INTERNATIONAL AIRLINES GROUP

Annual Corporate Governance Report

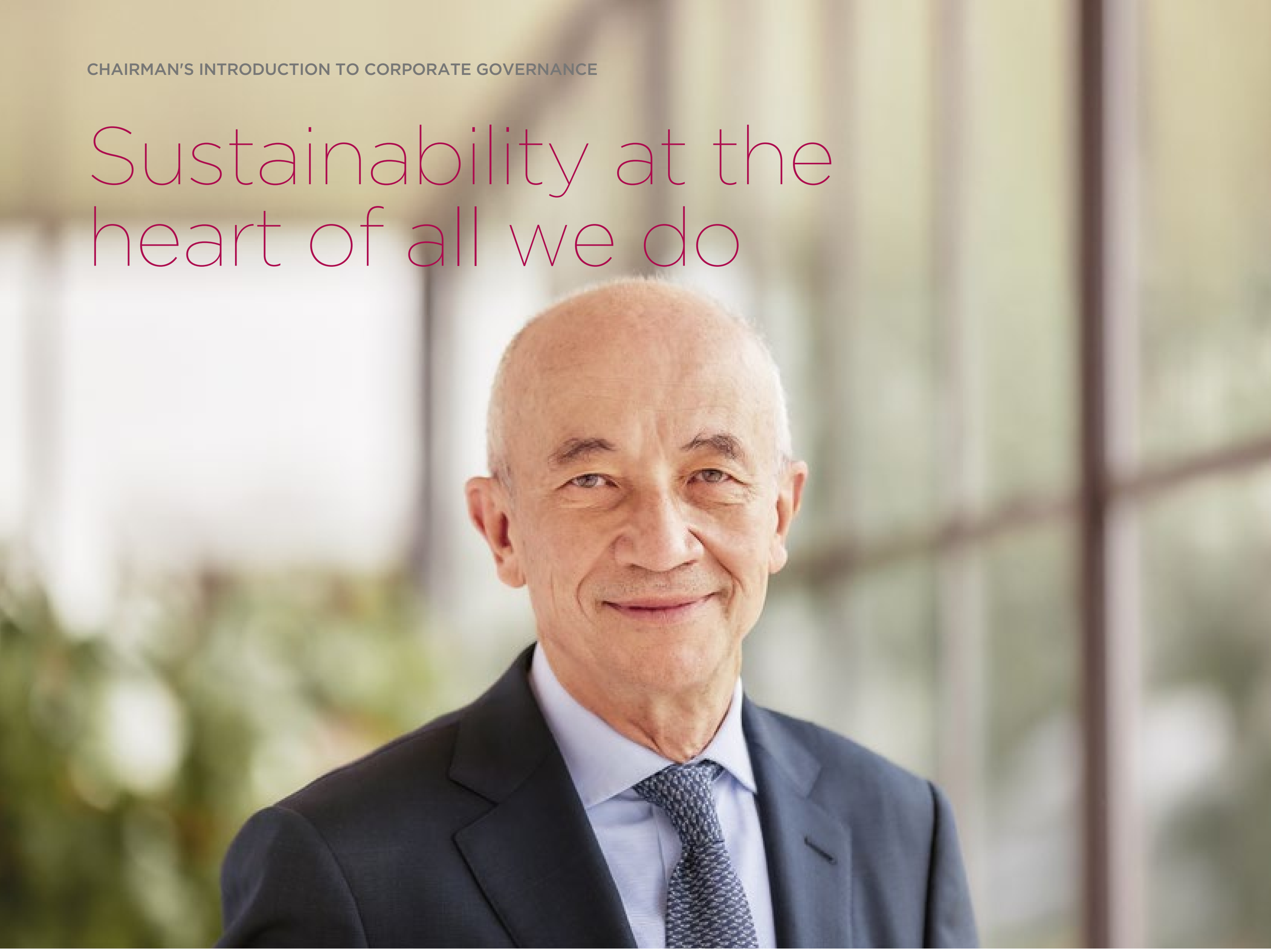
CONTENTS

This Annual Corporate Governance Report is part of the Company's Management Report for the year ended 31 December 2022. It has been prepared in accordance with Circular 3/2021, of 28 September, of the Spanish Comisión Nacional del Mercado de Valores (CNMV), that established the templates for the Annual Corporate Governance Report for listed companies.

In accordance with Circular 3/2021, of 28 September, of the Spanish CNMV, the Company has also prepared a statistical annex which has been published together with the annual corporate governance report, and which form part of the Management Report.

This Annual Corporate Governance Report contains the following sections:

Sustainability at the heart of all we do



Javier Ferrán
Chairman

"Our increased focus on sustainability demonstrates our commitment to delivering long-term value for our people, customers, shareholders and our society."

I am delighted to present this year's Corporate Governance report for IAG. The aim of this report is to explain IAG's governance framework and outline how it was applied on a practical basis in the year under review – a year that has continued to be hugely challenging as we emerge from the COVID-19 pandemic and one that has still required great adaptability, resourcefulness, and governance strength in depth.

The Board continues to look to the future, and our increased focus on sustainability demonstrates our commitment to delivering long-term value for our people, customers, shareholders and our society.

We are proud of the endeavours that have been made to boost our ESG endeavours, and the work of the Safety, Environment and Corporate Responsibility Committee has allowed us to understand the interests of all our stakeholders and oversee the important work being carried out by our management team. During the year, we were the first major airline group in Europe to host a dedicated ESG event for investors. This commitment to sustainability can also be seen through our strategic decision to renew our fleet with the latest generation of more fuel-efficient aircraft to support our ambition of achieving net zero carbon emissions by 2050.

In the last year, the Board has met 12 times, including two separate strategy sessions. We were also delighted to start the return of site visits and in May we spent time with the Vueling management team in Barcelona.

Board composition

There was only one change to the Board during the year, with Alberto Terol departing the Group after nine years. I would like to thank Alberto for his tireless commitment and dedication to IAG, and the support he gave to me in his role as Senior Independent Director.

Heather Ann McSharry has now taken on the role of Senior Independent Director.

Management changes

As reported last year, Nicholas Cadbury joined the Group in March 2022 as Group Chief Financial Officer. He also took on the role of Interim Chair of IAG Cargo in November 2022 following the departure of David Podolsky, with Julio Rodriguez appointed as Interim Strategy Director.

In November, Sarah Clements joined IAG as General Counsel to replace Chris Haynes. The Board wants to recognise Chris's great contribution to British Airways and IAG over a career spanning almost 24 years and would like to thank him for his support and advice during these years. Sarah joins from GSK. She began her career in private practice before moving to senior corporate legal roles with Dupont, Schering Plough, Novartis, and Alexion, prior to joining GSK where she has held several senior leadership roles.

Culture and diversity

The Board's role in setting the Group's culture and core values is a significant one and engaging with our workforce throughout the year has been vital to the delivery of our purpose. During 2022 a comprehensive workforce engagement programme was completed which included five non-executive directors meeting with employees across the different operating companies, and covering different areas including above wing, below wing, customer engagement, engineering and corporate functions. We intend to build on this plan and incorporate new areas and functions into this programme to ensure that we continue to consider the views of our workforce as we transform for the future.

Creating a diverse and inclusive culture remains important to us, and we are proud to have 45 per cent female representation on the Board, a woman as Senior Independent Director, and three of our Board advisory committees being chaired by female directors. The make-up of our Board ensures we meet the targets set by the FTSE Women Leaders Review and the Parker Review in the UK, and complies with the Spanish Corporate Governance Code.

Succession planning and overseeing the implementation of our refreshed Diversity, Equity and Inclusion Policy will be a priority for us in the coming years, particularly at a management level where we have set a target of 40 per cent female representation by 2025.

Board evaluation

Reflecting our commitment to good governance, the Nominations Committee oversaw the external evaluation of the Board and all our 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 transitional 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

Key

● Committee Chair

Ⓐ Audit and Compliance Committee

Ⓝ Nominations Committee

Ⓡ Remuneration Committee

Ⓢ Safety, Environment and Corporate Responsibility Committee

Giles Agutter Ⓝ Ⓢ

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.

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.

Eva Castillo Ⓐ Ⓡ

Key areas of experience:
Financial sector, telecoms sector

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

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

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.

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.


Nicola Shaw
Javier Ferrán
Robin Phillips
Emilio Saracho
Peggy Bruzelius
Heather Ann McSharry

Key

Committee Chair (filled circle)
(A) Audit and Compliance Committee
(N) Nominations Committee
(R) Remuneration Committee
(S) Safety, Environment and Corporate Responsibility Committee

Nicola Shaw (R) (S)

Key areas of experience:
Transport sector, public policy and regulatory affairs, consumer, safety and environment operational management

Current external appointments:
Chief Executive, Yorkshire Water.

Previous relevant experience:
Executive Director, National Grid plc 2016-2021. Non-Executive Director Ellevio AB 2015–2017. CEO, HS1 Ltd 2011–2016. Non-Executive Director, Aer Lingus Plc 2010–2015. Director and previously other senior positions FirstGroup plc 2005–2010. Director of Operations and other management positions Strategic Rail Authority 2002–2005. Deputy Director and Deputy Chief Economist, Office of the Rail Regulator (ORR) 1999–2002.

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.

Robin Phillips (S)

Key areas of experience:
Finance, airline industry and transportation

Current external appointments:
Chairman, Development Funding Board, Pancreatic Cancer UK. Senior Advisor, Circadence Corporation (US). Board member, IR – Scientific (Canada).

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

Emilio Saracho (R) (S)

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.

Peggy Bruzelius (A) (N)

Key areas of experience:
Financial services, corporate finance

Current external appointments:
Chair, Lancelot Holding AB. Member, the Royal Academy of Engineering Sciences.

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

Heather Ann McSharry (N) (R)

Key areas of experience:
General management, pharmaceuticals/health care, financial services, consumer products, food and construction industry sectors, governance

Current external appointments:
Non-executive director, Chair of Nominations and Governance Committee, Jazz Pharmaceuticals Plc.

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

Statement of compliance with applicable corporate governance codes

As a company incorporated and listed in Spain, IAG is subject to applicable Spanish legislation and the 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"). 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 2022.

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 2022, IAG fully complied with all applicable recommendations of the Spanish Corporate Governance Code; even though the Company acknowledges that, due to applicable legal and regulatory requirements of the aviation sector, the Company's bylaws contain certain share ownership restrictions which are contrary to the provisions of the first recommendation of the Spanish Code.

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 Corporate Governance Code

IAG governance framework and division of responsibilities

Delegation

IAG Board of Directors

The Board has ultimate responsibility for the long-term success of the Group and for delivering sustainable shareholder value as well as contributing to wider society

Key positions:

Chairman
Javier Ferrán

Senior Independent Director
Alberto Terol
(up to June 16, 2022)

Heather Ann McSharry
(from June 16, 2022)

Board Advisory Committees

Audit and Compliance

Nominations

Remuneration

Safety, Environment and Corporate Responsibility

IAG Management Committee

Led by the Chief Executive, is responsible for the day-to-day management of the Company. It is responsible for the performance of the Group and the implementation of the strategy approved by the Board

Key position:

Group CEO
Luis Gallego

Accountability

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

Key matters reserved to the Board are:

- Submission of proposals to the shareholders' meetings
- Preparation of the annual statutory disclosures
- Approval of the Group's strategy, business and financial plans
- Approval of the Group's general policies
- Appointment and removal of senior executives
- Determination of the policy on shareholders' remuneration
- Approval of significant investment or divestment decisions
- Approval of the risk management and control policy, setting risk appetite
- Ensuring effectiveness of the corporate governance system

The Chairman:

- Chairs shareholders' meetings
- Leads the Board's work
- Sets the Board's agenda and directs its discussions and deliberations
- Acts as main link with the Group CEO and management
- Seeks regular engagement with major shareholders
- Promotes and ensures highest standards of corporate governance

The Senior Independent Director:

- Acts as a sounding board for the Chairman and appraises his performance
- Serves as intermediary for other directors when necessary
- Available to shareholders if concerns are not resolved through normal channels

The Group CEO:

- Is responsible and accountable to the Board for the management and operation of the Company
- Leads the Company's management team
- Oversees the preparation of operational and commercial plans
- Develops an effective management strategy
- Puts in place effective controls
- Coordinates Group activities

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 intragroup 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 in the Business Model section within the Strategic Report.

Board of Directors: division of responsibilities

The IAG Board is responsible for establishing the Company's purpose, values and strategy, promoting its culture, overseeing the business and its performance, as well as for the Group's long-term sustainable success. As stated in 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 engagement section.

Consistent with its governance role, the Board of Directors retains a schedule of matters reserved for its decision, as detailed in article 3.4 of the Board Regulations, which are 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 2022 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, their main responsibilities are established in articles 5 and 6 of the Board Regulations. The Chairman is responsible for the operation of the Board and for its overall effectiveness in directing the Company. The Group Chief Executive and his management team are responsible for the day-to-day management and performance of the Group and for the implementation of the strategy approved by the Board. All the powers of the Board have been permanently delegated to the Group Chief Executive save for those which cannot be delegated pursuant to applicable legislation, the Company Bylaws or the Board Regulations.

Board composition

The IAG Board comprises eight independent non-executive directors, one of which is the Chairman, two proprietary non-executive directors 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.

At the 2022 Shareholders' Meeting, Alberto Terol, who held the role of Senior Independent Director, did not stand for re-election having served as an independent director for nine years. As a result, the Board appointed Heather Ann McSharry as Senior Independent Director.

As set out in the Company's Bylaws, the Board shall comprise a minimum of nine and a maximum of 14 members. As of December 31, 2022, the Board composition was:

Name of Board Member	Position/Category	First appointed
Javier Ferrán	Chairman	June 20, 2019
Luis Gallego	Chief Executive	September 8, 2020
Heather Ann McSharry[1]	Senior Independent Director	December 31, 2020
Giles Agutter	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
Robin Phillips	Director (proprietary)	September 8, 2020
Emilio Saracho	Director (independent)	June 16, 2016
Nicola Shaw	Director (independent)	January 1, 2018

1 Appointed as Senior Independent Director on June 16, 2022 following the retirement of Alberto Terol.

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

Directors' independence

The Board, as reported by the Nominations Committee, reviewed directors' independence at its meeting held on January 19, 2023. 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 Nominations Committee report.

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

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 their duties as a director, otherwise breaches their duties as a director or unexpectedly becomes subject to any of the circumstances provided for in article 17.2 of the Board Regulations.

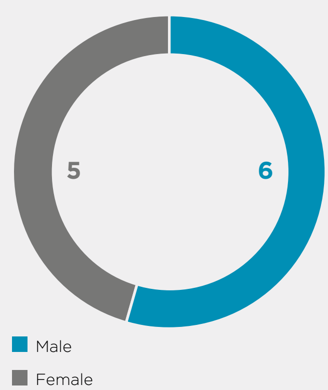
The removal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that determine a material change of control.

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 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.

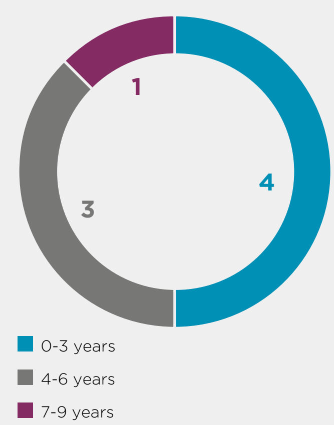
The rules above have been updated in accordance with the Spanish Corporate Governance Code Recommendations approved in June 2020 and are incorporated in the Board Regulations approved in February 2021, which are available on the Company's website (www.iairgroup.com), and on the website of the Spanish CNMV (wwww.cnmv.es).

Nationality

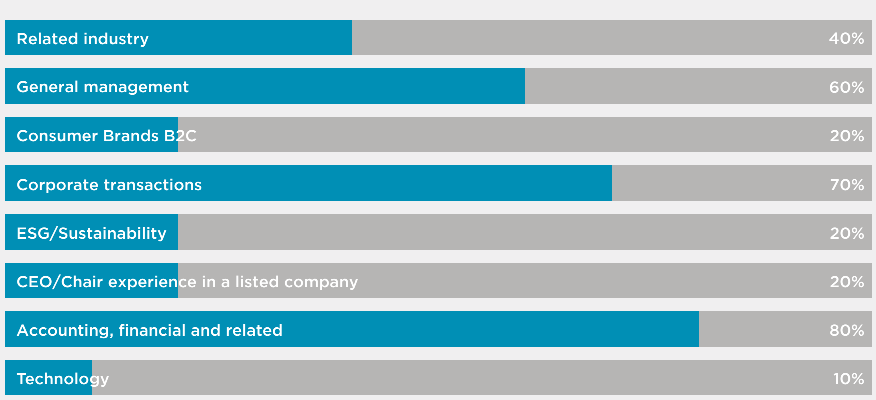
Gender



Tenure[1]



Board experience[2]



1 The tenure chart, which is as at the 2023 shareholders' meeting, comprises solely of independent non-executive directors, including the Chairman (eight directors). For the sake of completeness, the three remaining directors' tenure is less than three years
2 Non-executive directors only

Board leadership and company purpose

IAG's purpose – 'To connect people, businesses and countries' – underpins the Group's vision to be the world's leading airline group, maximising sustainable value creation for its shareholders. 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 can 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 innovation, commitment, care for people, responsibility, pragmatism, execution, ambition and resilience. In 2022, the Board reviewed how these values are embedded in the organisation and how this is linked to the ongoing work on corporate culture and on people. The Board considers the work and focus on corporate culture and values to be essential elements in the transformation and execution of the Group's strategy.

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

The Board has reviewed with interest the work on culture that the Group started in 2020. The Board believe that the focus on corporate culture is a critical factor in ensuring the delivery and success of the Group's strategy. The Board is closely following and supporting management's endeavours to transform the culture of IAG and to create an inclusive, supportive, and healthy working environment. Specifically, during 2022, the Board has been briefed on the outcome of the organisational health survey completed for all employees in May and the follow-up Pulse survey undertaken in November, including the insights by operating companies and the agreed priorities for improvement.

Further, through the ongoing workforce engagement visits, representatives of the Board have heard first hand from employees across the Group on their experience of working within the IAG Group, the prevailing culture and things they would like to see change.

Finally, the Board strategy meeting held in September 2022 had a specific focus on people, leadership and culture, and individual operating company plans were also reviewed to understand the extent to which their people transformation priorities and plans supported the delivery of the operating company strategy. For example, the Board was updated on British Airways' investment in leadership and colleague centricity and how Iberia completed 360˚ feedback on all senior leaders aligned to the IAG leadership framework. Further, the Board was updated on the IAG senior leadership conference where the entire second day was devoted to supporting leaders in understanding their role in shaping IAG's culture.

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 well-being 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 close to 90 per cent of IAG's workforce are part of collective bargaining agreements, with varying levels in other countries in which the Group operates. 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

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.

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

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 engagement section of this annual report.

Shareholders and investors

Shareholders' interests have always been present in the Board's considerations. The Board engages directly in active dialogue with shareholders and investors mainly through the Group Chief Executive and the Chairman, who regularly meet with shareholders and investors. In April and May 2022, the Chairman held several meetings with major shareholders in order to discuss ESG matters, as well as the performance of the Group and its strategy.

In addition, the former and the current Chairs of the Remuneration Committee held several meetings with investors as detailed in the stakeholders section and in the directors' remuneration report. Non-executive directors had the opportunity to meet shareholders at the two shareholders' meetings held in 2022, as well as during the first IAG ESG Day that took place in May.

In addition to this, the Group Chief Executive and the Group Chief Financial Officer had regular contact with shareholders and investors during the year.

The Board is regularly apprised of shareholders' feedback and main issues discussed with shareholders and investors.

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

Workforce engagement

In 2022, the designated directors have met with employees through a series of site visits and round table discussions across 12 separate locations. These visits have proven invaluable in understanding what matters to colleagues across the business, in our airlines and platform businesses, from ground and flight operations to our customer support and corporate teams, and with a mix of new recruits and colleagues with long tenure reflecting the changing composition of the Group workforce.

Eva Castillo is the director responsible for coordinating the Board workforce engagement, and she has been supported in this workforce engagement role by Heather Ann McSharry, Maurice Lam, Nicola Shaw and Emilio Saracho.

Recent Board engagement sessions have been held with employees at British Airways at Heathrow and Gatwick, Iberia, IAG Loyalty, IAG Cargo, IAG GBS Krakow, Vueling and Aer Lingus (Dublin and Manchester). The sessions have been very constructive with an opportunity to hear from different employee groups.

The Board considered the feedback from the 2022 engagement at its December meeting and noted the high levels of pride and loyalty across the Group, and the determination to support the recovery of the business and the aviation sector following the pandemic. Colleagues showed a keen interest in the Group's sustainability agenda and its fleet modernisation and broader growth plans. Several visits took place against the context of resourcing ramp ups and operational challenges and ongoing industrial relations discussions.

Key themes included the companies' growth plans and the opportunities they will bring in terms of careers and development (including for example in maintenance or at the recently opened Manchester base), the importance of communication and engagement especially with senior management, pay competitiveness and concerns regarding cost of living, and the importance of flexibility and hybrid working arrangements.

Each visit included a debrief for senior teams on emerging issues to ensure appropriate actions are taken forward.

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

The Remuneration Committee was updated on workforce remuneration and how the operating companies were supporting colleagues with cost-of-living challenges, ensuring reward remained fair and competitive, and how the experience of IAG's workforce compared to senior management.

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 IAG Board 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

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 ones as set out below:

- Approval of the Group strategy and the supervision of its implementation, which entails the approval of the business plan, management objectives and annual financial plan, monitoring of the internal information and control systems, and of the risk management framework and processes.
- Approval and compliance oversight of the Group general policies including: the investment and financing policy; the enterprise risk management policy; the corporate responsibility or sustainability policy.
- 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 applicable, as well as the consequences of any decision in the long-term are 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.

Board decision-making: aircraft purchase

As a result of the pandemic IAG delayed the replacement of our shorthaul fleet. The shorthaul market is an essential part of the Group's network, with a strong presence in the extensive Spanish domestic market, as well as point-to-point and connecting flows to and from the Group's hub airports, which feed and complement our longhaul services. The Board considered that the replacement of IAG's short-haul fleet is of strategic importance. Moreover, looking ahead to 2030, the Board determined that the Group needed to renew its fleet in order to maintain its size and benefit from the improved operating economics and environmental impact of new generation aircraft.

Consideration of s172 impacts

Shareholders and long term success

As the industry moves on from the COVID-19 pandemic and customer demand returns, the Board believed that the underlying fundamentals of the Group's airlines remained strong, and that, in this context, access to new generation aircraft was a strategic priority for IAG, as they will help deliver sustainable returns to shareholders over the long term and contribute to the Group's ability to compete effectively.

The Board considered that these purchases provided the best opportunity for the Group to obtain commercially attractive and competitively priced terms for the purchase of new generation aircraft. Furthermore, replacing the Group's older generation shorthaul aircraft with the more fuel efficient Boeing 737 family aircraft and Airbus A320neo family aircraft will generate significant savings in fuel cost, offer maintenance cost savings and an improvement in reliability and, due to the aircraft's improved utilisation of on-board space, provide increased revenues and decreased costs and emissions per seat. In addition, rising fuel prices and the existing and potential impact of greenhouse gas related charges in Europe and the UK would increase the benefits of lower fuel consumption and reduced CO_2 emissions from these new generation aircraft. Specifically, they offer 15-20 per cent improvements in fuel consumption and CO_2 emissions (depending on the aircraft they replace) and, together with other improvements in seating capacity, maintenance costs and airport charges, will result in a 10-20 per cent reduction in operating costs.

Moreover, this investment is in line with the Group's net zero commitments and with IAG's sustainability strategy, which is a relevant factor from the point of view of our shareholders and equally important from the perspective of the long term sustainability of our business.

These aircraft purchases constituted a Class 1 transaction under the UK Listing Rules, and were therefore conditional on shareholder approval at a general meeting, which was sought at the Shareholders' Meeting held on October 26, 2022. IAG directors recommended that shareholders voted in favour of each of the proposed resolutions, and provided all relevant information, explained the background to and reasons for the proposed purchases and why they believed these were in the best interests of the shareholders taken as a whole in the circular prepared and made available to all shareholders.

