salary reduction from January 1, 2022. This restoration increased the IAG CEO salary to its full contractual rate of £820,000 per annum and also implemented the full value of salary-linked pension benefits. This marked the first point at which the IAG CEO received full contractual pay since appointment, demonstrating the significant length of time pay reductions had been in place.

The review of executive director base salaries normally occurs in January each year. For 2022, the Committee has decided to defer the review of the IAG CEO's salary until the second half of the year. This postponement will enable the Committee to better understand the Group's recovery from the pandemic and make an informed decision in relation to the IAG CEO's base salary level.

Executive director	Basic salary review
IAG CEO	£820,000 (€950,134) (no increase from 2021)

2022 annual incentive plan

For 2022, with the anticipated return of more normalised flight and passenger volumes, we will reinstate an IAG-specific carbon efficiency measure, to further drive progress towards our Flightpath Net Zero 2050 commitment. This will measure the fuel efficiency of our flight operations, taking account of our network, aircraft mix and passenger load factors. The specific metric will be grammes of CO₂ per passenger kilometre and will have a weighting of 10 per cent of overall incentive.

In addition to the carbon-efficiency measure, the existing 2021 measure types; financial, customer and strategic and personal will be carried forward into 2022 and weighted in alignment with the Policy with financial measures accounting for no less than 60 per cent of overall incentive opportunity.

2022 long-term incentive plan

Following the approval of the Executive Share Plan in June 2021, the Group ceased making awards under the Performance Share Plan (PSP) and granted the first schedule of Restricted Share Plan (RSP) to eligible senior leaders. In replacing the PSP with an RSP, a maximum RSP opportunity of 100 per cent of salary was determined for the IAG CEO and was approved in the Policy.

Since the implementation of the Policy in 2021, the Committee has reflected at length on the appropriateness of the IAG CEO RSP opportunity and the extent to which the current opportunity level will be effective in supporting the delivery of the business strategy.

The current opportunity level was set at a modest level relative to the size and complexity of the Group's operations. Since approval, the Committee has undertaken a review of the CEO's remuneration arrangements, in light of the concerns around the competitiveness of the CEO's package, the wish to place more emphasis on sustained long-term alignment, and the need to retain a CEO of outstanding quality at this critical time.

A number of shareholders have been consulted for their views and a resolution will be submitted to the 2022 Annual Shareholders' Meeting to amend the current Policy. This change will reflect an increase in the IAG CEO's maximum RSP opportunity from 100 per cent of salary to 150 per cent of salary.

The proposed RSP opportunity reflects the Committee's careful consideration, taking into account:

- Long-term award opportunities both externally at other relevant businesses and internally within our senior management team
- The cumulative impact that this higher opportunity could have on the CEO's long-term interest in IAG and the associated benefits of that, and
- The wish to place more emphasis in the CEO's remuneration package on sustained long-term alignment at a challenging time for the business when the CEO provides critical stability

Amending the Policy in this area builds long-term alignment of interests with shareholders and affords the Committee greater flexibility in determining the value of any RSP awards, relative to all factors, in 2022 and the future.

2022 long-term incentives and wider senior leadership

The eligibility criteria for 2022 RSP awards remained unchanged from 2021, with grants for senior leaders continuing to be made only to consistently high-performing individuals, whose skills are critical to the delivery of the business strategy and whom the Company has identified as a long-term retention priority. With the exception of the IAG CEO, the maximum value of individual awards scheduled to be made in 2022 will remain consistent with last year and the overall face value of grants will be similar to that distributed in 2021.

Although no value can be realised by plan participants from 2022 awards until 2025, their simplicity and transparency create immediate engagement, attraction and retention benefits amongst the Group's key leaders. This continues to enable the Group to maximise the contribution of its senior leadership throughout the 2022 recovery and remain focused on the delivery of long-term sustainable value to shareholders.

Taxable benefits and pension-related benefits

Taxable benefits and pension benefits remain unchanged for 2022. The IAG CEO's eligibility to the transitional allowance will cease at the end of 2022.

Non-executive director fees

Non-executive director fees were last reviewed in 2017 and remain unchanged for 2022. The fees have remained unchanged since 2011.

In 2021, all non-executive directors including the Chairman, agreed to a 10 per cent reduction in fees for the full year, in view of the need to preserve cash within the business. Recognising the Group's emergence into recovery, and in alignment with the decision taken for the IAG CEO salary reinstatement, it was agreed that all non-executive directors should return to receiving full fees from January 1, 2022.

The Remuneration Committee

The Remuneration Committee is regulated by article 32 of the IAG Board Regulations and by its own Regulations approved on February 25, 2021. A copy of these Regulations is available on the company website.