Environment

One of the key issues that the Board took into consideration was that this investment is fully aligned with IAG's environmental commitments. The aircraft proposed for purchase are some of the most fuel efficient shorthaul aircraft available. Both aircraft types offer between 15-20 per cent improvements in fuel burn and CO_2 emissions. Thus, the addition of these latest generation more fuel-efficient aircraft is an important step towards IAG meeting its climate commitments, including achieving net zero carbon emissions by 2050. Moreover, these new aircraft are significantly quieter, with a lower noise footprint versus the older aircraft they will replace.

Image courtesy of Boeing

Customers and employees

Even in times of uncertainty and difficulty, with this decision the Board demonstrates to its employees its commitment to invest in the business, as well as its commitment to sustainability and in particular to the environment. Taking into account the addition of Boeing as a supplier of narrow bodied aircraft, the Board contemplated the various measures required to ensure the efficient introduction of these new shorthaul aircraft, including the re-training of ground staff and crew.

The fact that this investment is in line with the Group's environmental commitments also responds to one of the fundamental concerns expressed by IAG's customers. From a commercial perspective, the Board also took into consideration that these new aircraft will enable IAG to offer a state-of-the-art experience to its customers.

Finally, the Board also satisfied itself in relation to the risks concerning the types of aircraft to be purchased, bearing in mind the priority that the Group always gives to the safety and security of both its passengers and its crews.

Suppliers

When considering the need to maintain healthy competition between suppliers and given the constrained availability of shorthaul aircraft in the period to 2028, the Board thought it necessary to move its Airbus shorthaul fleet to a mix of Airbus and Boeing aircraft.

The Board were also informed of the actions designed to ensure that the transition to a mixed Airbus and Boeing shorthaul fleet is carried out as efficiently as possible by reducing related costs, including those related to new crew training, maintenance and spare parts. The agreements reached provide flexibility for IAG to purchase larger or smaller variants of aircraft from both Airbus and Boeing, as well as deferral rights to allow the pace of replacement to slow down if necessary.

Information was also provided to the Board regarding engine maintenance arrangements.

Committing to the purchase and maintenance of these aircraft and engines allows IAG to properly understand its cost exposures and allow the manufacturers to efficiently plan future production and maintenance activities.

Other financial stakeholders (debt providers)

In its deliberations, the Board took into consideration that these purchases will require substantial payments by the Group, and that the Group will need sources of financing to meet its payment obligations, and consequently the potential impact that this could have on its existing debt providers.

In this regard, the Board took into account that the deliveries of these aircraft are stretched over several years, meaning that the related capital expenditure is spread over a period of time. Additionally, the Group normally finances aircraft on delivery and hence the cash impact is reduced and spread over the period in which it expects to operate these aircraft.

Governance framework

The transaction was conducted with an appropriate governance framework, in accordance with the Group's high standards of business conduct. The project was undertaken with appropriate governance and regulatory oversight and the Board engaged its sponsor and legal advisers to ensure appropriate independent advise was provided.

Image courtesy of Airbus

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 2022.

The total number of Board meetings held during the reporting period was 12. Details of attendance at Board and committee meetings are shown further on in this report.

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 Group Chief Executive, with support from the General Counsel and the Board Secretariat. During 2022, the Board's main focus, emerging from the COVID-19 pandemic, was to create sustainable value over the long-term, supporting management and exercising oversight over the Group's businesses and stakeholders' interests. The key activities of the Board in 2022 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 which have held meetings prior to that meeting. The reports focus on the key discussions and decisions considered by the respective committees, providing an opportunity for directors to comment or ask questions on the matters dealt with by each committee. 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.

Board and committee attendance during 2022

Board member	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Safety, Environment and Corporate Responsibility Committee
Javier Ferrán	12/12		6/6		
Luis Gallego	12/12				
Giles Agutter	11/12		5/6		6/6
Peggy Bruzelius[1]	11/12	7/7	3/3		
Eva Castillo	10/12	7/7		7/8	
Margaret Ewing	12/12	7/7	6/6		
Maurice Lam	10/12	7/7			6/6
Heather Ann McSharry[2]	12/12		6/6	8/8	
Robin Phillips	12/12				5/6
Emilio Saracho	12/12			8/8	5/6
Nicola Shaw	12/12			8/8	5/6
Alberto Terol[3]	5/5		3/3	4/4	

1 Appointed member of the Nominations Committee on June 16, 2022
2 Appointed Chair of the Remuneration Committee on June 16, 2022
3 Retired from the Board, stepped down as Chair of the Remuneration Committee and member of the Nominations Committee on June 16, 2022

Board activities

2022 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. In accordance with this, there was considerable focus during the year on the operating companies plans and operational resilience, particularly in the case of British Airways. The key areas of Board activity during 2022 are outlined below:

Strategy and planning

Ad hoc Board/management committee session on strategy as a preparation for the September meeting. Joint Board/ management committee two-day strategy session in September, including:

- Group operating model
- Role of the Centre
- Transformation plans
- People update
- Customer framework
- Strategic plans for British Airways and Iberia
- IAG Loyalty
- Cargo update
- Sustainability
- Financial outlook
- 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)
- Review of different joint business arrangements

COVID-19 crisis

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

Significant transactions, investments and expenditures

- Loan to Globalia and conversion to equity in Air Europa
- Financing arrangements
- Fleet updates
- Financing arrangement for the acquisition or lease of aircraft
- Disposals/write-off of aircraft and deferral agreements
- Lease agreements for airport lounges
- Treasury shares buy-back programme
- Sustainable fuel provision agreements

Risk management and internal controls

- Review risk map and risk appetite performance and statements
- Assessment of viability and going concern
- Effectiveness review of the internal control and risk management systems
- External auditor's yearly report to the Board
- External audit fees
- IT updates

Shareholders, stakeholders and governance

- Transactions with related parties
- Sustainability update
- Modern Slavery statement review
- Anti-bribery and corruption policy, Speak-up policy, Environmental policy and Equity, diversity and inclusion policy reviews
- Review feedback from institutional shareholders, roadshows as well as analyst reports
- Board and management succession
- Remuneration matters and an amendment to the Directors' Remuneration Policy
- Shareholders' meetings call notices and proposed resolutions
- Review of the Board committees' composition
- Board and committees evaluation and improvement priorities
- Update on the D&O insurance programme
- Corporate governance updates
- Gender diversity and directors' selection and diversity policy review
- Organisational Health Index – culture review
- Shareholder engagement policy review
- Regular reporting from matters discussed by the Audit and Compliance Committee, the Nominations Committee, the Remuneration Committee and the Safety, Environment and Corporate Responsibility Committee

Board information and training

In general, all Board and committee meeting documents are available to all directors ahead of meetings, including the minutes of each meeting, through an online platform which facilitates an efficient and secure access to all materials. All directors have access to the advice of the Board Secretary and the Group General Counsel. Directors may take independent legal, accounting, technical, financial, commercial or other expert advice at the Company's expense when it is judged necessary in order to discharge their responsibilities effectively. No such independent advice was sought in the 2022 financial year.

Emerging from the COVID-19 pandemic provided the opportunity for our normal programme of site visits to resume, commencing with a session with the Vueling management team in Barcelona. This provided the opportunity to meet the Vueling leadership team in person and to review and discuss Vueling's strategy and performance.

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

During 2022, directors' training needs were met by a combination of internal presentations and updates as part of Board and committee meetings and specific sessions or deep-dives on particular topics, where required. For various reasons, two of the sessions planned for this year, the first an update on competition law and the second, a session on safety which was to be presented by an external speaker, have had to be delayed to 2023.

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 advisors as appropriate. The induction is designed to provide a wide overview of the industry and the sector, including details of each of the markets in which the Group operates, as well as an understanding of the Group business model and its different businesses. The programme is also a useful tool to introduce new directors to the IAG management committee as well as to the different operating companies' teams.

The feedback received from 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.

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. Following internal reviews in 2020 and 2021, an external review was undertaken in 2022 by Independent Board Evaluation (IBE). IBE was selected by the Nominations Committee to provide continuity and build on the evaluation completed in 2019. IBE has no other connection with the Company.

IBE undertook a formal and rigorous evaluation which included:

- A comprehensive brief given by the Chairman to the evaluation team, defining the main focus of the evaluation
- Interviews held with all directors
- Interviews with key Board contributors including the Group CFO and the Group General Counsel, the Board Secretary and Deputy Secretary, the IAG Head of Group Audit, as well as the external auditors and the Remuneration Committee independent advisor
- The evaluation team observed main Board and committee meetings held in July 2022; and had access to the papers for these meetings
- Support materials for briefing purposes were provided by the Company
- Discussion of the main conclusions with the Chairman and those of the committees with their respective chairs

The overall conclusions of the review were positive, confirming that the Board and the committees continue to adequately fulfil their responsibilities and operated effectively during the reporting period. Directors considered that there has been an outstanding commitment and engagement from all Board members during the year while the business continues to emerge from the COVID-19 pandemic, whilst dealing with strong economic headwinds globally.

In relation to the areas for focus agreed for 2022, the Board considered that good progress had been made during the year. The return of in person meetings and the visit to Barcelona in May 2022 allowed the Board to increase the level of engagement with senior executives and the Vueling leadership team. Ensuring the Board continues to have the relevant skills and expertise remains an ongoing area of focus for the Nominations Committee. The Board has ensured the successful set up of the Safety, Environment and Corporate Responsibility Committee, whose activities are reported later in this report.

Beyond the agreed action plan for 2022, the Board evaluation highlighted the strengthening of the Board workforce engagement programme, as well as the enhancement of the focus on culture and people at Board level.

Actions agreed for 2023 include:

- broadening the Board's visibility on engagement with stakeholders, with an increased focus on suppliers.
- ensuring additional insight is provided in respect of customer related matters, and how the company is perceived against its competitors.
- reinforce information provided to the Board for consideration of the full range of stakeholder views.
- overseeing the cultural transformation of the Company.
- prioritising focus on talent development plans and succession planning.

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 2022 Annual Shareholders' Meeting, held on June 16, 2022, 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 per cent 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 arm's length basis and on market terms, significantly reduces the potential existence of permanent conflicts of interest between Qatar Airways and the Group's airlines.

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

Any potential conflict of interest that might affect such proprietary directors is managed by applying the duty of abstention in accordance with the procedure for managing conflicts of interest described below. In addition, the Spanish and the 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. IAG's internal regulations on related party transactions establish that the Audit and Compliance Committee needs to issue a report to the Board assessing whether the transaction is fair and reasonable from the standpoint of the Company and, where applicable, of the shareholders other than the related party, and report on this assessment, including the assumptions and methods used. Where appropriate, the directors related to the transaction shall not participate in the preparation of such report.

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

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

Share issues, buy-backs and treasury shares

The Annual General Meeting held on June 16, 2022 authorised the Board, with the express power of substitution, for a term ending at the 2023 Annual General Meeting (or, if earlier, 15 months from June 16, 2022), to:

- increase the share capital pursuant to the provisions of Article 297.1.b) of the Spanish Companies Law, by up to 50 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 50 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 16, 2022;
- 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 16, 2022, 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, 2022, the share capital of the Company amounted to 497,147,601 euros (2021: 497,147,601 euros), divided into 4,971,476,010 shares (2021: 4,971,476,010 shares) of the same class and series and with a nominal value of €0.10 each (2021: €0.10 each), fully subscribed and paid.

As of December 31, 2022, the Company owned 17,052,745 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 depositary, Deutsche Bank, is the registered holder. As at December 31, 2022 the equivalent of 48,799,780 shares was held in ADR form (2021: 55,871,936 shares).

Company's share capital

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

The significant shareholders of the Company as at December 31, 2022, 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%

On February 3, 2023 Capital Research and Management Company notified the Spanish National Securities Market Commission (CNMV) the acquisition of a shareholding of 3.256 per cent.

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.

There were two Shareholders' Meetings held in 2022 with the Annual Shareholders' Meeting being held on June 16, 2022 in Madrid. This was held in person for the first time in three years, with the option for shareholders to also attend remotely. The extraordinary meeting, to approve IAG's fleet orders, was also held in Madrid and remotely on October 26.

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

Disclosure obligations

The Company's Bylaws establish a series of special obligations concerning disclosure of share ownership as well as certain limits on shareholdings, taking into account the ownership and control restrictions provided for in applicable legislation and bilateral air transport treaties signed by Spain and the UK.

In accordance with article 7.2 b) of the Bylaws, shareholders must notify the Company of any acquisition or disposal of shares or of any interest in the shares of the Company that directly or indirectly entails the acquisition or disposal of a stake of over 0.25 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

Dear Shareholder

On behalf of the Nominations Committee, I am pleased to present the Nominations Committee Report for the year ended December 31, 2022.

This year the committee has focused on succession planning and continued to oversee the work being done on diversity and inclusion.

During the year, we welcomed Peggy Bruzelius onto the committee to replace Alberto Terol following his departure from the Board at the 2022 Shareholders' General Meeting. I would like to take the opportunity to thank Alberto for his contribution and commitment to this committee.

Succession planning continues to be a priority for this committee, and we continue to ensure the Board has the relevant skills and balance to oversee the implementation of the Group's strategy. Taking into account the findings of the external Board evaluation conducted this year, and our own identified needs based on the Group's business and strategic plans, we will continue to work to seek the most effective way to bring the necessary expertise and experience to our Board.

Another important area of focus for the committee has been management succession planning and talent development, with a plan for 2022–2025 being put in place to support this work. The Group's vision is to build the bench strength and the diversity of our senior leadership team, which we see as being a critical enabler of transformation and long-term value creation.

In March 2022, we welcomed Nicholas Cadbury as Group Chief Financial Officer, and continued to oversee the strengthening of the management committee through the appointment of Sarah Clements in November 2022 as our new General Counsel.

We remain committed to the Group's focus on creating an inclusive and diverse team. In 2022, we refreshed our Equality, Diversity and Inclusion Policy, to build on the diversity strategy and framework that was established in 2021. This ensured we continued to meet the expectations of the UK and Spanish Corporate Governance Codes. This also included the amendment of the Directors Selection and Diversity Policy, which was reviewed by the committee and approved by the Board in September 2022.

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
Peggy Bruzelius	June 16, 2022

We remain satisfied that the Board composition meets the target for the proportion of women on boards set out in European and Spanish standards and in the UK FTSE Women Leaders Review, as well as the recommendation on ethnic diversity on boards in the UK Parker Review.

The committee also closely follows and supports management's efforts to strengthen the presence of women in the senior management of the Company and across the Group. Despite progress made in 2022, we still have a long way to go to reach our target of 40 per cent women in senior leadership roles by 2025.

In line with the expectations of the UK and Spanish Corporate Governance Codes, we undertook an external Board and committee effectiveness review. More information on the results of this evaluation, and how it was carried out, can be found elsewhere in this report. The evaluation was very positive, and it remains the case that we are satisfied that the Board is effective and provides the highest standards of leadership and oversight of the Group's strategy.

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 and the appointments of the members of the Group company boards. It oversees Board and senior management succession planning and in general the development of a diverse pipeline for succession.

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

The only change in the committee's membership during the year was the appointment of Peggy Bruzelius in June 2022, replacing Alberto Terol following his departure from the Board.

The committee's responsibilities

The Nominations Committee's responsibilities can be summarised as:

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

The committee's activities in 2022

The committee met six times during 2022, with three scheduled and three ad-hoc meetings called to discuss management changes or appointments to the Group company boards. Directors' attendance at these meetings can be found in the Corporate Governance section. The Group Chief Executive was invited to attend the committee's meetings as and when necessary.

The committee focused on the following activities during the year:

- review of the composition of the Board and the committees: appointment of Heather Ann McSharry as Senior Independent Director and Chair of the Remuneration Committee, and of Peggy Bruzelius as a member of the Nominations Committee;
- review of the Board committees' membership;
- Board succession planning;
- review of the directors' independence;
- review of compliance with the Directors' Selection and Diversity Policy;
- management succession plans, including the recruitment of a new General Counsel;
- launching of the Board annual evaluation process, as well as that of the Nominations Committee;
- changes to Group company boards
- update on regulatory developments on diversity matters; and
- update of the Directors' Selection and Diversity Policy

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.

In September 2022, 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 May 4, 2022 the Nominations Committee considered the composition of the Board ahead of the Annual Shareholders' Meeting in June, to determine which directors should be put forward for re-election. As part of the Board succession and renewal plan, and due to the fact that he has been an independent director for nine years, Alberto Terol would not stand for re-election. It was further determined that following his departure the Board would consist of 11 members so a search process to replace Alberto Terol's position would not be undertaken immediately.

The committee reviewed the Board's and the committees' composition, and proposed the appointment, following the Annual Shareholders' Meeting in June, of Heather Ann McSharry as Senior Independent Director and Chair of the Remuneration Committee, and the appointment of Peggy Bruzelius as a member of the Nominations Committee.

Directors' independence, performance and re-election

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

All proposals for the appointment or re-election of directors presented to the 2022 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. 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 of the Company.

Management appointments and succession planning

In August 2022, the committee considered and reported to the Board on the appointment of Sarah Clements as the new Group General Counsel, with effect from November 21, 2022, replacing Chris Haynes. The Committee also considered the appointment of Julio Rodriguez as Interim Strategy Director to replace David Podolsky who left his role as Chief Strategy Officer on November 1, 2022 with Nicholas Cadbury taking on the role of Interim Chair of IAG Cargo.

Following the annual review completed in September 2021, the committee had an update on talent development and succession planning at its May 2022 meeting.

As planned, the committee then completed, at its September 2022 meeting, its annual in-depth review of the Company's plans regarding talent and leadership extending until 2025, together with relevant key performance indicators and agreed targets. The Group's approach to succession planning was also discussed at this meeting, as well as the actions completed since the last review and actions planned to further improve talent pipelines.

Diversity

Following the approval by the Board of a new Group Diversity, Equity and Inclusion Policy in July 2022, the committee considered and approved, in September 2022, the amendment of the Directors Selection and Diversity Policy, aiming to: (i) adjust the policy to its new scope of application, given that there is now a general policy on diversity in the Group, (ii) updating its content to the most recent Spanish and UK governance standards and best practices; and (iii) incorporating the latest diversity targets agreed by the Group. The IAG Directors Selection and Diversity Policy is available on IAG's corporate website.

This policy sets out the principles that govern the director's selection process and the approach to diversity on the Board of Directors, and it is aligned and complements the Group Equity, Diversity and Inclusion Policy, which sets out a broader commitment to promoting and upholding equity, diversity and inclusion throughout all of the Group's business activities. This Policy updates the Board's diversity objectives by establishing that the IAG Board aspires to maintain a balance so that: (i) at least 40 per cent of the members of the IAG Board of Directors are women; (ii) at least one of the Chair and Senior Independent Director roles on the Board or the Chief Executive and Chief Financial Officer roles is occupied by a woman; and (iii) at least one member of the Board is from an ethnic minority background.

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 2023.

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 considering 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. When conducting a search, the Company intends only to engage search firms which have signed up to the latest UK Voluntary Code of Conduct for Executive Search Firms (or its international equivalent). Additionally, the Nominations Committee ensures that Board appointment 'long list' provided in the search process are inclusive according to the widest definition of diversity.

Female directors currently represent 45 per cent of the Board of Directors and 63 per cent of the independent non-executive directors (including the Chairman). In addition to this, three of the four Board advisory committees are chaired by women and the Senior Independent Director position is occupied by a woman. From an ethnic diversity perspective, the IAG Board has met the UK Parker Review objective, to have 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. The committee has agreed to maintain its focus on diversity and inclusion as a priority for 2023. The Group has launched a new diversity and inclusion framework and strategy and the Group airlines have implemented a range of initiatives to support diversity and inclusion. In line with this, IAG has a target of 40 per cent women in senior executive positions by 2025. At the end of 2022, IAG had 34 per cent of women in senior leadership roles, up from 33 per cent in 2021.

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 externally facilitated, following internal reviews in 2020 and 2021.

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

Report of the Safety, Environment and Corporate Responsibility Committee

Dear Shareholder

On behalf of the Safety, Environment and Corporate Responsibility ('SECR') Committee, I am pleased to present the SECR Committee Report for the year ended December 31, 2022.

This report marks the first full year of the committee in operation under its new remit, and to ensure we were able to fully support the increased responsibilities of the committee, we held two extra sessions in addition to the four that were originally planned.

Under its new remit, this committee was established to support the Board by providing guidance and direction on IAG's sustainability and corporate responsibility ambitions. We are particularly delighted that IAG's leadership was recognised in December 2022 by the Carbon Disclosure Project (CDP) as the only European airline company (and one of only two globally) to receive an A grade in their annual rankings. These ratings analyse corporate transparency and action on climate change – requiring companies to demonstrate robust targets, reporting and action across all elements of their businesses. We are also proud to be the first airline group to include a dedicated sustainability category in our business accelerator programme.

We recognise that the issues we address within this committee are of great importance to many of our stakeholders, including those of our investors. In May 2022, IAG held a one-day event on ESG for investors and analysts in London, with online attendance provided too. This allowed us to set out a comprehensive overview of the Group's sustainability strategy, including our initiatives on sustainable aviation fuels and new technologies that are helping to decarbonise aviation, as well as our strategy regarding diversity and inclusion. This was the first ESG-specific event hosted by a major European airline.

A separate session of the commitee was also held during the year to review the supply chain sustainability programme, with a particular focus on understanding Scope 3 emissions. IAG was the first aviation group to extend its Net Zero commitment to 2050 to Scope 3 emissions, and to a 20 per cent reduction in net Scope 3 emissions by 2030. The review included the supplier engagement programme, which received an "A" rating within the CDP assessment in 2021, putting IAG in the top five per cent of companies who got a supplier engagement rating and one of only two airline groups globally. During this session, we also considered the external review of the Group's supply chain sustainability carried out by Ecovadis.

Finally, the committee continue its work monitoring the safety performance of IAG's airline companies, as well as the systems and resources dedicated to safety activities across the Group.

It is always important to highlight that safety and security responsibility lies with each Group airline in accordance with its applicable standards, its own culture and the circumstances and characteristics of each business. In accordance with this, IAG's SECR Committee exercises a high-level overview of safety activities to ensure a minimum Group standard, but importantly it fosters the Group homogenisation effort in safety reporting, the discussion of common issues and the sharing of best-practices between Group airlines.

As I mentioned in last year's report, 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. This was our first full year and therefore whilst we didn't have a formal review of the performance of the committee, we did fully discuss the work programme and agreed to continue to engage with external parties including those with expertise in the various components of our remit to continue to enhance our work. I am delighted with the progress that has been made in the past year and look forward to continuing our work in 2023.

Nicola Shaw
Safety, Environment and Corporate Responsibility Committee Chair

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

The Safety, Environment, and Corporate Responsibility Committee

The committee's composition, competencies and operating rules are regulated by article 33 of the Board Regulations as well as 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 with the majority of them being independent directors.

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

The committee's role and responsibilities

The committee's role is to support and advise the Board in matters relating to safety, environment and corporate responsibility. Responsibility for safety matters belongs to the Group's airlines. IAG, through this committee, has an overall view of each airline's safety performance and of any important issues that may affect the industry. The committee also has visibility of the Group airlines' resources and procedures. Responsibility for performing detailed and technical assessments remains with each airline, 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 2022, the committee held six meetings. Directors' attendance at these meetings is detailed in the Corporate Governance report.

Considering that this was the first full year of operation of this committee under its new remit, the committee decided to schedule two additional meetings to the four initially planned in order to reinforce its focus and support on environmental and corporate responsibility matters. In accordance with this at its first meeting in 2022, the committee confirmed its plan of activities and focused on the following during the year:

- safety reports of the Group airlines with regular reviews provided by each airline;
- review of requirements and safety procedures in relation to lithium batteries;
- overview of sustainability trends;
- Group sustainability strategy and policies review;
- Non-financial information statement and other sustainability reporting, including review of compliance and key metrics;
- Update on IAG ESG Day;
- supply chain programme review;
- Hangar 51 Planet programme review;
- ESG management incentives;
- environmental, social and reputational risk review;
- low carbon update, including sustainable aviation fuels and hydrogen projects;
- IAG waste strategy, performance indicators and benchmarking;
- stakeholder engagement review;
- regulatory updates, including update on 41st ICAO General Assembly, Diversity; Equity & Inclusion Policy review; and
- review of the annual update to the Group Modern Slavery Statement.

Safety

Key topics discussed for each airline under their regular safety review include information on safety risk management, safety culture, operational risks, occupational injury risks, as well as reported data on aircraft damage. In addition to this, the committee considered some specific topics, including the Group airlines preparatory work for the transition to new rules regarding Continuing Airworthiness Management Organisation (CAMO) or the existing framework and practices regarding lithium batteries.

As part of its ongoing activity, the committee reviewed the relevant areas of each operating company's performance across the Safety Risk Management activities, recognising and fostering cooperation and sharing of best practices among the Group airlines.

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 ETS consultation, the EU 'Fit for 55' and the UK 'Jet Zero Strategy' consultations.

The committee was also updated on the 41st ICAO General Assembly held in October 2022, which IAG actively supported through IATA and member states.

Hangar 51 sustainability programme

At its meeting held on March 29, the committee considered the sustainability projects within Hangar 51, the innovation platform of the Group, which include the different aerospace technologies being monitored and their potential sustainability impact. In addition to this, key initiatives to support and accelerate pathways for nascent climate technologies for aviation, were presented to the committee.

Supply chain programme

In 2022, the Committee considered sustainability matters linked to the Group supply change, including the review of IAG's annual Modern Slavery Statement, which was submitted for approval to the Board in July 2022. The meeting held in March included the review of the supply chain sustainability programme launched by IAG GBS to support the Group's vision to be the world's leading airline group on sustainability. The committee was updated on the assessment of the Group supply chain sustainability, including environment, labour and human rights, and ethics, being carried out with EcoVadis, a market-leading provider of business sustainability ratings. Additional detail is provided as part of the Stakeholder section.

Corporate responsibility policies

In 2022, the committee reviewed the IAG corporate responsibility model and policies framework, and approved a new Group Environmental Sustainability Policy as well as the Group Diversity, Equity and Inclusion Policy. Both policies are available on the IAG's corporate website.

The Environmental Sustainability Policy establishes in a public manner IAG's commitments and stated positions on material environmental issues, including the Group's nine strategic sustainability objectives and its climate, noise and waste targets. The Diversity, Equity and Inclusion Policy reaffirms and expands upon IAG's commitment to diversity and inclusion within IAG's purpose, including implementation measures and its scope and breach regime. 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 Equity' section of the sustainability report.

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. On December 13, 2022, IAG received an A grade in CDP's annual rankings.

The committee annual evaluation and priorities for 2023

The annual performance evaluation of the Board and its committees was externally facilitated, following internal reviews in 2020 and 2021. The evaluation concluded that the Committee operated effectively during the year. This was the first full year of the committee operating, and it had addressed the issues identified in the previous year's internal review with respect to the meeting schedule and restructuring of its plan of activities.

Following the discussion on the external review undertaken in 2022, the committee agreed its priorities for 2023 as well as a number of training initiatives for its members.

Report of the Audit and Compliance Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the 2022 report of the Audit and Compliance Committee, to provide you and other stakeholders with an overview of the role of the Committee, the key matters considered in 2022, as well as insight into how the Committee has discharged its responsibilities and provided assurance on the integrity of the 2022 Annual Report and Accounts (2022 ARA). This has included ensuring the 2022 ARA is aligned with the latest requirements and guidance from the regulators and that financial information published by the Group properly meets the rapidly evolving needs of our stakeholders in a way that is fair, balanced and understandable. In addition, the Committee's fundamental priorities include ensuring the quality and effectiveness of the external and internal audit processes and monitoring the identification and management of the principal risks of the business.

The rapid recovery in travel demand and capacity in 2022 as we emerged from the COVID-19 pandemic brought unique and different challenges for both the aviation industry and the Group. The Committee anticipated and responded to these throughout 2022 and continued to apply an increased level of focus to the effect of this situation on our people, operations, IT processes, controls and financial integrity. The rapidly evolving political and economic uncertainty arising from not only the lifting of COVID-19 related restrictions, but also the Ukrainian crisis and inflationary and recessionary pressures has resulted in constant reassessment of risk and strategy to ensure these have been adequately assessed and reflected by management in forecast, strategy, going concern and viability assessments. In addition, digital security is fundamental to recovery, as is improved digital and IT processes and systems to facilitate the recovery and evolvement of working practices and operational resilience.

Our great people have been the key to our ability to meet the significant recovery challenges. I would like to take this opportunity, on behalf of the Committee, to acknowledge and express our significant gratitude to management and all teams across the Group. We recognise recruiting and retaining the best people is more important than ever.

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

Throughout 2022, I have continued to enjoy unfettered access to the senior leadership and their key team members and I have maintained a dialogue with all members of the Committee, management and the internal auditor. I have met with 'agenda topic owners' prior to Committee meetings, ensuring the Committee would be provided with the necessary information to enable it to guide, challenge, advise and, when required, make informed decisions. I also met regularly with the lead partners of our external auditor, KPMG and the Head of Group Audit, as part of our ongoing review of the effectiveness of the external and internal auditors. In addition, other Committee members have joined me in meetings with finance team representatives and management, to fully utilise their specialist areas of expertise in the preparation for Committee meetings.

The Committee held seven formal meetings during 2022 (compared to ten in 2021). 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 management's efforts to recover and take advantage of the pent-up demand for travel 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. The intention of this report is to bring the activities of the Committee to life with relevant case studies to describe and demonstrate how the Committee reviewed and scrutinised the Group's financial results particularly in relation to the significant areas of discussion and challenge with management, the external auditor and internal auditor.

The Committee ensures the reliability of the Group's financial reporting, and compliance with laws and regulations, through the internal control framework, including the mature Group-wide Internal Control over Financial Reporting (ICFR) and risk management frameworks. During the year, the Committee took the opportunity to refresh its understanding of the key compliance obligations (not only legal and corporate governance compliance, but all key external compliance obligations) and the oversight and assurance provided by the first, second and third lines of defence in place across the Group. This will help to ensure the Board and management are well placed to adopt future governance requirements, including the Audit and Assurance Policy, taking into account any implementation guidance issued by the Financial Reporting Council in the UK.

I am confident that, throughout 2022, 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; ongoing compliance with all regulatory and legal obligations; and sound financial judgements and estimates continued to be made. The external evaluation of the Committee's effectiveness during 2022 supported this conclusion. The evaluation findings, which were shared with the Board, indicated that the Committee continued to perform very effectively and had addressed its key priorities and action plan for 2022. In addition, to address the findings of this year's evaluation, I implemented changes to the structure and operation of meetings to maximise time for question and challenge from the Committee members. These changes have been well received by both the Committee and management.

I hope that you find this report informative and can continue to take assurance from the work undertaken by the Committee during 2022 and planned for 2023. 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 2023.

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. A copy of these Regulations can be found on IAG's website.

The Committee's composition, competencies and attendance

Detailed biographies of all Committee members are included in this Annual Report. The Board is satisfied that the Committee has retained competence relevant to its overall responsibilities, including possessing a wide range of financial, audit, risk management and relevant sector and business experience amongst its members, providing the right mix of skills and experience to provide constructive challenge and support to management. Consistent with 2021, the Board has determined that Margaret Ewing and Maurice Lam have recent and relevant financial experience and the Board, through the Nominations Committee, will continue to review the Committee's membership to ensure the skills and experience of its members align with the business as it develops.

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

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

The Committee's responsibilities and activities

The Committee's principal responsibilities are to oversee and provide assurance to the Board on the integrity and quality of financial reporting, effectiveness of audit arrangements and robustness and effective operation of internal controls, compliance and risk management processes and fraud prevention and detection. The Committee meeting agendas are tailored to ensure emerging topics are included and to allow for ad hoc discussion and reviews. A summary of the Committee's activities relating to the 2022 Annual Report and Accounts and until the date of this report is detailed below.

Area of Committee focus	Activities
Financial reporting	• reviewing, challenging and considering the external auditor's views on significant accounting estimates, judgements and accounting policies applied in the financial statements of the Group and related reporting and disclosures; • reviewing the financial statements and announcements of the Group to ensure integrity; and • consideration of the process for confirming and recommending to the Board that the 2022 Annual Report and Accounts is fair, balanced and understandable.
External auditor	• 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	• oversight of the internal auditor focusing on the appropriateness of the internal audit skills and resourcing, approving the audit plan, reviewing audit results, monitoring implementation of audit recommendations and ensuring the independence of the internal audit team. Specific activities undertaken by the Committee with regard to internal audit are included in this report.
Internal Control over Financial Reporting (ICFR)	• 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 oversee 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	• 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 the Group has operated within (or agreed) risk appetite 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 operates; • 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 recovery in demand and significant volatility in fuel prices, and ensuring its continued appropriateness in managing these risks; and • overseeing tax risk management, in an environment of increased challenge, investigation and audit by tax authorities across the globe, and considering the tax strategy before recommending to the Board for approval and publishing on the IAG website.
Legal and compliance	• reviewing the Group's anti-bribery, sanctions, competition, privacy and Spanish Criminal Code compliance programmes including the latest related risk heat maps, regulatory developments, issues identified during the year, the key programme activities during 2022 and priorities for 2023; • reviewing, on behalf of the Board, the Group's independent third party-facilitated whistleblowing procedures and the annual report from the Group's General Counsel on: communication and awareness (plus trust in) the Group's whistleblowing facilities; incidents reported via the 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	• 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 and improvement plans.
Non-Financial Information	• 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 Group's strategy, financial statements and financial and cash flow forecasts.
Insurance	• 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	• 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; and • considering investors' and analysts' views (plus those of other external informed commentators) on the future outlook for the Group to ensure the scenarios and assumptions applied in the Group's viability review are not misaligned with external projections.
Governance and other matters	• reviewing and recommending to the Board the adoption of amendments to relevant policies; and • considering and planning for the implications for the Group 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 as the UK consultations progress towards implementation.

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 2022 Annual Report and Accounts.

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

The significant accounting judgements, estimates, accounting policies and issues considered by the Committee in relation to the Annual Report and Accounts for the year to December 31, 2022 (including those considered as significant audit issues by the external auditor and described in the Independent Auditor's Report) are set out in the table below. After robust further consideration, challenge and debate, there are no topics where the conclusion resulted in significant disagreement between management, the external auditor and the Committee, or unresolved issues that needed to be referred to the Board.

Matter	Action taken by the Committee and outcome/future actions
Viability and going concern assessments	Throughout the year and in finalising the 2022 Annual Report and Accounts the Committee has continued to consider and robustly challenge management's going concern review and viability assessment, including the supporting analysis. The Committee was reassured that management's assessment in 2022 continued the enhanced level of rigour applied in 2021, reflecting the continued and evolving volatility in the external environment. This included a review of critical estimation assumptions and judgements applied in relation to cash flow forecasts over the short, medium and long-term, including the implications of climate change where they impacted the reference period. Many of the assumptions and judgement are based on events outside of the Group's control including the political and economic influences such as the Russian invasion of Ukraine, volatile fuel prices and increasing inflation and interest rates. The Viability statement section of this Annual Report provides details of the Base Case and Downside Case applied in assessing the appropriateness of the Board's viability statement and application of the going concern basis of accounting. The Committee provided robust challenge of the assumptions applied in management's Base Case and Downside Case projections (ensuring that the Downside Case reflected appropriately severe but plausible assumptions) and reviewed the external auditor's findings and conclusions on this matter. The Committee also challenged management as to whether the continued used of the 'material uncertainty' statement in respect of going concern was appropriate for the 2022 half-year interim results given the level of recovery. As a result of this challenge, management removed the 'material uncertainty' statement in respect of going concern and viability for both the 2022 half-year interim results and 2022 Annual Report and Accounts. The Committee recommended the viability and going concern statements and related disclosures to the Board for inclusion in the 2022 half-year interim results announcement and the 2022 Annual Report and Accounts.
Investment in Air Europa	In July, the Committee considered the valuation and accounting of the €100 million convertible loan provided to Globalia including exstensive challenge of the valuation approach. Following this challenge and consideration of external advice from valuations experts, the Committee concluded that the approach adopted by management was acceptable. The Committee also considered management's accounting for the Group's 20 per cent investment in Air Europa following the conversion of the €100 million loan into a 20 per cent shareholding. Management recommended that the Group would account for the investment as an equity investment and not as an associate following its assessment that the Group does not have significant influence over Air Europa. The Committee agreed with management's recommendation and was satisfied that sufficient independent advice had been sought to assist in determining a fair value of the investment which included the use of both discounted cash flow models and multiples derived from recent airline M&A transactions.
Loyalty revenue recognition	The Committee focused on the impact of the recovery from the pandemic on the breakage and assumptions driving loyalty revenue recognition. Management concluded that a series of adjustments to the output from the statistical modelling were required to take into account the impact of the level of flight operations and redemption compared to pre-pandemic behaviour. These adjustments consider behavioural patterns of customers and the launch of certain key redemption products which are not yet reflected in the historical data used by the statistical model. The Committee is satisfied that the estimates relating to loyalty revenue recognition are appropriately supported by reasonable management assumptions and those of an independent expert third party and in particular appropriately reflect behavioural data. The Committee also considered the conclusions of the external auditor, who had identified loyalty revenue recognition as a Key Audit Matter.
Voucher revenue recognition	The Committee received an update on management's assumptions in relation to revenue recognition as a result of voucher breakage. Management's approach remains unchanged from December 31, 2021 and 2020, and the Group continues to not apply breakage to the overall voucher liability due to the limited historical data in relation to the vouchers that will expire before they are redeemed. The Committee agrees with management's assessment that breakage cannot be reliably estimated and that there will not be a significant reversal of revenue in future periods if breakage was recorded during 2022. The Committee also recognised that as vouchers begin to contractually expire in 2023 and management may possibly take action to encourage voucher holders to utilise their vouchers before they expire, the Group will have more data upon which to estimate and recognise breakage on unredeemed vouchers during 2023.
Impact of interest rates and inflation	The Committee considered management's updated approach to the accounting for the current market volatility of high interest and inflation rates. The Committee was satisfied with the enhancements made by management in the accounting for long-term provisions, including maintenance and employee liabilities, as well as the use of external experts to determine the discount rate to apply for impairment testing. The Committee agreed with the enhanced disclosures pertaining to the sensitivities to both interest and inflation rates for maintenance provisions included as a significant estimate in the Annual report and accounts.

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	The fraud risk profile of the Group evolved rapidly as the business recovered during 2022 including the impact of changing work practices, restructuring and level of business operations. The Committee reviewed management's report on the Group's fraud prevention framework, including the annual fraud risk assessment as well as the key controls and lines of defence in place to prevent and detect fraud. The Committee noted good alignment between the risk assessment, the assurance map, including lines of defence, and was satisfied that the approved internal audit plan covered the key financial reporting anti-fraud controls as well as audits targeted at specific fraud risk across the Group during this period. 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.
Interest rate and fuel hedging policy	The Committee reviewed management's approach to both interest rate and fuel hedging strategy in 2022 given the revisions that were made to the policies in 2021 as a result of COVID-19 related market volatility and the market recovery. The Committee agreed with management that the continuation of the revised fuel hedging policy was appropriate as it provided the necessary flexibility in terms of tenor, instrument selection and range of protection, to suitably manage the Group's fuel price risk as a result of the volatility arising from the war in Ukraine and the recovery from the pandemic. In addition, the Committee considered the Group's review of the Interest Rate Risk policies and agreed that no significant change was required given alignment of the policy with peers. The Committee will continue to oversee management's monitoring of the ongoing applicability of the policies as the recovery progresses.
CNMV Letter	In October 2022 the Company received a letter from the Director of the Departamento de Informes Financieros y Corporativos of the CNMV, requesting certain information and clarifications relating to accounting matters and disclosures in the Group's 2021 Annual Report and Accounts, 2022 condensed consolidated interim financial statements announcement and 2021 non-financial information statement. The Committee reviewed and concurred with management's responses, which amongst others, agreed to enhance the disclosures relating to the impact of climate change on the financial position of the Company. The CNMV has accepted IAG's response and proposals.
Corporate governance and audit reform	The Committee and management are closely monitoring developments and ongoing consultations with the UK Department for Business and Trade (BAT) and the UK's Financial Reporting Council (FRC) in relation to the UK Government's proposals released in May 2022 following on from the BAT open consultation in relation to the UK Government's white paper "Restoring trust in audit and corporate governance: proposals on reforms". During the year, the Committee took the opportunity to ask management to refresh the mapping of key laws, regulations and other external compliance obligations for the Group and each operating company to the first, second and third lines of defence in place across the Group to confirm the Committee's understanding and ensure we are well placed to adopt future governance requirements, including the proposed Audit and Assurance Policy. The Committee believes management is well placed to adopt the provisions once the requirements and guidance are finalised through the UK Corporate Governance Code and UK legislation and, in May 2023, will be reviewing the status of these reforms and management's and the Committee's plans to ensure full compliance in accordance with the regulatory and legal timetable.

Matter	Action taken by the Committee and outcome/future actions
Non-financial information and environment	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 has improved the communication and coordination with the IAG SECR Committee to ensure the correct level of focus on the integrity of the data, effectiveness of relevant controls, and balance of the narrative supporting each data point disclosed. During 2022, management has continued improving the processes and controls to obtain reliable data and, at the request of the Committee, two internal audits were performed over the improved controls on key sources of non-financial information. The Committee has requested that additional non-financial information process and control internal audits are undertaken in 2023, as well as gaining improved clarity on the sources of assurance and review of aspects of the Group's sustainability reporting provided by a range of external parties. In ensuring climate change and other matters related to ESG had been considered and disclosed by the Group, with supporting evidence and balance, the Committee continued to receive regular updates in relation to the statements on non-financial information and diversity (prepared in compliance with the requirements of Law 11/2018) as well as management's demonstration of close alignment with key sustainability frameworks, including TCFD. The Committee considered the financial modelling regarding the Group's various climate commitments and which of the underlying assumptions had been incorporated into financial reporting, as well as those that had been excluded. The Committee observed that for financial reporting purposes management has incorporated assumptions out to 2030, after which the modelling of assumptions and their interconnectivity becomes too uncertain to incorporate into the modelling, an approach which the Committee endorsed. The Committee also reviewed the enhanced disclosures relating to the impact of climate change on financial reporting and challenged the granularity of such disclosure. The Committee also considered the limited assurance reports from KPMG on the Group's non-financial information, including TCFD compliance and EU taxonomy.
Risk appetite framework	In 2021, the Committee challenged management as to the ongoing appropriateness of the approach adopted by the Board (supported by management) in setting the Group's risk appetite framework and tolerance. During 2022, in advance of consideration and approval by the Board, the Committee considered management's proposals for a more pertinent approach to determining the risk appetite framework (reflecting the operating environment for the Group, both current and over the next three years) and agreed with the implementation of a revised framework in 2023. The new framework will allow the tolerances to be set more dynamically across the business plan period and will also enable consideration of trade-offs to facilitate prioritisation of initiatives to manage opportunities and risk within the defined appetite tolerances. The Committee is satisfied that the new framework is aligned to the Group strategy approved by the Board in 2022 and recommended adoption of the new framework to the Board for approval. During 2023, the new risk appetite framework will be reviewed as part of the Board's annual strategy meeting to ensure continuing alignment between strategy and risk appetite.
Compliance	The Committee reviewed and approved a series of revised compliance policies including the Group Speak Up policy and the creation of a standalone Group Anti-bribery and Corruption policy. In addition, the Committee was very supportive of management's implementation of a new single Group-wide whistleblower system bringing benefits to the Group arising from a consistent system and process including the opportunity for improved consistent communication of the policy, process and system, revision of existing training programmes and the update of the IAG Code of Conduct and IAG Supplier Code of Conduct.
Class 1 Circular	The Committee oversaw management's preparation of the Fleet Class 1 circular (the circular) including the working capital statement and profit forecast in advance of the October 2022 Extraordinary Shareholders' Meeting to approve the proposed purchase of 50 Boeing 737 (with 100 additional options to purchase Boeing 737s) and 37 Airbus A320neo family aircraft. The Committee reviewed the circular in detail, received an in-depth briefing (including a detailed written report) from KPMG in their capacity as reporting accountants as well as management's assessment of working capital. The Committee was satisfied that management's assessment, including a downside case with sensitivities representing a plausible worst-case scenario, was sufficiently robust to support the working capital statements made in the circular.

The Committee will continue to receive regular updates on all the above matters in 2023, other than in respect of the Class 1 Circular which was only relevant to 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 is mature and well embedded across the Group covering processes applied by the Company, Aer Lingus, British Airways, IAG GBS, IAG Loyalty, Iberia and Vueling, and processes performed by IAG GBS and IAG Cargo on behalf of the operating companies. This enables the Committee to evaluate and oversee IAG's management of financial reporting risk and to validate the Group's approach to complying with the CNMV's ICFR recommendations.

In 2022, the Committee reviewed the results of the internal audits and external audit of ICFR (which included IT general controls). Despite the significant recovery in operating conditions in 2022, 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. The number of weaknesses with mitigating controls has marginally increased. The Committee were satisfied that these had no financial consequences on IAG.

Internal audit

The Committee's activities during 2022 in relation to the Internal Audit function included:

- reviewing and agreeing the internal audit 2022 plan and 2023 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 2022 plan (as the internal auditor responded to the impact of the recovery from the pandemic on the Group). This included ensuring the 2022 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;
- 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;
- performing an effectiveness survey with key stakeholders in December 2022; and
- monitoring internal audit's implementation of improvement opportunities identified in the 2021 independent effectiveness review conducted by Deloitte UK.

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

External audit

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

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

- review of KPMG's second year audit arrangements and plan and overseeing progress throughout 2022;
- approval of the 2022 external audit plan and strategy including consideration of scope, approach and methodology, emerging industry and Group-specific audit risks and materiality. Monitoring the audit plan's implementation, including receiving regular reports from KPMG progress against plan 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 voucher revenue recognition discussed in significant financial reporting matters.
- performing an assessment of the effectiveness and independence of KPMG, including the quality of the 2022 audit (throughout the year), implementation of improvement opportunities identified in the 2021 effectiveness assessment and reviewing and approving the fees and terms of reference; and
- reviewing and approving 2022 non-audit services expenditure against policy and previously determined limit guidance. Reviewing and approving non-audit services limit guidance and expectations for 2023.

External audit scope, materiality and execution

The Committee discussed and agreed the scope of the audit with KPMG in September, having earlier in the year approved the auditor's interim review plan and 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 interim financial statements for the six months to June 30, 2022 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 it intended performing on the identified higher-risk audit areas that could lead to material misstatement of the financial statements and significantly influenced the audit plan. The auditor and the Committee confirmed a shared understanding of these risks and key audit matters, including 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 99 per cent (2021: 96 per cent) of the Group's forecast revenue and 95 per cent (2021: 90 per cent) of the Group's forecast total assets would be subject to a full scope audit and that specific scope procedures would be performed on IAG Loyalty. The Committee agreed, after challenging the external auditor as to whether such a high level of coverage was required, that the approach was appropriate and should provide the Board with a high level of assurance regarding the integrity of the financial statements and subsequently approved the audit plan, recognising that the plan would evolve as the year concluded to reflect any changes in circumstances or outlook.

The Committee agreed with KPMG, in considering the accuracy of financial reporting, the scale of accounting errors of lesser significance that were to be brought to the Committee's attention and the amounts that would need to be adjusted so that the financial statements give a true and fair view. The Committee acknowledged KPMG's continuing challenge in setting materiality given the rapidly recovering business activity combined with the impact of the political and economic outlook on the Group's revenues and profitability. The Committee agreed with the increase in planning materiality based on the forecast results for 2022, which the Committee and the auditors kept under review during the final quarter of 2022 and the final stages of the 2022 audit.

External auditor quality and effectiveness

The Committee is very focused on audit quality and effectiveness, which is reviewed on an ongoing basis to ensure the rigour and challenge of the external audit process is maintained. The Committee received regular updates 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, including discussion and challenge during Committee meetings, compliance with relevant regulatory, ethical and professional guidance and assess, on an ongoing basis, the audit team's qualifications, expertise, resources, partner performance and the effectiveness of the audit process. The Committee's assessment included, in addition to its own independent assessment, a survey as well as detailed discussion with key executives and finance staff, which demonstrated that, while the 2022 external audit was deemed to be effective, robust and of good quality, the implementation of the plan was not as smooth as it could be and there were some areas identified for improvement which have been reported to the Lead Engagement Partner. The Committee's independent assessment considered the overall quality of the audit, including whether the auditor exhibited an appropriate level of challenge and scepticism in its work and dealings with management and the independence of KPMG.