Beyond executive directors, the Committee oversees the general application of the Remuneration Policy for the members of the IAG Management Committee (and also occasionally considering remuneration matters related to managers generally 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. Alberto Terol chairs the Committee and 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 Code, the Remuneration Committee also has responsibility to review workforce remuneration and related policies and the alignment of incentives and rewards with culture.

Advisers to the Committee

The Committee appointed Deloitte as its external adviser in September 2016. Deloitte reports directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2021 were £56,073 (€64,971), charged on a time and materials basis. Deloitte is a member of the Remuneration Consultants Group and a signatory to the voluntary UK Code of Conduct. As well as advising the Remuneration Committee, other Deloitte teams provided advice in relation to remuneration, pensions, taxation and immigration compliance requirements for IAG's mobile workforce, data governance, business process improvement, financial/fiscal advisory work and tax to the Group in 2021. 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 Group also received market data and insights from other specialist consultants such as Aon, PwC and Willis Towers Watson in 2021.

Statement of voting

The table below shows the consultative vote on the 2020 annual Directors' Remuneration Report and the binding vote on the Directors' Remuneration Policy at the 2021 Shareholders' Meeting:

	Number of votes cast	For	Against	Abstentions/Blank
2020 Annual Directors' Remuneration Report	2,573,169,545 (99.94 per cent)	2,383,678,763 (92.58 per cent)	189,490,782 (7.36 per cent)	1,525,952 (0.06 per cent)
Directors' Remuneration Policy	2,574,695,497 (99.33 per cent)	2,407,953,176 (93.53 per cent)	149,433,203 (5.80 per cent)	17,309,118 (0.67 per cent)

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 December 31, 2021:

Director	Date of grant	Number of options at January 1, 2021	Exercise price	Options exercised during the year	Options lapsed during the year	Options granted during the year	Exercisable from	Expiry date	Number of options at December 31, 2021
Luis Gallego	May 28, 2015	131,242	-	-	-	-	1/1/2020	31/12/2024	131,242
	March 7, 2016	98,001	-	-	-	-	1/1/2021	31/12/2025	98,001
	March 6, 2017	174,504	-	-	-	-	1/1/2022	31/12/2026	174,504
	May 10, 2018	194,269	-	-	194,269	-	Lapsed		0
	March 8, 2019	245,114	-	-	-	-	1/1/2024	31/12/2028	245,114
	March 6, 2020	538,805	-	-	-	-	1/1/2025	1/1/2029	538,805
Total nil cost options over ordinary shares		1,381,935	-	-	194,269	-			1,187,666

The award granted on May 10, 2018 was tested at the end of the performance period. Threshold performance was not achieved for any measure and therefore the award lapsed in full.

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

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2020 PSP award was 459 pence (2019: 567 pence; 2018: 691 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 Executive 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 December 31, 2021	Number of vested conditional shares at December 31, 2021
Luis Gallego	June 23, 2021	414,954	June 23, 2024	-	June 23, 2026	414,954	-
Total conditional share awards (RSP)		414,954		-		414,954	-

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, over the course of the vesting period, 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 to reduce the vesting value, including to nil.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2021 RSP award was 197 pence.

Incentive Award Deferral Plan (IADP)

Under the current policy, 50 per cent of any annual incentive award for executive directors is made in deferred shares under the Incentive Award Deferral 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 December 31, 2017, December 31, 2018 and December 31, 2019.

No award was made in respect of 2020 following the decision to cancel the 2020 IAG Annual Incentive Plan. Additionally, no award will be made to the IAG CEO for 2021. The impact of not making IADP grants to the IAG CEO for two years in succession will be a considerable reduction in unvested IADP shareholdings and the effectiveness of unvested IADP shares as a retention tool.

Executive Director	Performance year award relates to ¹	Date of award	Number of Shares at January 1, 2021	awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of unvested shares at December 31, 2021
Luis Gallego	2017	May 10, 2018	90,253	90,253	March 8, 2021	-	-	-
	2018	March 8, 2019	74,576	-	March 8, 2022	-	-	74,576
	2019	March 6, 2020	81,520	-	March 6, 2023	-	-	81,520
Total			246,349	90,253		-	-	156,096

1 No IADP award was made in March 2021, following the cancellation of the 2020 Annual Incentive Plan.

IADP awards already reflect performance delivered against a completed performance period, therefore awards are not subject to further performance conditions for vesting to occur. The terms and conditions of award for IADP grants do however require executive directors to be in employment with the Company at the time of vesting, or have left as a Good Leaver, to be eligible to receive the award. 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; 2019 award: 567 pence and 2018 award: 691 pence.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2018 IADP award (relating to the 2017 performance year) was 691 pence. The share price on the date of the vesting of this award (March 8, 2021) was 210 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.

Approval of 2021 Directors' Remuneration Policy

The new Directors' Remuneration Policy, approved by shareholders on June 17, 2021, brought the policy into line with changing UK and Spanish governance best practice and improved alignment to the Group's strategy through changes in long-term incentive plan design, alignment of executive director pension benefits, introduction of post-employment shareholding requirements, extension of malus and clawback capabilities and extension of discretion afforded to the Remuneration Committee and Board.

The updated policy is published on the IAG external website and presented in detail below.

(https://www.iairgroup.com/-/media/Files/1/IAG/AGM%202021/English/6%20May%20upload/directors_remuneration_policy_2021.pdf)

2021 Directors' Remuneration Policy:

Governance

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

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

IAG Remuneration Principles

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

Consideration of shareholder views

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

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

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

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

The principal changes from the previous Remuneration Policy (which was approved at the Annual Shareholders' Meeting in 2018) are shown on the following table.

Area of change to policy	Summary of approved change from 2018 to 2021
Long-term incentive	Replacement of the existing Performance Share Plan (PSP) with a Restricted Share Plan (RSP).
Pension contributions	Upon appointment, the pension contributions for the new CEO and CFO of IAG were revised down to 12.5% of salary, comparable to the rate applicable to the majority of the UK workforce. In this Remuneration Policy, the Company will formalise the arrangement that pension contributions for executive directors will be aligned with the wider workforce.
Post-cessation shareholding requirements	Introduction of a post-cessation shareholding requirement for executive directors, in line with best practice.
Malus and clawback	Extend the malus and clawback trigger events to include payments based on erroneous or misleading data, serious reputational damage and corporate failure to align with guidance.
Discretion	Additional wording to align to the Corporate Governance Code and allow discretion to adjust formulaic outcomes to reflect corporate performance.
Addressing significant falls in share price under long-term incentives	Additional wording to address windfall gains that may occur for long-term incentives.

These changes:

- Ensure a focus on the long-term performance of the Company, with a primary focus on delivering sustainable shareholder returns.
- Ensure that executives are not discouraged from making timely and difficult strategic decisions that may have short-term impacts, but are in the best interests of the long-term health of the business.
- Support the build-up and maintenance of a long-term shareholding which ensures executives and senior managers focus on recovering and enhancing shareholder value.
- Ensure management have the same ownership experience as shareholders.
- Simplify remuneration for executive directors and senior managers