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

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

- the Committee oversaw formal terms of engagement with the auditor and, after significant challenge by management as to the composition and quantum of the proposed fee increase, agreed the audit fee. KPMG assured the Committee that despite a significant increase compared to both the 2020 and 2021 fee, the approved 2022 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 scope and new ISA's including ISA315r;
- reports from the external auditor were reviewed during all Committee meetings in 2022 and again in the February 2023 Committee meeting, covering: the conclusions of the review of the Group's results for the half year; audit planning updates; interim audit findings (including those of the review of the relevant key IT general controls); progress update for year-end matters; and final report for year-end matters;
- KPMG attended all Committee meetings during the year 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 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; and
- the Committee also thanked Mark Baillache, the lead audit partner, for his valuable guidance of the external audit during the first two difficult years for KPMG as auditor and his determination to deliver a high quality audit, and wished him a good retirement.

External audit tender and transition

2021	2024	2025	2028/2029	2030
KPMG first year of audit following the appointment approved by shareholders in 2020 for 2021, 2022 and 2023 financial years	KPMG reappointment to be considered and approved by shareholders for year to December 31, 2024 and annually thereafter	Mandatory appointment of new external (KPMG) audit lead partner to sign off on the 2026 financial year	Competitive tender to take place (for application for the year to December 31, 2030) unless carried out earlier	To comply with the Spanish Act 22/2015, a competitive tender will be required for auditor appointment effective for the year to December 31, 2031

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

External auditor non-audit services and independence

Non-audit service spend in 2022 is within the total target maximum and was €862,000 with an additional €1,022,000 relating to work performed on a working capital and profit forecast review for the Class 1 Circular in connection with the fleet acquisition. The Committee concluded that KPMG is independent, taking into account the level and nature of non-audit services provided.

IAG non-audit services policy, key features

Pre-approval

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

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

Fee Cap

The guideline amount is set to ensure the total fee payable for non-audit services should not exceed 70 per cent of the annual audit fee.

The overall volume of work is addressed by a target annual maximum for 2022 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.

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

Prohibitions

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

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

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

Report of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present our 2022 Directors' Remuneration Report. This is my first report as Chair of IAG's Remuneration Committee, having succeeded Alberto Terol in June 2022. I would like to thank Alberto for his contribution during his time as Chair of the Committee and I am very much looking forward to serving you in this new role.

The aviation sector has faced unprecedented challenges in the last three years with the sector profoundly impacted by COVID-19 and resulting global travel restrictions, the economic uncertainty driven by the war in Ukraine, inflationary pressures and cost of living crisis have made 2022 another difficult year for the sector. Against this backdrop, IAG's return to profitability across all of the Company's airlines and the restoration of capacity to meet the steep ramp up in demand have demonstrated the strength of our businesses and the commitment and flexibility of all of our colleagues, for which I and the Committee are extremely grateful. Within this context, the Committee have sought to take a considered approach to remuneration decisions, balancing the broader experience of the workforce and especially those on lower pay, the experience of shareholders, and the need to continue to attract, retain and incentivise senior leaders in a dynamic and tight labour market.

Heather Ann McSharry
Remuneration Committee Chair

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

Performance delivered in 2022

This year we returned to profitability for the first time in three years and across all businesses across the Group and are making strong progress in returning to 2019 levels of performance and profitability. This is a significant achievement particularly given the continued economic uncertainty and challenges faced across the year including sector wide skills and resource shortages, inflationary pressures, responding to a number of IT issues and managing the impact of industrial action across the sector.

- Operating profit before exceptional items €1,225 million
- Capacity recovered to 78 per cent of 2019 levels and over 94 million passengers flown
- Passenger unit revenues higher than 2019, particulary in the second half of the year
- Significant progress towards 2025 carbon efficiency target as IAG continues to lead the industry on sustainability
- Confirmed acquisition of new more efficient shorthaul aircraft bringing long-term cost savings, lower carbon emissions and improved customer experience

Workforce experience

Our workforce continues to be at the centre of our recovery and our focus on their well-being is critical to the success of the Group. Committee members have led the Board's direct workforce engagement programme and made twelve visits to operating companies this year. The impact of the pandemic on our business and on colleagues, the ongoing cost of living challenges, and the sense of pride in the role colleagues have played in supporting the business with its recovery were the most common themes raised.

The Committee have received regular updates on workforce experience and in particular the steps the operating companies have taken to support colleagues both in terms of support with cost of living challenges, and their overall wellbeing. With respect to workforce remuneration, each operating company has sought to reach collective agreements which best support colleagues whilst ensuring the business and pay remains competitive. This has included one off payments and contractual pay increases throughout the Group (for example, £1,000 payment made to eligible IAG Loyalty employees and a one-off payment of €1,700 to eligible employees at Aer Lingus).

This year we have provided more detail on the wider workforce experience to demonstrate the Board's and this Committee's commitment tounderstanding the experience of colleagues and to show how we are using this insight to ensure all decisions regarding executive remuneration reflect the experience and expectations of allstakeholders. This can be found on page 61 of this report.

On behalf of the Committee, I would like to take this opportunity to thank our employees across the Group for their ongoing effort, flexibility and hard work which has been fundamental to our recovery.

2022 Remuneration outcomes for the Executive director

The remuneration outcomes for IAG CEO during 2022 reflect the strong recovery of the Group in a complex operating environment. The Committee sought to ensure remuneration outcomes fairly and competitively compensated the CEO whilst aligning with wider stakeholder experience.

Base salary

As disclosed in the 2021 Remuneration Report, the Committee deferred the review of the CEO's 2022 pay to the second half of 2022, to better understand the Group's recovery from the pandemic. Taking into account a number of factors the Committee decided not to adjust the CEO's base pay for 2022.

2022 annual incentive outcome

The annual bonus plan operated in line with our remuneration policy in 2022 and reflects the strong recovery of the Group in the year and the Group's return to profitability. This follows the decision by the CEO not to be considered for an annual Incentive award in 2021, and the decision by the Board to cancel the 2020 Annual Incentive Plan in its entirety in light of the impact of COVID-19.

The 2022 annual incentive measures were chosen to reflect the most important priorities of the Group for the year, with a focus on strong financial performance and delivering the best experience for our customers. The Committee also agreed to reintroduce a carbon efficiency annual incentive measure for 2022, given the return of more normalised flying schedules and passenger volumes and the strategic importance of ESG and sustainability to the Group. The annual bonus for 2022 was therefore based on: 60 per cent Operating profit before exceptional items, 20 per cent customer NPS, 10 per cent carbon efficiency and 10 per cent personal objectives.

Under those scorecard measures, the bonus outcome was 83.5 per cent of maximum 50 per cent of this bonus will be deferred into shares for three years. Full details of achievement against targets are provided on page 53.

2020 performance share plan vesting

The 2020 PSP award, our last award granted under the performance share plan before transitioning to the restricted share model in 2021, reached the end of its three-year performance period in December 2022. The targets for the 2020 PSP award were set prior to the onset of the COVID-19 pandemic and, as a result, all three measures (relative TSR, EPS and RoIC) fell short of the threshold level at which payments begin. Whilst the Committee recognised the significant progress made in recovering the business' profitability and performance, it did not feel it was appropriate to apply any discretion and the full 2020 PSP award, set at 200 per cent of salary, will therefore lapse in full.

Implementation of the policy in 2023

Base salary

The Committee takes a thoughtful approach to CEO's salary reviews, considering a wide range of factors including salary increases across the Group, shareholder and proxy agency views, the external environment and wider stakeholder experience. We have consistently shown restraint on salary increases in recent years, including implementing temporary salary reductions following the outbreak of COVID-19. As a result, there has been no change to the contractual salary for the CEO since he was appointed in September 2020 and 2022 was the first point at which the full contractual CEO salary of £820,000 was paid.

The Committee is acutely aware of the importance of ensuring that the salary level for the IAG CEO is competitive in the context of a dynamic talent market in the geographies in which the Group operates and competes for talent, and in this context undertook a comprehensive review of the external market and wider market remuneration trends, whilst also taking into account the experience of employees. The Committee approved a salary increase for the IAG CEO of 4 per cent effective from 1 January 2023. This is below the average increase for the the wider workforce, which is more than 6 per cent.

Annual incentive

In 2023, IAG will continue to face significant uncertainty and volatility driven by external factors, as it continues to grow and recover business performance. In this context, the Committee have sought to ensure that the annual incentive plan continues to align with business priorities and reflect the underlying performance of the business.

The Committee have decided that maximum annual incentive opportunity will remain at 200 per cent of salary for the IAG CEO in line with the policy, and targets will be based on financial, customer, and carbon efficiency together with personal and strategic objectives for the IAG CEO.

The targets for 2023 will be fully disclosed in next year's report.

Restricted share awards

As we continue our recovery, the Committee continues to believe that the restricted shares framework best ensures management focus on long-term sustainable performance and achieving our strategic goals, whilst aligning management experience with that of our shareholders.

In line with IAG's remuneration policy, a restricted share award of 150 per cent of salary will be granted to IAG CEO in 2023, the award will vest after three years subject to the satisfaction of the discretionary performance underpin and also be subject to a holding period of two years post vesting.

Shareholder engagement

I would like to take this opportunity to thank our shareholders for their support for our Directors' Remuneration Report and the amendment to our Directors' Remuneration Policy at the 2022 AGM. Although the Board was pleased to note the vote in support of the amendment, the Board acknowledges that a number of shareholders had concerns.

Following my appointment as Chair of the Remuneration Committee, I met with a number of our major shareholders and their representatives to seek their feedback and perspectives. The meetings provided valuable insight which I have fed back to the Remuneration Committee and which we have taken into account as we have determined remuneration outcomes in 2022 and set our approach for 2023, to ensure that our remuneration approach at IAG continues to align interests between our senior leaders and the Group's shareholders. We are not proposing any changes to our current Remuneration Policy and the Committee will seek to engage with shareholders in advance of presenting a new Directors' Remuneration Policy at the 2024 AGM in line with the normal three-year cycle.

This year the Remuneration Committee has again sought to take a balanced and responsible approach to executive pay, taking into account the experience of our employees, shareholders and key stakeholders in the period. I hope that our Director's Remuneration Report is clear in explaining how our policy has been implemented in 2022 and that it receives your support at our 2023 AGM.

Approved by the Board and signed on its behalf by

Heather Ann McSharry
Remuneration Committee Chair

Remuneration at a glance

IAG Chief Executive Officer

Pay Element	Purpose & Link to Strategy features	Outcomes for 2022	Implementation in 2023
Fixed Remuneration			
Base Salary	To attract and retain talent to help achieve our strategic objectives. Takes account of factors such as role, skills and contribution.	First year since appointment in 2020 receiving full contractual salary of £820,000 with no increase in 2021 and 2022 (10% reduction in 2021 and 20% reduction in 2020).	From January 1, 2023: £852,800 (€1,001,528) (an increase of 4 per cent from 2022). First increase since appointment in 2020 and below the average increase for the majority of the wider workforce, which is more than 6 per cent
Taxable Benefits & Pension related Benefits	Provides basic retirement and benefits which reflect local market practice.	Pension at 12.5 per cent of salary, comparable to the rate applicable to the majority of the UK workforce. Benefits provided as per policy.	Benefits to be provided as per policy and pension will remain unchanged.
Variable Remuneration			
Annual Incentive Plan	Incentivises annual corporate financial and non-financial performance and the delivery of role specific objectives. The deferred shares element aligns the interest of executives and shareholders and provides a retention tool.	For our 2022 bonus, our scorecard was weighted to the following measures: 60 per cent Operating Profit (pre-except.), 20 per cent customer NPS, 10 per cent carbon efficiency and 10 per cent personal objectives. Under those scorecard measures, the bonus outcome was 83.5 per cent of maximum, and thus the 2022 bonus amount of £ 1,369,000. 50 per cent deferred into shares for three years.	Maximum opportunity unchanged at 200 per cent of base salary.
Long-Term Incentive (RSP)	Incentivises long-term shareholder value creation, and retention.	The 2020 PSP award was the last award granted under the performance share plan before transitioning to the restricted share model in 2021. The targets for the 2020 PSP award were set prior to the onset of the COVID-19 pandemic and, as a result, all three measures (relative TSR, EPS and RoIC) fell short of the threshold level at which payments begin.	In line with IAG's remuneration policy, a restricted share award of 150 per cent of salary will be granted to the IAG CEO in 2023, the award will vest after three years subject to the satisfaction of the discretionary performance underpin and also be subject to a holding period of two years post vesting.
Shareholding Requirement	Provides long-term alignment with shareholders.	The CEO of IAG is required to build up and maintain a shareholding of 350 per cent of base salary.	No change to shareholding requirements. As at 31 December 2022 the IAG CEO had a shareholding of 484 per cent of base salary.
	Malus & Clawback provisions apply to Annual Incentive and Long-Term Incentive awards and the Committee has discretion to adjust formulaic outcomes to reflect corporate performance and broader stakeholders experience.		

2022 performance and pay outcomes summary

Business performance

Key strategic highlights

- Returned to profitability with the ability to be even better-placed to deliver our purpose
- Capacity recovered to 78% of 2019 levels
- Worked hard to transform our business, ensuring we are emerging stronger
- Continued to build a sustainable business

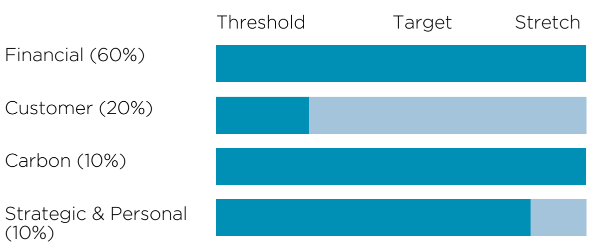
Key statistic

How we performed in 2022

- Operating profit before exceptional items € 1,225 m (€ 4,195 m vly)
- Net Debt €10,385 m and Total liquidity € 13,999 m (-€1 ,282 m and € 2,013 m vly)
- Net Promoter Score (NPS) 18.4 (-13.8 vly)
- Emissions intensity 83.5 gCO_2/pkm (-11.8% vly)
- SAF use (tonnes CO_2 saved) 30,332 tonnes

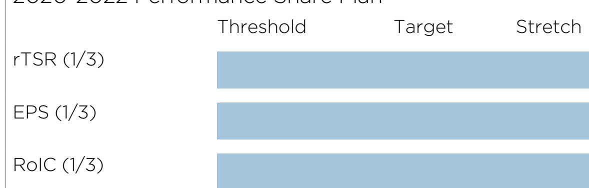
Performance outcomes

Annual Incentive Plan



First Annual Incentive Award since 2019.

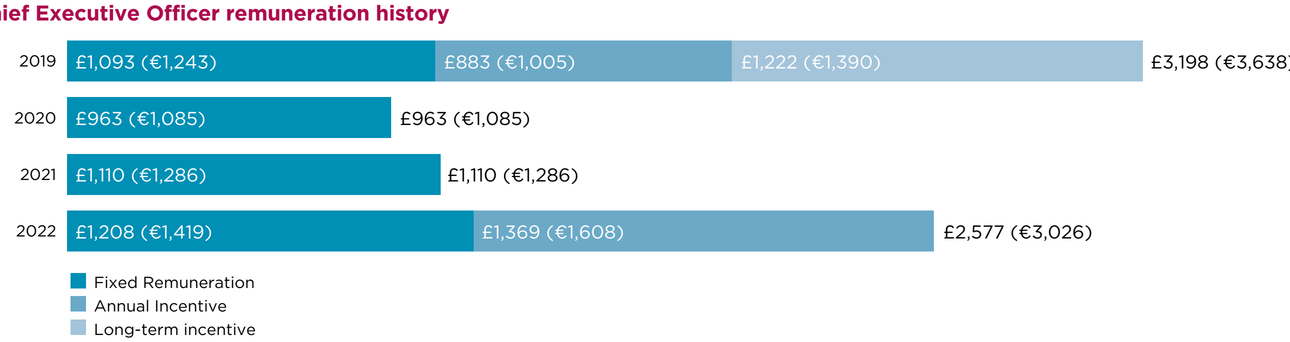
2020-2022 Performance Share Plan



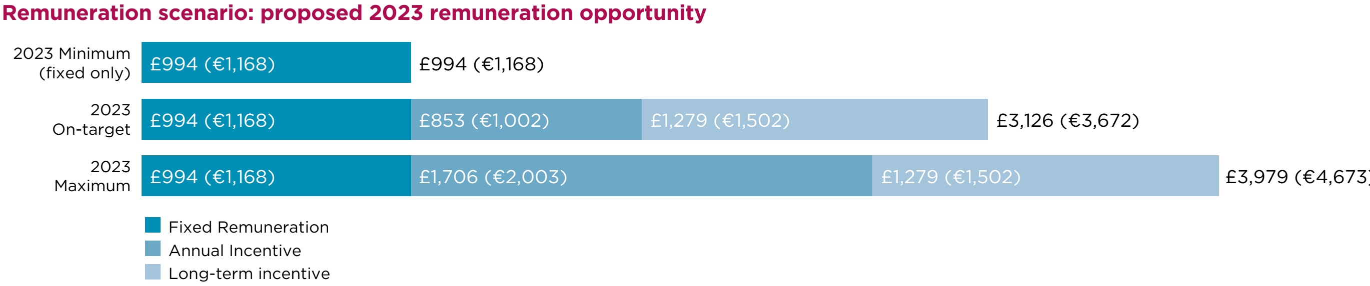
The targets for the 2020 PSP award were set prior to the onset of the COVID-19 pandemic and, as a result, all three measures (relative TSR, EPS and RoIC) fell short of the threshold level at which payments begin.

83.5%	-	83.5%	This is the third consecutive year of zero vesting of long-term incentives.	-	0%
Formulaic	Committee judgement no adjustments	Final Outcome (% of Maximum)		Committee judgement no adjustments	Final Outcome (% of Maximum)

IAG Chief Executive Officer remuneration history



Remuneration scenario: proposed 2023 remuneration opportunity



1 The scenarios illustrated above include: the minimum remuneration receivable (fixed only), the remuneration receivable if the director performs in line with the Company's expectations (on-target) and the maximum remuneration receivable achieving stretch targets (maximum).

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
Clarity Simplicity	Changes to the Policy 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 the PSP with the 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.
Risk	Our corporate governance structure provides for a crossover in Board Committee membership between the Remuneration Committee and the Audit and Compliance Committee. This ensures a joined-up view between emerging or crystallised risks and remuneration outcomes. 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.
Predictability	Our Policy identifies the maximum opportunity for each component of executive remuneration and also illustrates potential total remuneration outcomes in various performance scenarios. These disclosures provide transparency around overall opportunities.
Proportionality	Our executive remuneration performance measures, targets and 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.
Alignment to culture	The selection and balance of financial and non-financial measures for both short- and long-term incentives is designed to reinforce the values and behaviours that support the delivery of long-term sustainable returns to shareholders. In particular, the RSP, and high overall proportion of deferred executive pay, enable a focus on transformation and long-term success.

Remuneration report

Introduction

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

The Company's current policy on directors' remuneration was approved by shareholders at the Shareholders' Meeting held on June 17, 2021, and amended at the 2022 Shareholders' Meeting, 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 welcomed the opportunity provided by the Spanish CNMV allowing companies to prepare free-format reports. Therefore, for the fifth consecutive year, IAG is presenting a consolidated report responding to Spanish and UK disclosure requirements. This report will be accompanied by a duly completed document which is required by the CNMV covering some relevant data. This is prepared in accordance with Spanish legislation and is available on the Company's and the CNMV's respective websites.

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

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

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 reflects recent regulatory and corporate governance framework changes.

The Policy (including the amendment) is available on the company website which was approved by Shareholders on 16 June 2022 IAG – Directors Remuneration Policy (iairgroup.com).

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

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

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 16, 2022
Heather Ann McSharry	December 31, 2020	June 16, 2022
Giles Agutter	September 8, 2020	June 16, 2022
Peggy Bruzelius	December 31, 2020	June 16, 2022
Eva Castillo	December 31, 2020	June 16, 2022
Margaret Ewing	June 20, 2019	June 16, 2022
Maurice Lam	June 17, 2021	June 16, 2022
Robin Phillips	September 8, 2020	June 16, 2022
Emilio Saracho	June 16, 2016	June 16, 2022
Nicola Shaw	January 1, 2018	June 16, 2022

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 and amended at the Shareholders' Meeting held on June 16, 2022) was and will be implemented in 2022 and 2023, respectively.

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 occasionally considers remuneration matters related to managers and the broader workforce across the Group).

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

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

The Committee's activities during the year

In 2022, the Committee met eight times and discussed, amongst others, the following matters:

Meeting	Agenda items discussed
January	Proposal to amend the Remuneration Policy following the consultation with investors
	Review of the Board remuneration measures in the context of the COVID-19 pandemic
	2021 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 grants under the 2022 Executive Share Plan (ESP)
	Proposal from IAG CEO to not be considered for 2021 Annual Incentive Award
February (two meetings)	2021 Directors' Remuneration Policy amendment – final proposal
	Review of the 2021 Annual Incentive Outturn
	Approval of the 2022 Annual Incentive Plan
	Approval of the 2021 Directors' Remuneration Report
	Vesting outcome of the Performance Share Plan (PSP) 2019 award
May	Validated the report in relation to the proposal to amend the Directors' Remuneration Policy
	2022 Annual Incentive Plan update
	Approval of share awards for senior executives and delegation of authority for future awards
July (two meetings)	Review of market trends and feedback from investors after the 2022 AGM
	2022 Annual Incentive Plan update
	IAG CEO compensation benchmarking review
	Approval of additional 2022 RSP grant for IAG CEO
August	Approval of remuneration for a new Management Committee member
October	Market update on executive remuneration trends
	IAG CEO 2022 base salary review
	Workforce remuneration update
	2020 PSP outturn forecast
	Remuneration strategy for 2023

Advisors to the Committee

The Committee appointed Deloitte as its external advisor in September 2016. Deloitte reports directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2022 were £95,493 (€112,147), charged on a time and materials basis. Deloitte is a member of the Remuneration Consultants Group and a signatory to the voluntary UK Code of Conduct. As well as advising the Remuneration Committee, other Deloitte teams provided advisory services to other parts of the Group in 2022. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent.

In addition to Deloitte providing the Remuneration Committee with market updates on pay themes, the Committee also received market data and insights from other specialist consultants such as Aon, PwC and Willis Towers Watson in 2022.

Consideration of shareholders' views

I would like to take this opportunity to thank our shareholders for their support for our Directors' Remuneration Report and the amendment to our Directors' Remuneration Policy at the 2022 AGM. Although the Board was pleased to note the 81% vote in support of the amendment, the Board acknowledges that a number of shareholders had concerns. As a result, I met with a number of our major shareholders and their representatives in 2022 to seek their feedback and perspectives. The meetings provided valuable insight which I have fed back to the Remuneration Committee, as the Committee and I seek to ensure that our remuneration approach at IAG continues to align interests between our senior leaders and the Group's shareholders.

The Company will engage in an extensive investor consultation exercise whenever there are any significant changes to the Remuneration Policy being proposed.

Statement of voting

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

	Number of votes cast	For	Against	Abstentions
2021 Annual Directors' Remuneration Report	2,048,314,538 (100 per cent)	1,905,882,463 (93.05 per cent)	14,412,183 (0.70 per cent)	128,019,892 (6.25 per cent)
2022 Directors' Remuneration Policy Amendments	2,048,314,538 (100 per cent)	1,525,324,299 (74.47 per cent)	364,183,944 (17.78 per cent)	158,806,295 (7.75 per cent)
2021 Directors' Remuneration Policy	2,574,695,497 (100 per cent)	2,407,953,176 (93.53 per cent)	149,433,203 (5.80 per cent)	17,309,118 (0.67 per cent)

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 2022. An explanation of how the figures are calculated follows the table.

	CEO: Luis Gallego			
	£ '000[1]		€ '000[1]	
	2022	2021	**2022**	2021
Base Salary	**820**	738	**963**	855
Benefits	**285**	280	**334**	324
Pension	**103**	92	**121**	107
Total Fixed	**1,208**	1,110	**1,418**	1,286
Annual Incentive	**1,369**	0	**1,608**	0
Cash	**685**	0	**804**	0
Deferred into shares 3 years	**685**	0	**804**	0
Long-Term Incentive	**0**	0	**0**	0
Total Variable	**1,369**	0	**1,608**	0
Single Figure	**2,577**	**1,110**	**3,026**	**1,286**

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

Additional explanations in respect of the single total figure table for 2022

Only the current IAG CEO, Luis Gallego, served as an executive director in 2022. 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 2021, the IAG CEO served the full performance year as an executive director and had a COVID-19 related salary deduction of 10 per cent.