Key elements of pay

Executive directors

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

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
<p>Base salary</p> <p>To attract and retain talent to help achieve our strategic objectives.</p>	<p>Takes account of factors such as role, skills and contribution.</p> <p>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.</p> <p>Basic salaries are reviewed annually, and normally take effect on January 1 each year.</p>	<p>There is no formal maximum. Basic salaries are reviewed annually by the Remuneration Committee by taking into account factors such as: company affordability, the value and worth of the executive, retention risks, and the size of pay increases generally across the whole group of companies.</p>	<p>Individual and business performance are considered in reviewing and setting base salary.</p>
<p>Annual incentive award</p> <p>Incentivises annual corporate financial and non-financial performance and the delivery of role-specific objectives.</p> <p>The deferred shares element aligns the interest of executives and shareholders and provides a retention tool.</p>	<p>The Board, on a recommendation from the Remuneration Committee, sets the financial and non-financial targets that apply to the annual incentive award. These are set by reference to a number of factors, including the Business Plan (as approved by the Board), and the Group's strategic focus. For the portion based on personal objectives, the Committee will consider the performance of each executive against their role-specific objectives. All performance evaluations for executive directors will be submitted to the Board for final approval.</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 below.</p> <p>50 per cent of the annual incentive award is deferred into shares. This is designed to align the interests of executives with shareholders by providing a proportion of the annual incentive in shares in the form of a bonus deferral award.</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 below.</p>	<p>The maximum opportunity in the incentive plan is 200 per cent of salary. Each performance metric in the incentive plan is independent. For each performance metric in the incentive plan, there will be no payment at all until performance for that particular metric has reached the threshold level of the target range. 50 per cent of the maximum will be awarded for on-target performance, and the maximum for each element will only be awarded once a stretch target has been reached.</p>	<p>At least 60 per cent and no more than 80 per cent of the annual incentive is subject to financial measures. The weighting on role-specific objectives will not exceed 25 per cent, and any remaining portion will be subject to measurable non-financial metrics.</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>Restricted Share Plan (RSP)</p> <p>Incentivises long-term shareholder value creation, and retention.</p>	<p>The RSP is a discretionary plan targeted at key senior executives and managers of the Group who directly influence shareholder value. The RSP consists of an award of the Company's shares which vests as long as the executive remains employed by the Company at the time of vesting and subject to the assessment of the underpin. On vesting, in line with the rules of the RSP and IAG's philosophy to encourage and facilitate employee shareholding, participants may elect to self-fund any tax due rather than sell a portion of their share award to meet tax liabilities.</p> <p>Malus and clawback provisions apply – see below.</p> <p>Following the assessment of the underpin, there is normally an additional holding period of at least two years.</p>	<p>2021 Policy - The face value of an award will not exceed 100 per cent of salary at the time of the award. An executive will have a maximum of one award in respect of any financial year of the Company.</p> <div style="background-color: #e0e0e0; padding: 10px;"> <p>Proposed 2022 Policy amendment to replace 2021 maximum opportunity:</p> <p>The face value of an award will not exceed 150 per cent of salary at the time of the award. An executive will have a maximum of one award in respect of any financial year of the Company.</p> </div>	<p>No performance measures are associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, assessed three years after grant. In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified. Financial performance may include elements such as revenue, profitability, cash generation, return on capital and benchmarked with comparable airlines. Non-financial performance may include a range of operational and strategic measures critical to the Company's long-term sustainable success. Whilst the RSP provides a greater certainty of reward by its very nature, the Committee will ensure any value delivered to executive directors is fair and appropriate in the context of the performance of the business and experience of our stakeholders and that corporate or individual failure is not rewarded. In the case of significant failure on the part of the Company or the individual, vesting may be reduced, including to nil. Full disclosure of the Committee's considerations in assessing the underpin will be disclosed in the relevant Directors' Remuneration Report at the point of vesting.</p>
<p>Benefits</p> <p>Ensures total package is competitive.</p>	<p>Benefits include, but are not limited to, life insurance, personal travel and, where applicable, a company car, fuel, and private health insurance. Where appropriate, benefits may include relocation and international assignment costs. Executives will also be reimbursed for all reasonable expenses.</p>	<p>There is no formal maximum. In general, the Company expects to maintain benefits at the current level.</p>	
<p>Pension</p> <p>Provides post-retirement remuneration and ensures total package is competitive.</p>	<p>The Company operates a defined contribution scheme as a percentage of salary, and all executive directors are eligible for membership. Executives can opt instead to receive a salary supplement in lieu of a pension.</p>	<p>The level of employer contribution for executive directors, expressed as a percentage of basic salary, will be in line with the rate applicable to the majority of the workforce in the country in which the executive director is based. For the UK workforce, this is currently 12.5 per cent of basic salary.</p>	
<p>Performance Share Plan</p>	<p>There will be no further awards made under this plan. Legacy awards will continue to vest.</p>		

Information supporting the policy tables

Shareholding requirements

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

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

Malus and clawback provisions

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

For RSP and PSP awards, clawback provisions apply for two years post vesting (which will usually align with the additional holding period). For the bonus deferral awards, there will be three years from the date of award in which shares can be withheld, i.e. the entire period from the date of the award until vesting. For the cash element of the annual incentive plan, clawback provisions apply for three years from the date of payment. The proportion of an award to be withheld or recovered will be at the discretion of the Board, upon consideration of the Committee, taking into account all relevant matters.

Discretion to adjust formulaic outcomes

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

Benefits, expenses and taxation

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

Non-executive directors

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

Purpose and link to strategy	Operation of element of policy	Maximum opportunity
Basic fees Fees take into account the level of responsibility, experience, abilities and dedication required.	Fees are set with reference to market positioning. To acknowledge the key role of the Chair of the Board of Directors, fees are set separately for this role. There is also an additional fee for undertaking the role of Senior Independent Director, and also for holding a Committee chair position. There is no additional fee for Committee membership. Non-executive director fees will take into account external market conditions to ensure it is possible to attract and retain the necessary talent. There is no specific review date set, but it is the Company's intention to review fees from time to time.	The maximum annual aggregate gross remuneration (including annual basic fees and benefits, including travel benefits) payable to directors shall not exceed €3,500,000 as approved by the Shareholders' Meeting on October 19, 2010, in accordance with article 37.3 of the Company's Bylaws.
Benefits	Non-executive directors (including the Board Chair) are entitled to use air tickets of the airlines of the Company or related to the Company in accordance with the terms and conditions established in the Company travel scheme. As provided for under article 37.8 of the Company's Bylaws this benefit may also be provided to non-executive directors after they have vacated office in accordance with the terms and conditions established in the Company travel scheme.	The maximum total annual gross amount of the personal travel benefit is €500,000 for all non-executive directors taken together (including any former non-executive director who may enjoy this benefit at any given time).