For 2022, with the Group emerging from the pandemic, and the CEO having voluntarily given up over £150,000 in salary and pension allowances since assuming the IAG CEO role, it was agreed to stop the IAG CEO salary reduction from January 1. 2022 marked the first point at which the IAG CEO has received full contractual salary of £820,000 since appointment, demonstrating the significant length of time pay reductions had been in place.

In our 2021 Directors' Remuneration Report, the Committee confirmed that the IAG CEO's salary review would be deferred to the second half of 2022 to enable the Committee to better understand the Group's recovery from the pandemic. Taking into account a number of factors the Committee decided not to adjust the CEO's base pay for 2022.

Taxable benefits

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

As disclosed in our 2021 Director's remuneration report, from January 2021 until December 2022 the Executive Director has been eligible for a transitionary allowance of £250,000 p.a. (gross), to reflect that as a result of his role as IAG CEO he and his family now live in the UK. This allowance has provided a two-year fixed period of transitionary support and has considered 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 transitionary allowance is not included in the calculation of any pension, incentive or other benefit values. Payment of the transitionary allowance ceased in December 2022.

Pension-related benefits

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

Annual Incentive Plan

For our 2022 bonus, our scorecard was weighted to the following measures: 60 per cent Operating Profit (pre-except.), 20 per cent customer NPS, 10 per cent carbon efficiency and 10 per cent personal objectives.

Under those scorecard measures, the bonus outcome was 83.5 per cent of maximum.The outcomes of the performance conditions which determined the award are described in detail in the page 53.

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

For 2021, 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, therefore no annual incentives had been awarded to the IAG CEO for 2020 and 2021.

Long-term incentive vesting

This relates to the IAG 2020 PSP award based on performance measured to December 31, 2022. The targets for the 2020 PSP award were set prior to the onset of the COVID-19 pandemic and, as a result, all three measures (relative TSR, EPS and RoIC) fell short of the threshold level at which payments begin. Whilst the Committee recognised the significant progress made in recovering the business' profitability and performance, it did not feel it was appropriate to apply any discretion and the full 2020 PSP award, set at 200% of salary, will therefore lapse in full.

This is the third consecutive year of zero vesting of long-term incentives.

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 2020 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, 2022 the Company paid life insurance premium contributions of €14,493 (2021: €13,464).

Exchange rate for 2022

For the year to December 31, 2022, €:£ exchange rate applied is 1.1744 (2021: 1.1587).

Variable pay outcomes

2022 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 the Group for the year to deliver long-term sustainable returns. For 2022, the Board at the beginning of the year, following a recommendation by the Committee, set the following measures:

Weighting	KPI	Description
60% Financial	IAG Operating profit (before exceptional items)	In 2021 we used a cash-based measure for the financial element of the annual incentive in order to support the protection of cash position during the pandemic. For 2022 it was considered Operating Profit was the most appropriate financial KPI in aligning shareholder interest with the Company
20% Customer	Group Net Promoter Score (NPS)	NPS is used to gauge the loyalty of the Group's customer relationships. It is calculated based on survey responses to the likelihood to recommend, by subtracting the percentage of customers who are 'Detractors' from the percentage of customers who are 'Promoters'
10% IAG-specific carbon efficiency measure	Group Grammes of CO_2 per passenger kilometre (gCO_2/pKm)	With the return of more normalised flight and passenger volumes, we have reinstated a carbon efficiency measure, to further drive progress towards our Flightpath Net Zero 2050 commitment. This has measured the fuel efficiency of our flight operations, taking account of our network, aircraft mix and passenger load factors
10% Strategic and personal	Recover capacity	Ensure IAG is able to operate a full flying schedule as market restrictions ease
	Recover profitability	Ensuring IAG delivers improved profitability and drives operating margin improvements as market restrictions ease
	Transform IAG	Define and implement key projects which transform cost, customer experience and culture
	Growth in shareholder value	Define medium term strategic plan that creates shareholder value, strengthen's IAG position in key markets and improves IAG's capital position
	Procurement	Leverage Group's scale to drive right long term strategic partnerships and supplier value
	People	Build culture and capability to underpin the Group's long term success, ensuring IAG can attract, retain and engage diverse talent
	Sustainability	Enable IAG to lead aviation industry on sustainability, and secure access to alternative fuels to support net zero ambitions
	Government affairs	Work with Governments, industry associations, and other stakeholders to ensure the right foundations are in place to enable IAG to deliver its strategic goals

Under the policy, the IAG CEO has a maximum annual incentive opportunity of 200 per cent of contractual salary. The below table details the approved 2022 performance measures and the Board's assessment of both company and individual IAG CEO performance:

Category		Measure type	Weighting	Threshold At which payments begin (20% pay-out)	Target (50% pay-out)	Stretch Max pay-out (100% pay-out)	Performance delivered	Payout % of maximum for each measure	Weighted Payout %	CEO incentive outcome (£'000)
Financial measures	FY 2022	Operating profit before exceptional items (€m)	60 per cent	319	637	956	1,225	100%	60%	£984

Description of performance

During 2022 the Group was able to substantially restore its capacity by the end of the year, having operated a significantly reduced schedule in 2020 and 2021 due to the impact of the COVID-19 pandemic. As capacity was increasingly restored through the year the operating result improved, with the third quarter, which includes the airlines' summer peak seasons, approaching levels of profitability seen in 2019. Fuel prices were significantly higher than in both the previous year and 2019 and the airline sector also experienced high supplier price inflation. Due to the strong demand, passenger unit revenues also rose above those in 2019, thus allowing the airlines to recover a substantial portion of the fuel price increase and other cost inflation. The net results was an operating profit before exceptional items for the year of €1,225 million, versus a target of €637million.

Customer	FY 2022	NPS	20 per cent	17.5	23.3	29.1	18.4	25%	5%	£82

Description of performance

The outcome for 2022 was 18.4 vs a FY target of 23.3.The quick ramp up of air travel demand, a lack of staff to manage these volumes at airports as well as in some of our airlines, and operational issues impacted negatively our NPS. To mitigate this impact our airlines reduced their schedules to increase stability, undertook a vast recruitment process and re-trained colleagues to support where necessary. Positive impacts to our NPS came from enhancements to our customer proposition, particularly on our catering and on-board experience.

Carbon	FY 2022	gCO_2/pKm	10 per cent	91.1	88.8	83.6	83.5	100%	10%	£164

Description of performance

The outcome for 2022 was 83.5 vs a FY target of 88.8. IAG is targeting net zero emissions by 2050 across its Scope 1, 2, and 3 emissions. IAG's interim targets are an 11 per cent improvement in fuel efficiency 2019-2025, a 20 per cent drop in net Scope 1 and 3 emissions 2019-30, and 10 per cent SAF in 2030.

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

Strategic and personal objectives		As described in the table in the previous page	10 per cent	Low (0% to 40%)	Good to High (45% to 65%)	Exceptional (70% to 100%)	Exceptional	85%	8.5%	£139

Description of performance

The IAG CEO has led the group to profitability for the first time in three years and in ensuring the Group returns to 2019 levels of performance and profitability, with a clear plan and delivery against key transformation initiatives. This is a significant achievement particularly given the continued economic uncertainty and challenges faced across the year. The IAG CEO has also driven progress across the ESG agenda, increasing diversity and bench-strength of IAG's senior leadership and making significant progress towards its 2025 carbon efficiency target.

Total			**100 per cent**						**83.5%**	**£1,369**

Half of the overall outcome of the annual incentive detailed above is payable in deferred shares in the Company vesting after three years (under the Executive Share Plan).

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

Formulaic Score Outcome	**Remuneration Committee judgement**
83.5%	–
per cent of Maximum	No adjustment

Final scorecard outcome as per cent of Maximum	83.5%
	X
Maximum bonus opportunity (per cent of base pay)	200%
	X
Base pay (£'000)	£820
	=
2022 Annual Incentive Award (£'000 shown in single figure table)	£ 1,369 € 1,608

IAG Performance Share Plan (PSP) award 2020

The IAG PSP award granted on March 6, 2020 was tested at the end of the performance period which began on January 1, 2020 and ended on December 31, 2022. 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 STOXX Europe 600 Travel & Leisure 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 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 2020)
TSR performance compared to the TSR performance of the STOXX Europe 600 Travel & Leisure Index 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: -65.36 per cent Underperformed the index by 45 per cent	0 per cent
Adjusted EPS. Measure is adjusted EPS in final year of the performance period, i.e. 2022 EPS (one-third weighting)	2022 EPS of 140 €cents (10 per cent vests)	2022 EPS between 140 €cents and 180 €cents (straight line vesting between threshold and maximum)	2022 EPS of 180 €cents (100 per cent vests)	5.6 €cents per share	0 per cent
RoIC. Measure is RoIC in final year of the performance period, i.e. 2022 RoIC (one-third weighting)	2022 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	2022 RoIC of 16 per cent (100 per cent vests)	4.6 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 2020 PSP award.

Scheme interests awarded during the financial year 2022 Restricted Share Plan (RSP)

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

A three-year vesting period and further two-year holding period applies to RSP awards for executive directors, with vesting being dependent upon a satisfactory review of the discretionary underpin by the Remuneration Committee. 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 2022, the Board of Directors of IAG proposed to amend the Directors' Remuneration Policy to increase the maximum opportunity under the Restricted Share Plan from 100 per cent of salary to 150 per cent of salary in respect of any financial year. The amendment was proposed to place more emphasis on the IAG CEO's remuneration package on sustained long-term performance and further align his long-term interests with our shareholders.

This amendment to the 2021 Directors' Remuneration Policy was proposed for the following reasons:

- To ensure the Group is able to offer the IAG Chief Executive a fair and proportionate long-term incentive opportunity, reflective of the complexity of the Group, its strategy, and one that adequately recognises ongoing external challenges.
- To provide a more commensurate RSP opportunity in light of the growing opportunities for talent in the external market. The IAG 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 the United States has been faster than the United Kingdom, with the opportunity gap to the United States 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 the Group faces in retaining its top talent essential to the Group's transformation, as well as the important role that fair and competitive remuneration plays in this.
- It is in IAG and its shareholders' best interests to ensure the Group's ability to retain talent within the Group and, in particular, the current IAG CEO. The current environment amplifies the need for the IAG CEO's skills, capabilities and deep aviation experience.

Over the past year, the Remuneration Committee has consulted extensively with IAG's largest shareholders, proxy advisors and shareholder representative organisations on the proposed amendment to the Directors' Remuneration Policy.

The Policy amendments were approved at the 2022 Shareholders' meeting held on June 16, 2022, and and as a result the IAG CEO was granted an additional award under the RSP so that his total award opportunity in respect of financial year 2022 was 150 per cent of salary.

Details of 2022 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	IAG CEO (Luis Gallego) – 150 per cent of base salary
Date of grant	100 per cent March 21, 2022 Additional 50 per cent October 28, 2022 • The additional award was granted after shareholders' approval and was made on the same terms as if it had been granted at the normal time in March 2022. This meant, notwithstanding the fall in share price since the March award, the IAG CEO did not benefit from "windfall gains" in relation to the additional award.
Grant price	£1.41
Vesting period	Three years: March 21, 2022 to March 20, 2025
Holding period	Two years: March 21, 2025 to March 20, 2027
Discretionary underpin description	No performance measures are associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted. In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures 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, 2022 to December 31, 2022). He received cash in lieu of contributions of £102,500. This value is equivalent to 12.5 per cent of base salary paid during the performance period and is comparable to the rate for the majority of the UK workforce.

Statement of directors' shareholding and share interests

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

Under the Group's shareholding guidelines, the IAG CEO is required to build up and maintain a shareholding of 350 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.

CEO, Luis Gallego	Policy requirement	3.5 times salary
	Actual	4.84 times salary (1,192,376 shares)

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

The table below summarises current executive directors' interests as of December 31, 2022:

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	231,589	0	43,206	1,192,376 (484 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.

IAG CEO remuneration history

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

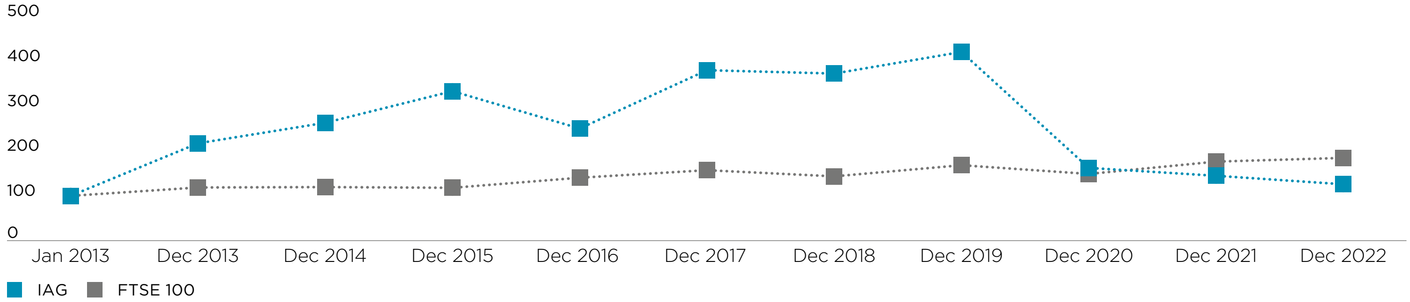
		IAG CEO – total single figure of remuneration	Annual incentive payment as a percentage of the maximum	Long-term incentive vesting as a percentage of the maximum
2013	Willie Walsh	£4,971,000	78.75 per cent of maximum	100 per cent of maximum
2014		£6,390,000	97.78 per cent of maximum	85.00 per cent of maximum
2015		£6,455,000	80.00 per cent of maximum	100.00 per cent of maximum
2016		£2,462,000	33.33 per cent of maximum	50.00 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	£662,000	No annual incentive payment	Zero vesting of long-term incentives
	Luis Gallego	£301,000	No annual incentive payment	Zero vesting of long-term incentives
2021	Luis Gallego	£1,110,000	No annual incentive payment	Zero vesting of long-term incentives
2022		£2,577,000	83.5 per cent of maximum	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.

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

The chart below shows the value by December 31, 2022 of a hypothetical £100 invested in IAG shares on listing compared with the value of £100 invested in the FTSE 100 index over the same period. The other points plotted are the values at intervening financial year-ends. A spot share price has been taken on the date of listing, and a three-month average has been taken prior to the year ends.

The FTSE 100 was selected because it is a broad equity index of which the Company is a constituent, and the index is widely recognised.



Non-executive directors

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

Role	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

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.

The fees in the table are the contractual rates and have remained the same since 2011. There are no proposed increases to non-executive director fees for 2023.

Single total figure of remuneration for each non-executive director

The fees shown in the following table reflect that for 2022, with the Group emerging from the pandemic, it was agreed from January 1, 2022 to stop the 10 per cent reduction applied to all fee types in 2021, and revert to contractual rates (shown in the table above).

Director (€'000)	2022 fees	2022 taxable benefits	Total for year to December 31, 2022	2021 fees	2021 taxable benefits	Total for year to December 31, 2021
Javier Ferrán[1]	645	5	650	573	4	577
Heather Ann McSharry[2]	147	6	153	108	0	108
Giles Agutter	120	0	120	108	4	112
Peggy Bruzelius	120	0	120	108	0	108
Eva Castillo	120	2	122	108	0	108
Margaret Ewing	140	3	143	126	0	126
Maurice Lam[3]	120	12	132	58	2	60
Robin Phillips	120	4	124	108	0	108
Emilio Saracho	120	11	131	108	7	115
Nicola Shaw	140	12	152	123	0	123
Alberto Terol[4]	79	17	96	153	9	162
Antonio Vázquez[5]	-	-	-	11	7	18
Total (€'000)	**1,871**	**72**	**1,943**	**1,692**	**33**	**1,725**

1 Javier Ferrán was appointed Chairman on Antonio Vázquez's retirement on January 7, 2021 and his January 2021 fees reflected a blend of non-executive director and chair fees.
2 Heather Ann McSharry was appointed Senior Independent Director and Remuneration Committee Chair in June 2022.
3 Maurice Lam joined the Board on June 17, 2021 and his fees and taxable benefits in 2021 reflect a part year of service.
4 Alberto Terol stepped down from the Board in June 2022 and his fees reflect a part year of service.
5 Antonio Vázquez retired from the Board during 2021 and received no fees in 2022.

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, 2022, €:£ exchange rate applied is 1.1744 (2021: 1.1587).

Directors' interests in shares

	Total shares and voting rights	Percentage of capital
Javier Ferrán	774,750	0.016
Luis Gallego	891,590	0.018
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	**1,745,000**	**0.035**

There have been no changes to the shareholdings set out above between December 31, 2022 and the date of this report.

Payments to past directors

Travel benefits were received during 2022 by the following former Board members:

Former Board Member	Value
Antonio Vázquez	€8,000
Patrick Cescau	€24,000
Maria Fernanda Mejía	€15,000
Deborah Kerr	€7,000
Baroness Kingsmill	€24,000
Kieran Poynter	€9,000
Dame Marjorie Scardino	€17,000
James Lawrence	€8,000

Wider workforce In 2022

A key area of focus for the Committee over 2022 has been understanding the broader workforce experience in light of the current economic environment and cost-of-living crisis and supporting our wider workforce.

Workforce experience highlights

- Within IAG's unique operating model, employee reward is owned and managed within each operating company, to enable them to deliver the right customer and employee experience.
- Our employees have been central to our recovery and key to delivering for our customers. Operating companies continue to support our people through these challenging times and ensure our pay models are sustainable, fair and aligned to the Operating company's competitiveness.
- 89 per cent of employees are subject to collective bargaining agreements with 32 collective bargaining agreements across the Group, many of them reviewed in 2022.
- The Committee have received regular updates on workforce experience and in particular the steps the operating companies have taken to support colleagues both in terms of support with cost of living challenges, and their overall wellbeing. With respect to workforce remuneration, each operating company has sought to reach collective agreements which best support colleagues whilst ensuring the business and pay remains competitive. This has included one off payments and contractual pay increases throughout the Group (for example, £1,000 payment made to eligible IAG Loyalty employees and a one-off payment of €1,700 to eligible employees at Aer Lingus).
- During the COVID-19 pandemic a range of interventions were implemented to support colleagues, including the extensive use of job retention schemes to protect jobs and pay, with operating companies contributing an additional c.£150 million to top-up payments from government schemes.

Engaging with employees

- Board members also regularly engage with representative employee groups. There were twelve visits across the operating companies during 2022. The key themes from the engagement were shared with the Board in order to understand colleague experiences and to identify any areas for improvement. Further explanations of the Board engagement with employees is set out in the 'Stakehoholders engagement' section of the Corporate Governance report.

Gender pay

- Operating companies have implemented a range of initiatives to support gender equality including reviewing its recruitment processes to ensure diverse shortlists and interview panels, setting up mentoring and networking opportunities to women and providing educational programmes for girls and young women considering career paths in aviation. As markets re-opened and travel restriction eased, airlines built the capacity to meet increasing demands for travel. This included recruiting around 17,400 new colleagues across the Group, with the majority of new hires in Cabin Crew and Airport Operations. This changing resource profile has resulted at IAG group level, in a year-on-year reduction in the salary gap from 25% in 2021 to 12.6% in 2022.

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

Alignment of Executive Director and workforce remuneration

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

	IAG CEO	Below board level
Base Salary	2022 was the first year since appointment in 2020 receiving full contractual salary with no salary increases for 2021 or 2022 (10% reduction in 2021 and 20% reduction in 2020 following the outbreak of the pandemic). Salary increases as a percentage of salary are normally aligned with, or lower than, those of the wider workforce.	89 per cent of our employees are subject to collective bargaining agreements (CBA). Many of them were reviewed over the course of 2022, with the aim to create a stronger link to market alignment and to future business performance and to ensure that pay is both competitive and sustainable. Salary increase budgets for employees are determined by each operating company for each country. Salary increases reflect position against market, performance, skills, contribution and development in role. If we compare the 2022 base salary increases of the IAG CEO against the UK workforce in 2022, of the circa 22,000 employees present in both 2021 and 2022, the median salary increase awarded was 8 per cent of contractual base salary.
Taxable Benefits	Benefit packages are broadly aligned with those of other employees who joined in the same country at the same time.	Benefits are set by operating companies at a competitive level and are appropriate given local market practice.
Pension	Pension contribution of 12.5 per cent of salary in line with the rate applicable to the majority of the workforce in the country in which is based.	Pension arrangements reflect local market practices and requirements.
Annual Incentive Awards	The maximum opportunity in the incentive plan is 200 per cent of salary. 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 (e.g., customer and an IAG-specific carbon efficiency measure, to further drive progress towards our Flightpath Net Zero 2050 commitment). 50 per cent of any bonus earned is deferred into shares for three years For 2021, 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, therefore no annual incentives had been awarded to the IAG CEO for 2020 and 2021.	For eligible employees Incentive plans were in place against objectives designed to focus on financial, customers, carbon efficiency and personal. Opportunities vary by role and outturns and payments against these plans were managed at a local level.
Long-term Incentives	Maximum restricted share plan opportunity of 150 per cent of base salary and subject to the satisfaction of performance underpins. Awards are subject to a three-year vesting period followed by a two-year holding period.	Restricted share awards granted to senior managers across the Group to incentivise long-term shareholder value creation. Also by exception, identified talent may participate where we believe the individual will achieve promotion to a senior management grade within the next 12-18 months, and whereby an award of long-term incentives is deemed critical to retention.

CEO pay ratio

The following table sets out IAG's CEO pay ratio figures from 2019 to 2022.

Year	CEO single figure (£'000)	Method[1]	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	**2,577**	**Option A**	**59:1**	**45:1**	**29:1**
2021	1,110	Option A	29:1	21:1	14:1
2020	963	Option A	34:1	23:1	15:1
2019	3,198	Option A	109:1	72:1	49:1

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

Year	UK employee pay	25th percentile pay	Median pay	75th percentile pay
	Basic salary (£'000)	**27.7**	**40.9**	**62.4**
2022[2]	**Total remuneration (£'000)**	**43.4**	**57.1**	**90.5**
	Basic salary (£'000)	26.9	39.7	60.6
2021[3]	Total remuneration (£'000)	38.6	53.4	80.7
	Basic salary (£'000)	17.2	28.6	45.2
2020[4]	Total remuneration (£'000)	28.4	42.8	63.9
	Basic salary (£'000)	20.1	32.3	46.5
2019	Total remuneration (£'000)	29.4	44.2	64.7

1 The ratio continues to be calculated on the most statistically accurate basis, Option A. UK employee pay is based on the payroll records of 36,474 employees who were in the Group for the whole of or some of 2022.
2 To ensure the accuracy of these calculations, earnings data were collected directly from the UK payroll on a month-by-month basis. Any variable incentive elements in respect of 2022, payable to employees later in 2023, are modelled on an employee-by-employee basis against agreed frameworks. This approach enables fair and accurate comparison to the IAG CEO 2022 single total figure of remuneration.
3 To provide a fair and representative view to all remuneration received by UK employees, the 2021 basic salary and total remuneration figures include statutory and company top-up furlough payments. With the UK furlough scheme having ended in September 2021, this consideration is not relevant for 2022.
4 The 2020 UK employee remuneration figures excluded all types of furlough payment and were representative of earnings for time worked but were not representative of the full level of pay received by employees and their actual remuneration experience.

The reduction in the ratio from 2019 demonstrates the continuing impact of the pandemic and is an accurate reflection of the contraction in IAG CEO's pay, with current IAG CEO's remuneration being around 81 per cent of 2019 levels.

The increase in the UK employee remuneration in 2022 reflects:

- Across our operating companies we have put in place a number of programmes to support our people through the current economic uncertainty.
- Payments made to managers under the 2022 annual incentive plan.
- Changes to the size and composition of the UK workforce between years, with pay for 29,744 employees being reported for 2021 and 36,474 for 2022.

The change in IAG CEO remuneration between 2021 and 2022, is due to:

- 2022 first year since appointment in 2020 receiving full contractual salary (with no increase in 2021 and 2022, 10% reduction in 2021 and 20% reduction in 2020).
- As the Group emerges stronger from the pandemic, 2022 was the first year since 2019 that the IAG CEO received an Annual incentive award.