Remuneration scenarios

A significant portion of the Company's total remuneration package is variable, with emphasis placed on longer-term reward to align closely executive directors' interests with shareholder interests. The proposed amendment to the policy for 2022 seeks to increase the opportunity level for long-term incentive component, therefore rebalancing the Executive Director's overall package more towards share-based, deferred remuneration and thereby increasing the proportion of overall remuneration opportunity directly aligned to shareholder's interests.

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

IAG CEO - 2022 remuneration scenario assumptions

Fixed remuneration is basic salary as at January 1, 2022 ((£820,000 (€950,134), plus taxable benefits (est. £275,000 (€318,642), plus pension-related benefits (2022 level of £102,500 (€118,766)). The value of 2021 taxable benefits includes a fixed-term transitional allowance of £250,000 p.a. (payable only until December 2022), as described on page 169.

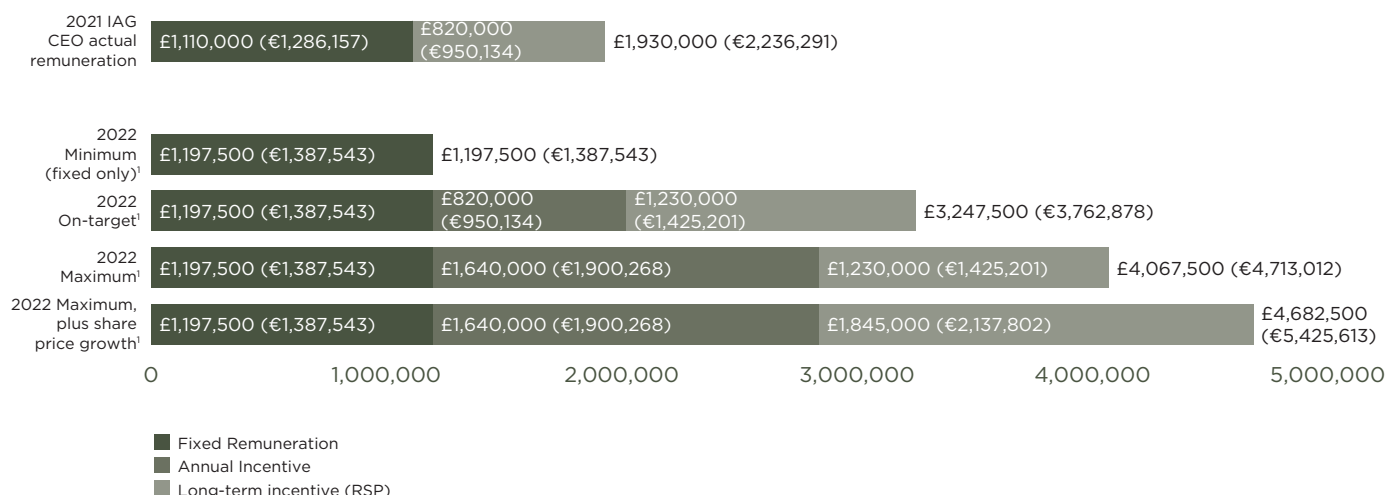
The annual incentive amount is zero at the minimum remuneration level, £820,000 (€950,134) at the on-target level (equivalent to 100 per cent of salary), and £1,640,000 (€1,900,268) at maximum (equivalent to 200 per cent of salary).

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

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

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

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



¹ Fixed remuneration includes a transitional allowance of £250,000 p.a. (payable until the end of 2022 only), as described on page 169.

Remuneration policy below director level

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

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

Notes to the policy tables

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

External non-executive directorship

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

Approach to recruitment remuneration

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

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

To facilitate recruitment, the Board, after considering the recommendation of the Committee, may make one-off awards to buy out variable pay or contractual rights forfeited on leaving a previous employer. Generally, such buy-out awards will be made on a comparable basis to those forfeited giving due regard to all relevant factors (including value, performance targets, the likelihood of those targets being met and vesting periods). In such circumstances, shareholders will be provided with full details and rationale in the next published Remuneration Report.

Excluding the value of any potential buy-out, the maximum value of variable remuneration offered at recruitment will be no more than that awarded to current directors.

In the case of an internal promotion to executive director, the Company will continue to honour any commitments made before promotion. Other than that, the remuneration arrangements on recruitment will be as above.

Non-executive directors will be recruited in line with the Company's Remuneration Policy principles outlined before.

Consideration of employment conditions elsewhere in the Group

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

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

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

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