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's long-term variable incentive 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.

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 2020 to 2022.

	2021 to 2022			2020 to 2021			2019 to 2020		
Director (€'000)	**Salary or fees value change from 2021 to 2022**[1]	**Taxable benefits value change from 2021 to 2022**	**Annual incentive value change from 2021 to 2022**	Salary or fees value change from 2020 to 2021[1]	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[2]	13%	3%	100%	269%	315%	0%	–	–	–
Javier Ferrán[3]	13%	25%		436%	0%		67%	100%	
Heather Ann McSharry[4,6]	36%	100%		–	–		–	–	
Giles Agutter[5]	11%	(100%)		260%	100%		–	–	
Peggy Bruzelius[6]	11%	0%		–	–		–	–	
Eva Castillo[6]	11%	100%		–	–		–	–	
Margaret Ewing	11%	100%		18%	(100%)		67%	300%	
Maurice Lam[7]	107%	500%		–	–		–	–	
Robin Phillips[5]	11%	100%		260%	0%		–	–	
Emilio Saracho	11%	57%		6%	17%		(15%)	(67%)	
Nicola Shaw	14%	100%		21%	(100%)		(15%)	(94)	
Alberto Terol[8]	(48%)	89%		20%	(100%)		(6%)	(62%)	
All UK employees[9,10]	**3%**	**0%**	**78%**	**39%**	**0%**	**131%**	**(11%)**	**0%**	

1 The comparison of fees for all directors in respect of 2020 and 2021, reflects a 20 per cent COVID-19 related reduction operated between April 1, 2020 and December 31, 2020 and a 10 per cent reduction operated for the full year in 2021.
2 Luis Gallego: 2022 first year since appointment in 2020 receiving full contractual salary with no increase in 2021 and 2022 (10% reduction in 2021 and 20% reduction in 2020), and as the Group emerges stronger from the pandemic, 2022 was the first year since 2019 that the IAG CEO received an Annual incentive award. The comparison of 2020 vs 2021 reflects a part year of remuneration in 2020 versus a full year in 2021.
3 The uplift in fees for Javier Ferrán between 2020 and 2021 reflects his role as a non-executive director in 2020 and his assumption of the role of the Chairman from January 7, 2021, for the remainder of the reporting period.
4 The uplift in fees for Heather Ann between 2022 and 2021 reflect her appointment as Senior Independent Director and Remuneration Committee Chair since June 2022.
5 The comparison of 2020 vs 2021 remuneration for Luis Gallego, Giles Agutter and Robin Phillips reflects a part year of director service and remuneration in 2020 versus a full year of director service and remuneration in 2021.
6 Eva Castillo, Heather Ann McSharry, and Peggy Bruzelius were appointed as directors on December 31, 2020, but received no remuneration for 2020.
7 Maurice Lam the comparison of 2021 vs 2022 reflects a part year of director service in 2021 versus a full year in 2022.
8 Alberto Terol stepped down from the Board in June 2022 and his fees reflect a part year of service.
9 The All UK Employee 2021 and 2022 salary medians underlying the 3 per cent uplift in median salary are taken from UK employee earnings published in the 2022 CEO pay ratio section.
10 The reported change in the median value of all UK employee annual incentives from 2021 to 2022 (79 per cent) reflects the strong recovery of the Group in the year and the Group's return to profitability (against the distribution of considerably reduced award values in previous years).

Relative importance of spend on pay

The table below shows, for 2022 and 2021, total remuneration costs, adjusted operating profit/(loss) and dividends for the Company.

	2022	2021
Total employee costs, IAG[1]	**€ 4,647,000,000**	€ 3,031,000,000
Total remuneration, directors (including non-executive directors)	**€ 4,969,000**	€ 3,011,000
IAG operating profit/(loss), excluding exceptional items	**€ 1,225,000,000**	€ (2,970,000,000)
Dividend declared	**-**	–
Dividend proposed	**-**	–

1 Total employee costs are before exceptional items.

Implementation of Remuneration Policy for 2023

The table below shows how the Remuneration Policy approved by shareholders at the 2021 Shareholders' Meeting, and amended at the Shareholders' Meeting in 2022, will be implemented in 2023, alongside a summary of key features:

Pay element	Purpose and link to strategy	Operation of element	Implementation in 2023
Executive directors			
Base salary	To attract and retain talent to help achieve our strategic objectives. Takes account of factors such as role, skills and contribution.	The positioning of base salaries is set with reference to factors such as the external market, as well as the individual's skills and contribution. Basic salaries are reviewed annually, and normally take effect on January 1 each year.	From January 1, 2023: £852,800 (€1,001,528) (an increase of 4 per cent from 2022). First increase since appointment in 2020 and below the average increase for the majority of the wider workforce, which is more than 6 per cent.
Annual Incentive Plan	Annual Incentive award incentivises annual corporate financial and non-financial performance and the delivery of role-specific objectives. The deferred shares element aligns the interest of executives and shareholders and provides a retention tool.	The Board, on a recommendation from the Remuneration Committee, sets the financial and non-financial targets that apply to the Annual Incentive Plan. 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. 50 per cent of the awards under the Annual Incentive Plan is deferred into shares vesting in three years. Malus and clawback provisions apply.	The maximum opportunity in the incentive plan is 200 per cent of salary. 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 (e.g., customer and an IAG-specific carbon efficiency measure, to further drive progress towards our Flightpath Net Zero 2050 commitment).

Pay element	Purpose and link to strategy	Operation of element	Implementation in 2023
Restricted Share Plan	Incentivises long-term shareholder value creation, and retention.	No performance measures are associated with the awards. Vesting will be contingent on continuous employment and on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted. Malus and clawback provisions apply.	In line with IAG's remuneration policy, a restricted share award of 150 per cent of salary will be granted to the IAG CEO in 2023, the award will vest after three years subject to the satisfaction of the discretionary performance underpin and also be subject to a holding period of two years post vesting. Ensuring a fair and proportionate long-term incentive opportunity, aligned with both external market and relative positioning of the IAG CEO's total compensation compared to that of his executive team.
Shareholding Requirement	Provides long-term alignment with shareholders.	Build and maintain a shareholding of 350 per cent of basic salary. Post-cessation shareholding requirements for two years.	No change to shareholding requirements. As at 31 December 2022 the CEO of IAG had a shareholding of 484 per cent of basic salary.
Taxable benefits and pension-related benefits	Provides basic retirement and benefits which reflect local market practice.	Pension contribution will be in line with the rate applicable to the majority of the workforce in the country in which it is based. Taxable benefits include the provision of a company car, a fuel allowance and private health insurances.	Benefits to be provided as per policy and pension will remain unchanged. The IAG CEO's eligibility to the transitionary allowance has ceased at the end of 2022.
Non-executive directors			
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 were last reviewed in 2017 and remain unchanged for 2023. The fees have remained the same since 2011.

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, 2022:

Director	Date of grant	Number of options at January 1, 2022	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, 2022
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
	March 8, 2019	245,114	–	–	245,114	–	lapsed		0
	March 6, 2020	538,805	–	–	–	–	1/1/2025	31/12/2029	538,805
Total nil-cost options over ordinary shares		**1,187,666**	**–**	**–**	**245,114**	**–**			**942,552**

The award granted on March 8, 2019 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 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 PSP awards was 2020: 459 pence; 2019: 567 pence; 2017: 546 pence; 2016: 541 pence; and 2015: 550 pence.

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

Director	Date of grant	Number of conditional shares granted	Vesting date	Shares lapsed at vesting due to underpin	Holding period expiry date	Number of unvested conditional shares at December 31, 2022	Number of vested conditional shares at December 31, 2022
Luis Gallego	June 23, 2021	414,954	June 23, 2024	–	June 23, 2026	414,954	–
	March 21, 2022	581,907	March 21, 2025	–	March 21, 2027	581,907	–
	October 28, 2022	290,953	March 21, 2025	-	March 21, 2027	290,953	-
Total conditional share awards (RSP)		**1,287,814**				**1,287,814**	

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 RSP awards was 2022: 141 pence (2021: 198 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 Executive Share Plan. Under this plan, incentive award shares are deferred for three years from date of grant. The following table details the current Executive Director's holdings of conditional awards over ordinary shares of the Company granted under the IAG IADP. Awards are shown for the performance periods ended December 31, 2018 and December 31, 2019.

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

The impact of not making IADP grants to the IAG CEO for two years in succession has been 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, 2022	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, 2022
Luis Gallego	2018	March 8, 2019	74,576	74,576	March 8, 2022	–	–	-
	2019	March 6, 2020	81,520	–	March 6, 2023	–	–	81,520
Total			**156,096**	**74,576**		**–**	**–**	**81,520**

1 For the perfomance period ended December 31, 2022 the award is expected to be made March 2023.

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; and 2019 award: 567 pence.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2019 IADP award (relating to the 2018 performance year) was 567 pence. The share price on the date of the vesting of this award (March 21, 2022) was 140 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.

Managing risk to protect the business and support delivery of sustainable change

Agility in Enterprise Risk Management (ERM)

The Group's ERM framework continues to adapt and evolve to the needs of the business and our stakeholders. This allows the Group and its businesses to both respond to changes in the external risk environment and support the pace and scale of business transformation to achieve sustainable change.

In the year, the Group has reviewed the macroeconomic and geopolitical landscape to identify emerging risks and implications for existing principal risks as well as competition and market risk changes, particularly those that could impact operational resilience. By continuing to develop the Group's assessment of the interdependencies of risks; scenario planning to quantify risk impact under different combinations and assumptions; and considering the risks within the Group's risk environment that have increased either as a result of the external factors or as a result of decisions made by the Group, its Board and management are better informed and can react more quickly. Where further action has been required the Board has considered potential mitigations and, where appropriate or feasible, the Group has implemented or confirmed plans that would address those risks or retain them within the Board's determined Group risk appetite.

New guidance from regulators and investors is reviewed on an ongoing basis and best practice sought from other risk management sources.

Emerging risks and longer-term threats

Consideration is given to emerging risks and longer-term threats that the Group or the industry could face. Where emerging risks are identified, they are within the overall risk framework as "on watch" until they are re-assessed to be no longer a potential threat to the business or where an assessment of the risk impact over the next two or three years can be made, and appropriate mitigations can be put in place or the risk becomes a principal risk. Other high-impact, low-likelihood risks are also considered and discussed.

ERM policy and framework

The Group Enterprise Risk Framework is set out in the ERM policy, which has been approved by the Board. The comprehensive risk management process and methodology ensures a robust identification and assessment of the risks facing the Group, including emerging risks. The risk management framework is embedded across all of the Group's businesses. Enterprise risks are defined as any risk that could impact the three-year Strategic Business Plan ("the plan"). They are assessed and if the impact is above a threshold, plotted on an enterprise risk heat map, based on probability and impact. Consideration is given to changes in the speed of potential impact. Risks are also considered in combining events where a number of risks could occur together. This process is led by the Management Committee supported by the ERM function.

The Group considers risks to the plan over the short-term up to two years, also medium-term from three to five years and in the longer-term beyond five years.

Risk outcomes are quantified as the potential cash impact to the plan over two years. Non-financial considerations include the Group's sustainability commitments, potential for increased regulatory scrutiny, as well as damage to customer and employee trust impacting the Group's brand and share price.

Key controls and mitigations are documented, including appropriate response plans. Where risk treatments require time to implement, short-term mitigations are assessed and the timeline to risk mitigation and consequent risk acceptance discussed and agreed. Every principal risk has clear Management Committee oversight.

Risk heat maps for each operating company and central functions are also reviewed by their operating company's management committee or function leadership team.

Where the Group's operating companies have a reliance on other parts of the Group for services delivery, risks are reflected appropriately across risk heat maps to ensure accountability is clear.

The ERM function also works with other compliance and Group functions, such as Government Affairs, Investor Relations, Legal and Sustainability, leveraging their frameworks and assessments where appropriate.

At the Group level, key risks from the operating companies, together with Group-wide risks, are maintained in a Group risk heat map.

Risk appetite

IAG has a risk appetite framework which includes statements informing the business, either qualitatively or quantitatively, of the Board's appetite for certain risks. Each risk appetite statement applies either on a Group-wide basis or for specific programmes, initiatives or activity within the Group. The framework has continued to operate throughout the year, with the Board assessing its appetite across all of the framework statements at the half year and year end against the Group's performance and its anticipated delivery of the Board-approved strategic business plan priorities and initiatives. The Board is satisfied that the Group continued to perform and deliver initiatives throughout 2022 as planned to mitigate risk as set out in its framework statements or necessary additional mitigations to risks have been addressed as they occurred.

The appetite framework has been subject to review and a new framework will be implemented in 2023. This will allow the setting of tolerances more dynamically across the business plan period. The framework will also allow consideration of trade offs to allow appropriate prioritisation of initiatives to seek opportunities and manage risk within the defined appetite tolerances. The new framework is aligned to the Group strategy approved by the Board in 2022 which sets the level of ambition and investment across the business plan period.

Viability assessment

The Board's assessment of the viability of the Group is directly informed by the outputs of the ERM framework. Full details of our approach, scenarios modelled and the viability assessment are shown at the end of this report.

Risk management roles and responsibilities

Risk owners and management

Across the Group, risk owners are responsible for identifying potential risks and appropriately managing decisions within their area of responsibility that could impact business operations and delivery of the plan.

As the Group undertakes transformation activities within its operating companies, the pace and agility of the changes required creates risks and opportunities. For transformational risks, business owners are assigned, and the business will agree appropriate mitigations and timelines for implementation, following discussions with all relevant stakeholders.

Emerging risks are assessed and risk owners consider and identify any potential impact to plans. Longer-term 'on watch' risks are subject to review as part of the framework.

Management is responsible for the effective operation of the internal controls and execution of the agreed risk mitigation plans.

Operating companies' management committees

Operating companies review risk during the year including risk heat map reviews semi-annually, in advance of the Group risk heat map reviews.

They escalate risks that have a Group impact or require Group consideration in line with the Group ERM framework.

They confirm to their operating company board and audit committees, where they have them, as to the identification, quantification and management of risks within their operating company at least annually.

Local risk heat maps are in place for subsidiary businesses, together with Group support platforms including Group Business Services and IAG Tech.

IAG Management Committee

The IAG Management Committee reviews risk during the year, including the Group risk heat map semi-annually in advance of reviews by the Audit and Compliance Committee, in accordance with the 2018 UK Corporate Governance Code and the Spanish Good Governance Code for Listed Companies.

The IAG Management Committee reviews the performance of the Group at half year and full year against the risk appetite framework and reports any near tolerance or out of tolerance assessments to the Audit and Compliance Committee.

The Management Committee recommends scenarios for stressing the strategic business plan as part of the annual Group viability assessment.

IAG Board and Audit and Compliance Committee

The IAG Board has overall responsibility for ensuring that the Group has an appropriate, robust and effective risk management framework, including the determination of the nature and extent of risk it is willing to take to achieve its strategic objectives.

The IAG Audit and Compliance Committee discusses risk and considers the risk environment regularly throughout the year, as does the IAG Board as part of wider Board discussions, in addition to the IAG Audit and Compliance Committee's bi-annual risk heat map review, including a review of the assessment of the Group's performance against its risk appetite, scenarios for assessment of viability and the outputs from the viability modelling. The Audit and Compliance Committee has early sight of management consideration of scenarios to enable it to challenge subjectivities and confirm rationale. It then reviews the outputs at year end and makes recommendations on the viability assessment and statement to the Board.

The IAG Board reviews the Group's risk heatmap annually and it has completed a robust assessment of the Group's emerging and principal risks in the year.

Enterprise Risk Management function

The Enterprise Risk Management function provides support across the Group to ensure risk management processes are appropriately embedded and applied consistently, as well as working with management to identify risk, challenge assessments and strengthen the risk culture across the Group. The function provides enterprise risk management guidance and shares best practice across the Group and its operating companies, keeping them informed of any risk-related regulatory developments. The function is responsible for ensuring that the Enterprise Risk Management framework remains agile and responsive to meet the needs of the business and its stakeholders.

Year in review

The highly regulated and commercially competitive environment, together with the businesses' operational complexity, expose the Group to a number of risks.

The Group's exposure to the external risk environment and the weaknesses in the resilience of the aviation sector's supply chain and inflation impacts, combined with an ambitious transformation and change agenda has required assessment of how risks are evolving and responding to mitigating actions.

With the return of operations as markets have re-opened, the Group has reviewed macroeconomic and geopolitical events to identify emerging risks and implications for existing principal risks.

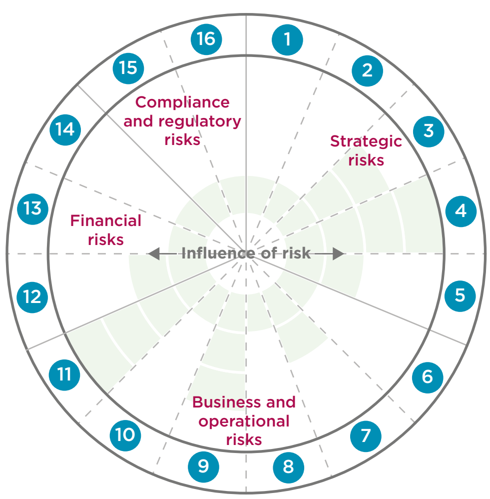
The Group has also considered operational resilience, competition and market risk changes, the status of the financial markets and access to finance, people and culture across the Group and customer satisfaction and trust. Macroeconomic uncertainty and impacts on inflation, interest and exchange rates have been reflected in the principal risk assessments. Management remains focused on mitigating these risks at all levels in the business and investing to increase resilience whilst recognising that such risk events may not be so easily planned for and that mitigations are more responsive in nature.

Business responses implemented by management and that effectively mitigate or reduce the risk are reflected in the Group's latest business plan and related risk scenarios.

No new principal risks were identified through the risk discussions in the year. One risk has been reconsidered as part of the reviews and has been reframed as 'Operational resilience' from 'Event causing significant network disruption' to recognise that the risk to the operational resilience of the business may be challenged by multiple combining events with significant network and customer impact and these may be more significant to the Group where they persist over a longer timeframe compared to one-off events.

Principal risks influence

The relative level of influence each principal risk has on the other principal risks



Principal risk radar

The assessed likelihood of risk materialisation for each principal risk

Key

Stakeholder impact

Customers

Employees

Suppliers

Governments and regulators

Shareholder, lenders and other financial stakeholders

Link to principal risk

Strategic priorities

1 2 3

Risk trend

Increase

Stable

Decrease

Considered in viability assessment scenarios

V 1 2 3 4

Principal risk	Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
Strategic					
1 **Brand and customer trust** Chief Strategy Officer	1 2 3		=	↓	2
2 **Competitive landscape** Chief Strategy Officer	1 2 3		=	↑	1 2
3 **Critical third parties in the supply chain** Chief Transformation Officer	1 2 3		↑	↑	2
4 **Economic, political and regulatory environment** Chief Strategy Officer/Chief People, Corporate Affairs & Sustainability Officer	1 2 3		=	=	1
5 **Sustainable aviation** Chief People, Corporate Affairs and Sustainability Officer	1 2 3		↑	↑	2 4
Business and operational					
6 **Cyber attack and data security** Group CIO	1 2 3		=	=	3
7 **IT systems and IT infrastructure** Group CIO/Chief Transformation Officer	1 2 3		=	↑	3
8 **Operational resilience** Chief Strategy Officer/Operating company CEOs	1 2 3		↑	=	1 2 3
9 **People, culture and employee relations** Chief People, Corporate Affairs and Sustainability Officer/Operating company CEOs	1 2 3		=	↑	2
10 **Safety or security incident** Operating company CEOs	1 2 3		=	=	
11 **Transformation and change** Chief Transformation Officer	1 2 3		=	NEW	2
Financial risk including tax					
12 **Debt funding** Chief Financial Officer	1 2 3		=	=	1
13 **Financial and treasury-related risk** Chief Financial Officer	1 2 3		=	=	1
14 **Tax** Chief Financial Officer	1 2 3		=	=	
Compliance and regulatory					
15 **Group governance structure** General Counsel	1 2 3		=	=	
16 **Non-compliance with key regulation and laws** General Counsel	1 2 3		=	=	

Principal risk register

Risks are grouped into four categories: strategic, business and operational, financial including tax and treasury, compliance and regulatory risks.

Guidance is provided below on the key risks that may threaten the Group's business model, future performance, solvency and liquidity.

Where there are particular circumstances that mean that the risk is more likely to materialise, those circumstances are described below.

Additional key business responses implemented by management are also set out.

The list is not intended to be exhaustive but does reflect those risks that the Board and Management Committee believe to be the most likely to have a potential material impact on the Group.

Strategic

1 Brand and customer trust

Chief Strategy Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1, 2, 3				V

Status The Group's ability to attract and secure bookings, and generate revenue depends on customers' perception and affinity with the Group airlines' brands and their associated reputation for customer service and value. The Group airlines' brands are, and will continue to be, vulnerable to adverse publicity regarding events impacting service and operations. Reliability, including on-time performance, is a key element of the brands and of each customer's experience. Where customers have been impacted as a result of operational resilience issues in the year, all airlines have worked directly with their customers to resolve the issues and ensure, where possible, that customers have been able to complete their travel plans. IAG remains focused on strengthening its customer-centricity to ensure that its operating companies continue to adapt and focus their business models to meet changing customer expectations and needs. Customer sentiment to travel and their expectations when they travel are intrinsic to brand health. The resilience and engagement of our people as customer service ambassadors to deliver excellent customer service is critical to retaining brand and customer trust.

Risk description

Erosion of the brand and customer trust through poor customer service or lack of reliability in operations, may adversely impact the Group's leadership position with customers and ultimately affect future revenue and profitability.

If the Group is unable to meet the expectations of its customers and does not engage effectively to maintain their emotional attachment, then the Group may face brand erosion and loss of market share.

Failure to meet customer expectations on sustainability and the Group's impact on stakeholders and society could impact the Group and its brands.

Strategic relevance

- The Group's brands are positioned in their respective markets to meet their customer propositions and deliver commercial value. Any change in engagement or travel preferences could impact the financial performance of the Group.
- IAG will continue to focus on its customer propositions to ensure competitiveness in its chosen priority customer demand spaces and to ensure that it adapts to meet changing customer expectations.
- The Group is clear on the key levers to improve brand perception and satisfaction for each of its operating company brands.

Mitigations

- All IAG airlines are considered within the brand portfolio review.
- Brand initiatives for each operating company have been identified and are aligned to the plan.
- Product investment to enhance the customer experience supports the brand propositions and is provided for in the plan.
- All airlines track and report to IAG on their Net Promoter Score (NPS) to measure customer satisfaction.
- IAG Customer Steering Group meets monthly and shares initiatives.
- Hygiene and travel protocols have been implemented across the Group's airlines to address regulatory requirements resulting from the COVID-19 pandemic.
- Enhanced disruption management tools within airlines to allow customers to manage their travel preferences.
- Enhanced flexibility in airline booking policies.
- Increased focus on the end-to-end customer journey from flight search through to arrival and baggage reclaim.
- The Group's global loyalty strategy builds customer loyalty within IAG airlines.
- The Group's focus on sustainability and sustainable aviation including the IAG Climate Change strategy to meet the target of net zero carbon emissions by 2050.
- Robust portfolio process to determine the right investments across the Group.
- The Group's CIO and Chief Transformation Officer are members of the IAG Management Committee.
- Additional focus on customer feedback.

Strategic

2 Competitive landscape

Chief Strategy Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3		=	↑	v

Status The recovery of demand in the year has seen a significant return of capacity into the market. The distortionary effects of the governmental support and aviation-specific state aid measures on the competitive landscape, including those provided in response to the COVID-19 pandemic, continue to be assessed. The Group is investing in new fleet and products to maintain its competitive position in the markets in which its airlines operate.

IAG acquired 20 per cent of Air Europa by converting its convertible loan in August 2022 and has agreed the acquisition of the remaining 80 per cent as at February 23, 2023, subject to relevant regulatory approvals.

See Financial review section

The Group continues to lobby over the negative impacts of government policies on aviation or policy asymmetry, such as increases in Air Passenger Duty (APD).

Risk description

Competitor capacity growth in excess of demand growth could materially impact margins.

Any failure of a joint business or a joint business partner could adversely impact the Group's airline business operations and financial performance.

Some of the markets in which the Group operates remain regulated by governments, in some instances controlling capacity and/or restricting market entry. Changes in such restrictions may have a negative impact on margins.

Strategic relevance

- The markets in which the Group operates are highly competitive. The Group faces direct competition on its routes, as well as from indirect flights, charter services and other modes of transport. Some competitors have other competitive advantages such as government support or benefits from insolvency protection.
- Regulation of the airline industry covers many of the Group's activities including route flying rights, airport landing rights, departure taxes, security and environmental controls. The Group's ability to comply with and influence changes to regulations is key to maintaining operational and financial performance.

Mitigations

- The IAG Management Committee meets weekly and undertakes regular operating company-specific reviews.
- The Board discusses strategy throughout the year and dedicates two days per year to undertake a detailed review of the Group's strategic plans.
- The Group strategy function supports the Management Committee by identifying where resources can be devoted to exploit opportunities and accelerate change.
- The airlines' revenue management departments and systems optimise market share and yield through pricing and inventory management activity. Additional processes and reviews have allowed daily and weekly route analysis as required to respond to the rapidly changing environment resulting from government actions.
- The Group maintains rigorous cost control and targeted investment to remain competitive. The Group Procurement function reviews all critical contracts.
- The Group's airlines are focused on customer-centricity and operational resilience.
- The portfolio of brands provides flexibility as capacity can be deployed at short notice as needed.
- The IAG Management Committee regularly reviews market share and the commercial performance of joint business agreements.
- The Group's airlines review their relationships with business partners supported where appropriate by the Group strategy function.
- The Group's Government Affairs function monitors government initiatives, represents the Group's interest and forecasts likely changes to laws and regulations.

Strategic

3 Critical third parties in the supply chain

Chief Transformation Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	2021	Viability scenario
1 2 3		↑	↑	V

Status The aviation sector has been affected by global supply chain disruption which has impacted aircraft deliveries, component availability, resource availability and/or threat of employee industrial action in critical third parties and airport services such as Border Force. It has also been impacted by the high inflationary environment driving additional costs. Operational staffing shortages at hubs and airports have required capacity adjustments, including managing the impact on British Airways' customers and operations of the decision by Heathrow Airport to cap passenger numbers during the summer of 2022. The Group proactively assessed its schedules to ensure our customers had sufficient notice of any changes to their flight plans wherever possible and within our airlines' control. Learnings from the summer disruptions were identified and actions to improve resilience have been implemented. The Group continues to work with all critical suppliers to understand any potential disruption within their supply chains from either a shortage of available resource or production delays which could delay the availability of new fleet, engines or critical goods or services, in some places. This has led to increased costs to secure such services. Additional focus was placed on key suppliers given the inflationary environment impacting wages and costs of goods, to understand any business or operational continuity impacts.

The Group continues to lobby and raise awareness of the negative impacts of air traffic control (ATC) airspace restrictions and performance issues on the aviation sector and economies across Europe, particularly with the capacity recovery and continued closure of Russian airspace. The Group relies on the provision of airport infrastructure and is dependent on the timely delivery of appropriate facilities. The Group continues to challenge unreasonable levels of increases in airport charges, especially at London Heathrow.

Risk description

IAG is dependent on the timely entry of new aircraft and the engine performance of aircraft to improve operational efficiency and resilience and meet the commitments of the Group sustainability programme.

IAG is dependent on the timely, on-budget delivery of infrastructure changes, particularly at key airports.

IAG is dependent on resilience within the operations of ATC services to ensure that its flight operations are delivered as scheduled.

IAG is dependent on the performance and costs of critical third-party suppliers that provide services to our customers and the Group such as airport operators, border control and caterers. Increases in costs or where suppliers face ongoing financial stress or restructuring where they exit the market for supply of services may impact the Group's operations.

IAG is dependent on the availability and production of alternative fuels to meet its carbon commitments. This may require investments in infrastructure in the markets in which the Group operates.

Strategic relevance

- Any sub-optimal service delivery or asset supplied by a critical supplier can impact on the Group airlines' operational and financial performance as well as disrupting our customers and impacting our brand and reputation.
- Infrastructure decisions or changes in policy by governments, regulators or other entities could impact operations but are outside the Group's control.
- London Heathrow has no spare runway capacity.
- An uncontrolled increase in the planned cost of expansion could result in increased landing charges.
- Airport charges represent a significant operating cost to the airlines and have an impact on operations.
- Inflationary cost pressures within the supply chain may increase the cost of travel.

Mitigations

- The Group mitigates engine and fleet performance risks, including delays to delivery and unacceptable levels of carbon emissions, to the extent possible by working closely with the engine and fleet manufacturers, as well as retaining flexibility with existing aircraft return requirements.
- The Group engages in regulatory reviews of supplier pricing, such as the UK Civil Aviation Authority's periodic review of charges at London Heathrow and London Gatwick airports.
- The Group is active at an EU policy level and in consultations with airports covered by the EU Airport Charges Directive.
- The Group pro-actively works with suppliers to ensure operations are maintained and the impact to their businesses understood, with mitigations implemented where necessary and inflation minimised.
- The Group procurement function has oversight of all critical contracts across the Group's businesses.
- Alternative suppliers are identified where feasible.
- Transformation initiatives to offset inflation.

Strategic

4 Economic, political and regulatory environment

Chief Strategy Officer
Chief People, Corporate Affairs and Sustainability Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3		=	=	V

Status The economic impact of energy shortages and increases in commodity and wage costs have driven significant inflation and uncertainty over the economic outlook. The Group is closely reviewing the impacts of wage and supplier inflation on margins and customer demand. The Group will continue to adjust its future capacity plans accordingly, retaining flexibility to adapt as required and where possible.

The Group airlines have utilised the slot alleviation waivers granted by regulatory bodies in 2022. Impacts and consequences of the pandemic have continued in 2022, such as the gradual opening of China and with restrictions remaining in countries with varying degrees of passenger and airline operational complexity to comply with.

Wider macroeconomic trends are being monitored such as a potential economic recession, tone of dialogue between the US, Russia, China and the EU and UK which can influence markets and result in imposition of misaligned policies or tariffs. The trend of increased nationalism and the potential impact to the Group is also kept under review. Recent supply chain disruptions have occurred in many markets and the level of disruption and potential impacts are considered across the Group. The Group also considers changes in government in key markets and the implications for trade, respective economic health and how it views the aviation industry, with elections expected in the UK, Ireland, Spain and the US over the next two years.

Developments in relevant international relationships, in particular as they affect air services agreements to which the EU or UK are party, are monitored throughout the year and IAG operating companies' positions advocated with national governments. Any further macroeconomic trends or potential requirements arising from Brexit are monitored by the IAG Government Affairs function.

See the Regulatory environment section

Risk description

Economic deterioration in either a domestic market or the global economy may have a material impact on the Group's financial position, while foreign exchange, fuel price and interest rate movements create volatility.

Uncertainty or failure to plan and respond to economic change or downturn impacts the operations of the Group.

Changes in government may result in a change in sentiment to aviation and access to markets.

Government policy asymmetry impacting a domestic market could increase the burden of regulation and cost to our passengers.

Strategic relevance

- IAG remains sensitive to political and economic conditions in the markets globally, particularly in our hub markets. All of the following can be influenced by political and economic change
  - Business and leisure demand for travel
  - Inflation impacts on the cost base
  - Access to markets for new or existing routes
  - Increasing levels of regulation
  - Supply of products

Mitigations

- The Board and the Management Committee review the financial outlook and business performance of the Group through the monthly trading results, financial planning process and the quarterly reforecasting process.
- Reviews are used to drive the Group's financial performance through the management of capacity, together with appropriate cost control measures including the balance between fixed and variable costs, management of capital expenditure, and actions to improve liquidity.
- External economic outlook, fuel prices and exchange rates are carefully considered when developing strategy and plans and are regularly reviewed by the Board and IAG Management Committee as part of business performance monitoring.
- IAG Government Affairs function monitors governments' initiatives, represents the Group's interest and gives the Group and its operating companies early sight of likely changes to laws and regulations, e.g. any review of slot allocation policy in the UK or EU.
- The Group engages with its regulators, governments and other political representatives and trade associations to help represent the views and contribution of the Group and aviation to society and economies.

Strategic

5 Sustainable aviation

Chief People, Corporate Affairs and Sustainability Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3		↑	↑	V

Status IAG is committed to a target of net zero carbon emissions across its operations and supply chain by 2050 along with 2025 and 2030 targets. The Global Business Services (GBS) procurement function will have a key role to play in ensuring its delivery of the Scope 3 commitment for the Group with supplier sustainability ratings and sustainability clauses in supplier contracts key considerations for future contract negotiations and renewals. IAG has also committed to 10 per cent Sustainable Aviation Fuel (SAF) usage on average across its fleet by 2030.

In July 2021, the EU announced its 'Fit for 55' package of proposals. The Group continues to model potential impacts and costs, which includes the removal of aviation jet fuel tax exemption from 2024, with mitigation plans embedded into financial and strategic planning.

All of the Group's airlines have agreed new deals for the production of SAF to meet the Group's target on the path to decarbonisation. Overall aviation industry requirements will require infrastructure investments across markets to support the production of SAF to meet demand expectations. Availability of SAF may be restricted at airports served by the Group in the medium to longer-term, where markets may not have such strict eco targets or government set policy.

IAG was an early adopter of the Task Force on Climate-related Financial Disclosures (TCFD) guidelines for climate-related scenario analysis and climate-specific risk assessments. The Group continues with its assessment of climate-related risks, by testing and revising the assumptions on updated forecasts for future business growth and the regulatory context and future carbon price. The Group has also embedded forecasting of its climate impacts into its strategic, business and financial planning processes and is resilient to material climate-related impacts.

See the Sustainability risk and opportunities section

Risk description

Increasing global concern about climate change and the impact of carbon affects Group airlines' performance as customers seek alternative methods of transport or reduce their levels of travel.

New taxes, the potential removal of aviation jet fuel exemptions and increasing price of carbon allowances impact on demand for air travel. Customers may choose to reduce the amount they fly.

The airline industry sector is subject to increased regulatory requirements, driving costs and operational complexity, particularly with policy asymmetry in key markets.

Sustainable fuels mandates are implemented and demand exceeds supply or infrastructure and production is not available in the markets the Group's airlines serve.

Strategic relevance

- IAG is committed to being the leading airline group in sustainability. This means that environmental considerations are integrated into the business strategy at every level and the Group uses its influence to drive progress across the industry.
- Our stakeholders and potential investors seek confirmation over our sustainability agenda and may link their purchasing, investment or lending decisions to our commitments and progress against them.
- Our customers look to ensure that our airlines allow them to offset their flight emissions.

Mitigations

- IAG climate change strategy to meet target of net zero carbon emissions by 2050.
- Annual incentive plans link manager bonuses to annual carbon intensity targets to enable 2025 target.
- All of the Group's airlines have platforms to offset or mitigate passenger flight emissions over time.
- British Airways and Iberia have loans linked to 2025 carbon intensity targets.
- Embedded climate impacts into the financial statements, balance sheet and other relevant disclosures.
- British Airways customer proposition for carbon renewal credits on BA.com which uniquely offers offsets, removals or SAF.
- IAG investment in SAF with operating companies securing deals in 2022.
- Fleet replacement plan is introducing aircraft into the fleet that are more carbon efficient.
- EcoVadis partnership with IAG GBS to better track sustainability performance in the IAG supply chain and mitigate supply chain-related sustainability risks.
- Partnering with ZeroAvia to explore hydrogen-powered aircraft technology.
- Participating in CORSIA, the ICAO global aviation carbon offsetting scheme and the EU-ETS and UK-ETS emission trading schemes.
- Horizon scanning of potential partners and technology.
- Engagement across UK, EU and global trade associations to shape effective climate policy and drive support for low-carbon solutions.

Business and operational

6 Cyber attack and data security

Group CIO

Strategic priorities	Stakeholder impact	Risk trend 2022	2021	Viability scenario
1, 2, 3		⊜	⊜	V

Status The risks from cyber threats continue as threat actors seek to exploit any weaknesses in defences particularly through social engineering and human behaviours. The threat of ransomware attacks on critical infrastructure and services has increased as a result of the war in Ukraine and the potential for state-sponsored cyber attacks. The Group continues to focus its efforts on appropriate monitoring to mitigate the risk.

The regulatory regimes associated with data and infrastructure security are also becoming more complex with different regulators applying different framework approaches and guidance for reporting. The Group airlines are subject to the requirements of privacy legislation such as GDPR and the National Information Security Directive (NISD).

Investment in cyber security systems and controls continues as planned, although addressing the risk is also dependent on business capacity and the delivery of solutions to address technical obsolescence within IAG Tech. All planned investment is linked to a Group-wide maturity assessment based on a leading industry standard benchmark. Data centre migration activity to the cloud across the Group's airlines will further help to improve the security controls environment. As the Group improves its security posture and maturity, it better understands the rapid nature of potential attack vectors and how to detect them.

Risk description

The Group could face financial loss, disruption or damage to brand reputation arising from an attack on the Group's systems by criminals, foreign governments or hacktivists.

If the Group does not adequately protect customer and employee data, it could breach regulations and face penalties and loss of customer trust.

Changes in working practices and environments for the Group's employees and third-party suppliers could result in new weaknesses in the cyber and data security control environment.

Strategic relevance

- The cyber threat environment remains challenging for all organisations, including the airline industry. Cyber threat actors, criminals, foreign governments and hacktivists have the capacity and motivation to attack the airline industry for financial gain and other political or social reasons.
- The fast-moving nature of this risk means that the Group will always retain a level of vulnerability.

Mitigations

- The Group has a Board-approved cyber strategy that drives investment and operational planning.
- A cyber risk management framework ensures the risk is reviewed across all operating companies.
- The Group Cyber Governance board assesses the portfolio of cyber projects quarterly and each operating company reviews its own cyber projects at least quarterly.
- The IAG Chief Information Security Officer provides assurance and expertise around strategy, policy, training and security operations for the Group.
- Detection tools and monitoring are in place. The Group-wide security engineering and operations teams proactively seek to identify and respond to threats and vulnerabilities, including ongoing testing of the Group's defences.
- External attack surface monitoring and threat intelligence is used to analyse cyber risks to the Group.
- External benchmarking on cyber posture.
- There is oversight of critical systems and suppliers to ensure that the Group understands the data it holds, that it is secure, and regulations are adhered to.
- Data Protection Officers are in place in all operating companies, coordinated through a Group-wide Privacy Steering Group.
- Working practices are reviewed to ensure the integrity of the cyber and data security.
- All third-party suppliers have confirmed their adherence to IAG security requirements within any revised security protocols.
- Security architecture team embedded into Datacentre migrations programmes.
- Desktop exercises to test business response plans have been held across the Group airlines during the year.

Business and operational

7 IT systems and IT infrastructure

Group CIO
Chief Transformation Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3				V

Status The Group recognises the importance of technology to business transformation and growth. The Chief Information Officer (CIO) works with the Chief Transformation Officer (CTO) to ensure appropriate prioritisation and investment in the Group's transformation. Both are members of the IAG Management Committee.

The Group has reviewed its IT operating model and has moved more resources into product teams more closely aligned to business needs. All of the Group's businesses have a Chief Digital and Information Officer (CDIO) who represents their business within IAG Tech. This has strengthened IAG Tech's focus on supporting the transformation of the Group's legacy estates to deliver digital customer experiences. The IAG Tech Management Committee governance structure is mirrored across into the Group's businesses to ensure that IT investment and operating company requirements are appropriately prioritised and delivered.

The Group is reliant upon the resilience of its systems and networks for key customer and business processes and is exposed to risks that relate to poor performance, obsolescence or failure of these systems. The Group is currently engaged in a number of major programmes to modernise and upgrade its IT systems, digital capability, customer propositions and core IT infrastructure and network where required. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans. Operational outages are tracked and root causes identified to help minimise any impact to our customers and operations.

Risk description

The dependency on IT systems and networks for key business and customer processes is increasing and the failure of a critical system may cause significant disruption to the operation and lost revenue.

The level of transformational change at pace required by the Group's airlines may result in disruption to operations as the legacy environment is addressed.

Obsolescence within the IAG Tech estate could result in service outages and/or operational disruption or delays in implementation of the Group's transformation.

Technology disruptors may use tools to position themselves between our brands and our customers.

Strategic relevance

- IAG is dependent on IT systems for most key business processes. Increasingly, the integration within IAG's supply chain means that the Group is also dependent on the performance of suppliers' IT infrastructure, e.g. airport baggage operators.
- Competitors and new entrants to the travel market may use digital tools and technology more effectively and disrupt the Group's business model.

Mitigations

- IAG Tech works with the Group operating companies to deliver digital and IT change initiatives to enhance security and stability.
- Operating companies' IT boards are in place to review delivery timelines.
- IAG Tech leadership and professional development framework.
- Reversion plans are developed for migrations on critical IT infrastructure.
- System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.
- Robust portfolio process to determine the right investments across the Group.
- IAG Tech CIO and MC have strategic relationships with all critical IT suppliers and oversight of all critical IT contracts across the Group's businesses.
- The Group continues to develop platforms such as the New Distribution Capability, changing distribution arrangements and moving from indirect to direct channels.
- IAG Tech continues to create early engagement and leverages new opportunities with start-ups and technology disruptors.

Business and operational

8 Operational resilience

Chief Strategy Officer
Operating company CEOs

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3		↑	=	V

Status The COVID-19 pandemic resulted in an unprecedented level of disruption to the aviation sector and changed the Group's perspective on how resilient it needed to be to withstand severe unexpected stresses. Potential high-impact, low-likelihood events have been considered that could have the potential to disrupt IAG and/or the aviation sector. Many of these events remain outside the Group's control such as adverse weather, another pandemic, civil unrest or a terrorist event seen in cities served by the Group's airlines.

The Group is reliant on critical third parties for services and goods, many of which have been impacted by resourcing challenges, inflation and supply chain disruption. Ongoing labour shortages, threat of strike action in the aviation sector and staff sickness have impacted the operational environment of the Group's airlines as well as the operations of the businesses on which the Group relies. Many of these events can occur within a close timeframe and challenge operational resilience. In addition, the Group has significant IT infrastructure changes to complete which could impact operations. The Group is focused on minimising any unplanned outages or disruption to customers with additional resilience built into the airlines' networks.

Risk description

An event causing significant network disruption or the inability to promptly recover from short-term disruptions may result in lost revenue, customer disruption and additional costs to the Group.

Public health concerns impacting populations at scale could see an adverse effect on the Group where governments choose to impose restrictions, as would any future pandemic outbreak or other material event impacting operations or customers' ability to travel.

The Group's airlines may not be able to resource their operations sufficiently resulting in impacts to customers and brands.

The Group's airlines are reliant on critical third parties to deliver services and any failure of the level of service may impact operational resilience and our customers.

Strategic relevance

- The Group's airlines may be disrupted by a number of different events.
- A single prolonged event, or a series of events in close succession, impact on the Group airlines' operational capability, financial status and brand strength.
- The Group needs to adhere to local governments' restrictions and regulations especially related to safety and public health and is therefore sensitive to any consequential impact on demand.

Mitigations

- Management has business continuity plans to mitigate this risk to the extent feasible, with focus on operational and financial resilience and customer and colleague safety and recovery.
- Resilience to minimise the impact of ATC airspace restrictions and strike action on the Group's customers and operations are in place.
- All of the Group's airlines are focused on developing customer disruption management tools to help our customers in times of disruption.

Business and operational

9 People, culture and employee relations

Chief People, Corporate Affairs and Sustainability Officer
Operating company CEOs

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3				V

Status The resilience and engagement of our people and leaders are critical to achieving our transformation plans. Our people are a critical enabler of the Group's future success. Our leadership recognises the efforts of our staff and their resilience and commitment supporting the ramp up of operations. Resource shortages and the timelines to secure resource, particularly in the UK and Ireland, impacted operational readiness and resilience. The Group is focused on measures to attract and secure flight and ground staff into its airlines to enable them to fulfil their schedules and maintain competitiveness.

The Group is focused on staff well-being and people morale and motivation, including supporting agile and hybrid working models. Welfare support schemes are in place to support the Group's staff, and initiatives to build trust and engagement continue across the Group's businesses. The Group has identified the skills and capabilities that are required to manage its transformation, which include enhancing its leadership capability and delivering on the Group's diversity and inclusion plans. All operating companies recognise the critical role that their employees will play in the recovery and transformation of the Group and they are focusing on improving organisational health and employee engagement.

Risk description

Any breakdowns in the bargaining process with the unionised workforces may result in subsequent strike action which may disrupt operations and adversely affect business performance and customer perceptions of the airlines.

Our people are not engaged, or they do not display the required leadership behaviours.

The Group businesses fail to attract, motivate, retain or develop our people to deliver service and brand experience.

Critical skillsets are not in place to execute on the required transformation and drive the business forward.

If the Group's airlines cannot recruit to respond to the demand environment, given wider recruitment challenges across sectors of the economy, manpower shortages may impact operational capabilities.

Strategic relevance

- The Group has a large unionised workforce with around 89% of colleagues represented by a number of different trade unions under collective bargaining agreements. IAG relies on the successful agreement of collective bargaining arrangements across its operating companies to operate its airlines.
- The right skillsets and culture are needed to transform our businesses at the pace required.
- The Group's airlines require specialist skillsets to continue to operate.

Mitigations

- Ongoing information sharing, consultation and collective bargaining with unions across the Group take place on a regular basis led by operating companies' human resources specialists, who have a strong skillset in industrial relations.
- Ensuring that remuneration is aligned to local markets in terms of productivity and pay.
- Operating companies' people strategies are in place in our businesses.
- Succession planning within and across operating companies has been reviewed by the IAG Management Committee and Board and a consistent process is being implemented across the Group.
- Focus on recruiting and developing skills to run and transform our business.
- Operating companies' engagement and organisational health surveys have been conducted with subsequent action plans developed to create a positive and inclusive culture.
- Access to support individuals' well-being.
- IAG Code of Conduct is supported by annual awareness programmes and mandatory training for all of our staff.

Business and operational

10 Safety or security incident

Operating company CEOs

Strategic priorities

1 2 3

Stakeholder impact

Risk trend

2022 2021

Status The Group's airlines were focused on a safe return to operations in the year. As capacity increased, British Airways focused on recruiting, onboarding training new cabin crew and ground colleagues, with appropriate training to build their skills and knowledge.

The IAG Safety, Environment and Corporate Responsibility (SECR) Committee of the Board and the Board of each operating company continued to monitor the safety performance of IAG's airlines. Safety and security responsibility lies with each Group airline in accordance with its applicable standards. Further detail is provided in the SECR Committee report.

Risk description

A failure to prevent or respond effectively to a major safety or security incident or intelligence may adversely impact the Group's brands, operations and financial performance.

Strategic relevance

- The safety and security of our customers and employees are fundamental values for the Group.

Mitigations

- The corresponding safety committees of each of the airlines of the Group satisfy themselves that they have the appropriate resources and procedures which include compliance with Air Operator Certificate requirements.
- The Group's airlines have comprehensive training and maintenance programmes in place, supported by a just culture environment.
- There is ongoing security engagement with airports, regulators and public authorities across the airlines' networks.
- Incident centres respond in a structured way in the event of a safety or security incident or intelligence.

Business and operational

11 Transformation and change Chief Transformation Officer	Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
	1 2 3			NEW	V

Status The Group has established a Transformation Programme Management Office which has oversight of an agreed portfolio of initiatives across the Group focussed on improving customer service, revenue and cash efficiency. Many of the programmes are multi-year and all are subject to the ongoing review and investment approvals of the IAG Board.

Risk description

Failure to transform the business to effectively deliver cost efficiency initiatives, maintain or grow share in the new competitive environment, fully implement all programmes across the Group and realise the benefits of the change initiatives to deliver Group digital platforms and customer propositions.

The pace of change may expose the Group to execution risk as multiple initiatives are delivered across processes and systems that serve our operations and customers.

The impact on our people of the wide-ranging change agenda if poorly managed or uncoordinated could lead to logistical and engagement challenges with the potential to negatively impact NPS, revenue and efficiency benefits.

Further standardisation, simplification and efficiencies of the Group platforms are not delivered.

Competitors, or new entrants, may invest to deploy digital technologies, sustainability initiatives and/or platforms ahead of the Group.

The Group focus on cash preservation, debt and debt repayment could limit the investment available to deliver initiatives.

Strategic relevance

- The transformation agenda is critical to the Group's ability to deliver strong returns, compete in the new competitive marketplace, where distortionary effects of aviation support schemes may have allowed competitors to accelerate their change agendas and invest to improve capabilities and customer propositions.

Mitigations

- The Chief Transformation Officer has clear oversight of all programmes acrosss the Group's businesses.
- Mirrored structures in the operating companies.
- Consistent core metrics and dashboard reporting used to assess performance against plan.
- The IAG Management Committee has regular operating company-specific meetings to assess their transformation agenda and the risks to delivery.
- The Group transformation agenda is subject to Board approval and progress is regularly monitored by the Board.
- There is operating company-led communications to our employees on change initiatives and changes that may affect them.
- Consideration is given to the Group's sustainability commitments and agenda for all programmes.
- Any potential changes that could impact the brand are reviewed to mitigate against brand damage.

Financial risk including tax

12 Debt funding

Chief Financial Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1, 2, 3				V

Status Access to the unsecured debt markets may be restricted for sub investment-grade organisations, which may reduce the external funding options available to the Group for new aircraft financing or where it chooses to re-finance upcoming maturities. The Group successfully raised financing for all its aircraft deliveries during 2022, using normal long-term aircraft financing arrangements. Rising interest rates also increase the debt servicing cost for floating rate debt and new debt arrangements. As at December 31, 2022 approximately one quarter of the Group's debt was floating rate.

See Financial review section

Risk description

Failure to finance ongoing operations, committed aircraft orders and future fleet growth plans.

New financial arrangements, in addition to the repayment of existing arrangements, and government support schemes (as applicable) may impact plans to transform the Group and will influence the timing for IAG to resume paying dividends to its shareholders.

Higher interest rates in the market for new finance arrangements or re-financing may impact the Group's cost base.

Strategic relevance

- The Group has substantial debt that will need to be repaid or refinanced. The Group's ability to finance ongoing operations, committed aircraft orders and future fleet growth plans is vulnerable to various factors including financial market conditions, financial institutions' appetite for secured aircraft financing and the financial market's perceptions of the future resilience and cash flows of the Group.

Mitigations

- The IAG Board and Management Committee review the Group's financial position and financing strategy regularly.
- The Group has maintained clear focus on protecting liquidity with c.€14bn of liquidity at 31 December 2022.
- During 2022, the Group extended the availability of its $1.755 billion revolving credit facility by one year to March 2025.
- Maintain strong relationship with banks, lenders and lessors.
- Scenario planning for different financial environments.

Financial risk including tax

13 Financial and treasury-related risk

Chief Financial Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3				V

Status Fuel cost increases have been partly mitigated by the Group's fuel hedging policy. Access to fuel hedging instruments or the ability to pass increased fuel costs on to consumers could impact the Group's profits. The Group continues to assess the strength of the US dollar against the euro and pound sterling and the potential impacts on the Group's operating results. All airlines hedge in line with the Group hedging policy.

The approach to fuel risk management, financial risk management, interest rate risk management, proportions of fixed and floating debt management and financial counterparty credit risk management and the Group's exposure by geography continue to be assessed to ensure the Group responds to the rapidly changing financial environment appropriately. Details are set out in the Group financial statements.

Risk description

Failure to manage the volatility in the price of oil and petroleum products.

Failure to manage currency risk on revenue, purchases, cash and borrowings in foreign currencies other than the airlines' local currencies of euro and sterling.

Failure to manage the impact of interest rate changes on floating finance debt and floating operating leases.

Failure to manage the financial counterparties' credit exposure arising from cash investments and derivatives trading.

Strategic relevance

- The volatility in the price of oil and petroleum products can have a material impact on the Group's operating results.
- The volatility in currencies other than the airlines' local currencies can have a material impact on the Group's operating results.
- The volatility in floating interest rates can have a material impact on the Group's operating results.
- The Group is exposed to non-performance of financial contracts that may result in financial losses.

Mitigations

- Fuel price risk is partially hedged through the purchase of oil derivatives in accordance with the Group risk appetite.
- All airlines hedge in line with the Group hedging policy under the Group Treasury oversight.
- The IAG Audit and Compliance Committee and IAG Management Committee regularly review the Group's fuel and currency positions.
- Currency risk is hedged through matching inflows and outflows and managing the surplus or shortfall through foreign exchange derivatives.
- All airlines review routes to countries with exchange controls to monitor delays in the repatriation of cash and/or with the risk of material local currency devaluation.
- The impact of rising interest rates is mitigated through structuring selected new debt and lease deals at fixed rates throughout their term as well as through derivatives instruments.
- The Group has a financial counterparty credit limit allocation by airline and by type of exposure and monitors the financial and counterparty risk on an ongoing basis.
- The IAG Management Committee and the IAG Audit and Compliance Committee regularly review the financial risks and the hedged amounts. Any position outside of policy limits has to be approved by the IAG Audit and Compliance Committee.

Financial risk including tax

14 Tax

Chief Financial Officer

Strategic priorities
1 2 3

Stakeholder impact

Risk trend
2022 2021

Status Tax is managed in accordance with the Tax Strategy, found in the Corporate Policies section of the IAG website. Further information about taxes paid and collected by IAG is set out in note 10 of the Group financial statements.

Risk description

The Group is exposed to systemic tax risks arising from either changes to tax legislation and accounting standards or challenges by tax authorities on the interpretation or application of tax legislation.

Businesses and consumers may be subject to higher levels of taxation as governments seek to increase environmental taxes, redesign the global tax framework and recover the national debts arising from COVID-19 pandemic support measures.

The Group's stakeholders' expectations of the tax behaviours of large corporates may lead to reputational risk from the Group's management of tax.

Strategic relevance

- Payment of tax is a legal obligation. Changes in the tax regulatory environment, including changes in tax rates, may result in additional tax costs for the Group and in additional complexity in complying with such changes. The Group's tax strategy aims to balance the needs of our key stakeholders, recognising that tax is one of Group's positive contributions to the economies and wider societies of the countries in which IAG operates.

Mitigations

- The Group adheres to the tax policy approved by the IAG Board and is committed to complying with all tax laws, to acting with integrity in all tax matters and to working openly with tax authorities.
- Tax risk is managed by the operating companies in conjunction with the IAG Tax function.
- Tax risk is overseen by the Board through the Audit and Compliance Committee.
- The Group seeks to understand its stakeholders' expectations on tax matters, e.g. cooperative working with tax authorities and its interaction with non-governmental organisations.
- The IAG Board annually reviews the tax strategy.

Compliance and regulatory

15 Group governance structure

General Counsel

Strategic priorities: 1, 2, 3

Stakeholder impact

Risk trend 2022 / 2021

Status The aviation industry continues to operate under a range of nationality and other restrictions, some of which are relevant to market access under applicable bi-lateral and multi-lateral air service agreements, while some are relevant to eligibility for applicable operating licences. The Group will continue to encourage stakeholders to normalise ownership of airlines in line with other business sectors.

See Corporate governance section

Risk description

IAG could face a challenge to its ownership and control structure.

Strategic relevance

- Airlines are subject to a significant degree of regulatory control. In order for air carriers to hold EU operating licences, an EU airline must be majority-owned and effectively controlled by EU nationals. British Airways is a UK carrier and not subject to the same requirement.

Mitigations

- The Group has governance structures in place that include nationality structures to protect Aer Lingus', British Airways' and Iberia's operating licences and/or route rights. These have been approved by the relevant national regulators.
- IAG will continue to monitor regulatory developments affecting the ownership and control of airlines in the UK and EU.

16 Non-compliance with key regulation and laws

General Counsel

Strategic priorities: 1, 2, 3

Stakeholder impact

Risk trend 2022 / 2021

Status The Group has maintained its focus on compliance with key regulations and mandatory training programmes have continued throughout the year. For safety- and security-related regulatory risks, please refer to the 'Safety and Security Incident' risk.

Risk description

The Group is exposed to the risk of an individual employee's or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses to the Group.

Strategic relevance

- Carrying out business in a compliant manner and with integrity is fundamental to the values of the Group, as well as the expectation of the Group's customers and stakeholders.

Mitigations

- The Group has clear frameworks in place including comprehensive Group-wide policies designed to ensure compliance monitored by the IAG Audit and Compliance Committee.
- There are mandatory training programmes in place to educate employees as required for their roles in these matters.
- Compliance professionals specialising in competition law and anti-bribery legislation support and advise the Group's businesses.
- IAG Code of Conduct is supported by annual awareness programmes and mandatory training for all of our staff.
- Data Protection Officers are in place in all operating companies.

Viability assessment

Risk assessment across the timeline of the plan

The directors have assessed key threats and trends faced by the industry, emerging risks and opportunities, as well as other industry and Group-specific risks that could impact the Group's business plan:

- These are considered in light of their impact on our business model and relevance, operations, customers, financial status and include changes in regulations, customer trends and behaviours, macroeconomic predictions on growth, regional market opportunities, technology trends, environmental implications and infrastructure developments that could impact our operations, as well as more existential threats to aviation.
- When developing the Group's three-year business plan, longer-term considerations have been assessed by the Management Committee and the Board in conjunction with the priorities of and risks faced by the business.
- The Board has also conducted its annual strategy session in addition to progress reviews during the year. Following this process, short-, medium- and longer-term priorities, challenges and opportunities have been identified and actions agreed.

Scenarios modelled

The Group undertakes extensive analysis, forecasting and scenario modelling throughout the year. Stresses reflect specifics to markets and regions relevant to the Group's airlines as well as the analysis completed at the Group level.

When considering the viability of the Group, the directors evaluated the risk landscape and recommended the following plausible but severe downside scenarios.

1. Downside case

2 4 8 12 13

2. Business transformation and operational resilience

1 2 3 5 8 9 11

3. Cyber security and IT infrastructure

6 7 8

4. Sustainability

5

Full details of modelled scenarios provided on the next page

Link to Principal risks

Longer-term trends and risk considerations

The directors have assessed industry, Group-specific and non sector-specific longer-term trends over a timeframe beyond the plan period, such as climate change regulation, infrastructure proposals at hubs, availability and timing of technologies in fleet that will benefit the environment, move to and exploitation of the cloud and disruptive innovation. This may require the business to consider strategic responses, plans to adapt and require new skillsets to implement ahead of any potential impact to the Group plan.

- Other considerations include:
  - economic trends and shifts in the relative strengths of global economies including market dynamics and inflation, the competitive landscape and changes in customer behaviours or sentiment to travel
  - supply chains and connectivity, movement of physical goods, inflationary and availability pressures on key suppliers
  - costs of compliance to environmental and climate change regulations and/or lack of availability of infrastructure within countries to meet commitments or government mandates
  - areas of risk or opportunity for the Group, such as workforce availability, war for talent, diversity and inclusion ambitions, hybrid ways of working and different career expectations from new joiners into workforces and the aviation industry
  - structural changes in how customers travel and the potential macroeconomic consequences of rising unemployment and inflation
  - the potential longer-term economic impact of Brexit
  - the Group's resilience to future events impacting aviation or global markets, financial markets, interest rates and exchange rates, particularly the US dollar
  - stakeholder expectations over commitment to acting with integrity to protect our planet, particularly climate change and carbon impacts

Management has assessed and the Board considered the longer-term sustainability and climate risks, applying scenario analysis techniques as set out by the TCFD process. Further details can be found in the Sustainability report.

Viability scenario process

When considering the viability of the Group, for the purposes of this report, the directors have evaluated the risk landscape facing the Group and recommended plausible but severe downside scenarios that could impact the Group's refreshed three-year plan to determine the Group's resilience to such impacts. The results of these scenarios on the plan have been presented both pre and post an assessment of the likely effectiveness of the mitigations that management reasonably believes would be available over this period (and not already reflected in the plan).

- The scenarios have been defined by management and designed to consider principal risks that could materialise over the viability period and weaken the Group's liquidity position, and therefore its financial sustainability. Each scenario considered the impact on liquidity, solvency and the ability to raise financing in an uncertain and volatile environment.
- Management has also assessed mitigations that are available to the business beyond operating cost reductions including further financing, capital expenditure plans and potential disposals. Options that may not have been previously considered are presented as appropriate to the Board to assess. In reviewing and approving the scenarios, the Board considered, amongst other matters, the availability and sufficiency of potential mitigations, the expected speed of implementation in response to the uncertainty and the future flexibility required for the Group to adapt further as needed.
- Sensitivities in the scenarios' assumptions have been highlighted by management and challenged by the Board. In addition, the Board reviewed the results of capacity and margin reverse stress tests, which demonstrated the level of sustained capacity reductions, with losses capped as experienced through the pandemic and losses followed by margin decline (before mitigations) that would result in the Group using all available liquidity (including cash and currently available undrawn credit facilities) and compared this to the outputs from the scenarios.

Scenarios modelled

No.	Title	Link to principal risks
1	**Downside case**	
	Downside case stressing the plan models a combination of risks facing the Group, including risks to economies following the pandemic and as a result of the war in Ukraine. Scenario configures a blend of commercial and operational adverse impacts which would result in capacity reductions over and above the Group's business plan assumptions. In addition, a more severe downside case with increased sensitivities, including increased fuel prices, has also been considered. Economic considerations include demand impact from global economic pressures resulting in reduced revenues, and increased operating costs due to inflationary pressures. Operational considerations factor in operational disruption as a result of airport capacity, resourcing issues or strike action; and further schedule disruption as a result of severe weather, winter resourcing or other operational issues. Reduction in capacity modelled from these considerations further impacts the Group's revenues. The Downside case assumes that €350 million of the €3.3 billion of available general credit facilities are required to be drawn, assuming no further mitigating actions. As part of the modelling, consideration was given to some of the key factors that could influence the evolution of cash in the Downside case. Cost mitigations were considered across all operating cost lines, including the sensitivity to cost variability being lower than that assumed. Fuel was modelled directly, based on fuel curves and hedging plans. Working capital and capital expenditure adjustments were applied within the scenarios. The scenarios assume that the Group is able to continue to secure financing for future aircraft deliveries, having successfully financed all aircraft deliveries during 2020, 2021 and 2022 and, in addition, has further potential mitigating actions, including asset disposals, it would pursue in the event of adverse liquidity experience. The Group has considered the acquisition of Air Europa Holdings for the purposes of the viability assessment. The period to June 2024 of this Downside case has also been applied as the Downside case set out in the going concern analysis (see note 2 of the Group financial statements).	**2, 4, 8, 12, 13**
2	**Business transformation and operational resilience**	
	Potential for lost revenue impact arising from delays in delivering and realising the benefits of business transformation initiatives and increased costs of securing required resourcing levels. Lost revenue within some IAG airlines from pre-emptive flight cancellations with resultant reputational impact in response to resourcing challenges. Increased staff attrition and industrial relations strike action across IAG airlines due to nature and pace of business transformation plans increases costs and impacts revenues. Further revenue impact considered from reduced capacity as a result of airport capacity and air traffic control airspace restrictions.	**1, 2, 3, 5, 8, 9, 11**
3	**Cyber security and IT infrastructure**	
	A stress to model the impact of a ransomware attack on an IAG airline. The scenario assumes a disruption period of one week resulting from the attack before full connectivity is restored, impacting customers and operations of the affected airline. It also assumes lost revenue due to disruption of operations at the affected airline with knock-on impacts to other IAG airlines due to need to isolate and switch off connectivity of Group shared credentials platforms. There are also further lost revenues due to reputational impact and increased EU 261 costs. Associated costs of recovering from the incident include the disruption through the investigation period including increased IT costs as well as brand impacts, and the potential for regulatory scrutiny and fines. In addition, the scenario considers an unplanned outage owing to data centre migration activity resulting in short notice flight cancellations causing further lost revenue and increased EU 261 costs.	**6, 7, 8**
4	**Sustainability**	
	An increasing revenue stress on shorthaul operations across the Group to reflect changes in customer behaviours towards shorthaul travel where other travel options exist, with the additional imposition of costs from sustainable fuel usage (with no/limited ability to pass this on to the customer). Transatlantic revenues below plan expectations also modelled to reflect a potential long-term change in corporate business travel behaviours. Revenue impact from schedule disruption due to extreme weather events also considered within the scenario alongside increased costs from new taxes and additional fuel costs in years 2 and 3 due to biofuels mandate. Longer-term consideration of the impacts of climate change and carbon and regulatory initiatives to address this within the aviation sector, such as the implementation of new regulatory policy, carbon costs and the cost and availability of Sustainable Aviation Fuel are also subject to assessment and modelling by the Group.	**5**

Viability statement

The directors have assessed the viability of the Group over three years to December 2025. They have considered the post pandemic global macro-economic environment and uncertainty, the health of the aviation industry and its supply chain, the assumptions of the plan, the strategy of the Group and the Board's risk appetite. Although the prospects of the Group are considered over a longer period, the directors have determined that a three-year period is an appropriate timeframe for assessment as it is aligned with the Group's strategic planning period (as reflected in the plan) and the external uncertainties facing the aviation sector more widely are significantly beyond any experience to date and continue to drive change in the external risk environment. The Board recognises the pace of change required within the Group to further adapt and respond to this environment in addition to the rapidly changing competitive landscape and wider global macroeconomic conditions.

The Group has modelled the impact of mitigating actions to offset further deterioration in demand and capacity, including reductions in operating expenditure and capital expenditure. The Group expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions it would pursue in the event of adverse liquidity experience.

Further details on debt financing can be found in the Going Concern disclosures in note 2 of the Group financial statements.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation, meet its liabilities as they fall due and raise financing as required over the period to December 2025. However, this is subject to a number of significant factors that are outside of the control of the Group. In reaching this assessment the directors have made the following assumptions when considering both the plan and the Downside case (the most severe and plausible of the viability scenarios considered):

- the Group will continue to have access to funding options and that the capital markets retain a level of stability and appetite for funding within the aviation sector;
- the Group can implement any further structural changes required in agreement with any union consultation processes and regulatory approvals;
- future COVID-19 pandemic or other public health related restrictions do not result in further prolonged and substantial capacity reductions and groundings beyond 2022; and not to Q2 2020 levels, as governments do not have the appetite for the economic impact and stress that it would place on their respective economies;
- any new virus strain or threat to public health that emerges during the viability period can be managed within existing health and testing regimes without recourse to government regulations that significantly affect our airlines' operations.

In the event of another risk scenario resulting in an adverse liquidity impact in excess of the Downside case and other stresses it has considered, the Group would need to implement additional mitigation measures and would likely need to secure additional funding over and above that which is forecast at February 23, 2023.

Appendix to the Annual Report
INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Governance over ICFR

As stated in article 3.4 letter a) of the Board Regulations, the IAG Board has exclusive authority to approve the Company's financial information, namely the consolidated annual accounts and the management report, acting for this purpose with the advice and support of the Audit and Compliance Committee.

In addition, and in accordance with article 35.4 of the Board Regulations, the Board needs to ensure that the Company's financial statements do not result in any restrictions or qualifications of opinion by the external auditors. However, if a restricted or qualified opinion on the financial statements is given by the external auditors, the Board must clearly explain to shareholders the scope of such restrictions or qualifications and provide the relevant explanations.

The Audit and Compliance Committee reviews the Company's periodic financial information, and significant financial reporting judgements made in the Company's annual accounts, monitoring compliance with legal requirements, and generally accepted accounting principles and that the consolidation scope is appropriate.

With regards to internal control over financial reporting, the IAG Board Regulations determine that the Board is responsible for the internal control policy and periodic monitoring of internal information and internal control systems.

This internal control policy and monitoring is designed to produce reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorised use or disposition, the maintenance of proper accounting records and the reliability of financial information used throughout the business or for publication. These internal controls are designed to manage, rather than, eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable, but not absolute, assurance against material misstatement, errors, losses or fraud.

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 and the supervision of the effectiveness of these controls to the Audit and Compliance Committee. The Chief Executive has issued an ICFR policy which requires the IAG Finance Committee to oversee ICFR throughout the Group and delegates responsibility to the relevant Group Operating Company Chief Financial Officers.

Refer to Corporate Governance section of the Annual Report and the Report of the Audit and Compliance Committee for further details about the responsibilities of the Board of Directors and the Audit and Compliance Committee in relation to ICFR.

The IAG Finance Committee sits quarterly and is chaired by the IAG Chief Financial Officer and comprises the IAG Group Financial Controller and the Aer Lingus, British Airways, Iberia, Vueling, IAG Loyalty, IAG GBS and IAG Cargo Chief Financial Officers. The IAG Finance Committee supports senior management and the Audit and Compliance Committee by carrying out the following duties related to ICFR:

a) Maintain and approve the IAG ICFR policy including delegation of ICFR process ownership to subsidiary Chief Financial Officers and, where appropriate, to process owners;
b) Review complex or judgemental accounting issues in the quarterly reports, emerging accounting issues, preparation for implementation of new accounting standards in addition to the review of issues raised by the external auditors;
c) Own the Group accounting policies and any changes thereto; and
d) Coordinate and monitor ICFR framework implementation and maintenance.

Organisational structure

The Board is responsible for designating the Company's Chief Executive, approval of the appointment or removal of individuals to or from the boards of directors of the principal subsidiaries of the Group and the appointment of their Chairmen and Chief Executives. The Board is also responsible for decisions concerning the appointment and removal of the Company's senior executives. Significant changes to the organisation structure are reviewed and approved by the Management Committee.

The authorised structure, including job descriptions defining staff responsibilities, is ultimately controlled by the Chief Executive and delegated to the Chief Executive Officers of Aer Lingus, British Airways, IAG GBS, IAG Loyalty, Iberia, IAG Cargo and Vueling. The organisation structure of the Company, Aer Lingus, British Airways, IAG GBS, IAG Loyalty, Iberia, IAG Cargo and Vueling is updated and reviewed on an ad hoc basis. In British Airways, IAG

GBS, Iberia, IAG Loyalty and Vueling it is published on the respective intranet of each company. In Aer Lingus it is available from the Company Secretary.

Under the IAG ICFR policy, the IAG Chief Executive delegates responsibility for ICFR to the IAG Chief Financial Officer and the Chief Executive Officers of Aer Lingus, British Airways, IAG Loyalty, Iberia and Vueling. Whilst maintaining responsibility for ICFR, the Chief Executive Officers of Aer Lingus, British Airways, IAG Loyalty, Iberia and Vueling delegate day-to-day responsibilities to their Chief Financial Officers. The Chief Financial Officers are expected to delegate responsibility for ICFR for defined processes to named senior managers within their own organisations. The Group Accounting Manual provides guidance on financial reporting.

Code of conduct

The IAG Code of Conduct sets out standards and behaviours expected from everyone who works within the Group. The Code provides guidance on decision making and how to report concerns, as well as setting out additional responsibilities for management across the Group to ensure the Code is available, understood and followed by staff. The Code is approved by the Board and is cascaded down into all IAG operating companies and is available on the intranet of each operating company.

IAG has in place one independent whistleblower tool, providing a whistleblower channel for each OpCo which allows the investigation of Code of Conduct and Group standards breaches. When making the report, the whistleblower identifies the appropriate Group Company and each report is sent to the relevant Compliance team.

The Compliance team will allocate to most appropriate Report Allocator (normally Director/Senior Manager/delegated individual for the Department). If any individual is named/role identified in the report that would remove independence in the investigation, the report will either be escalated or redirected to the next most appropriate area.

Investigations are supported by investigation frameworks within each OpCo, allowing independence to be maintained into identified breaches.

Training for personnel involved in preparing and reviewing financial information or evaluating ICFR

IAG staff have individual development discussions which identify their technical and/or professional training needs. Basic finance training is delivered through eLearning modules or classroom based, depending on the Operating Company. Specific training on airline finance basics and interpreting the Company accounts is also available.

IAG and British Airways offer study leave, financial support and appropriate work experience to staff studying for accounting qualifications, including the Institute of Chartered Accountants, in England and Wales, the Chartered Institute of Management Accountants, and the Association of Chartered Certified Accountants.

Relevant company financial reporting staff received technical accounting update training in 2022. Members of the IAG Internal Audit team have received on average a day of ICFR training in 2022.

Financial statement risk assessment and scoping

The Group’s Enterprise Risk Management (ERM) process assesses and identifies key risks and controls. The key risks are categorised into strategic, business and operational, financial, compliance and regulatory, and tax. Refer to Risk Management and Principal Risk Factors Report of the Annual Report for further details.

The financial statement risk assessment process identifies the key underlying business processes and covers the financial reporting objectives.

The financial reporting risk assessment is the responsibility of the IAG Finance Committee and is updated and documented annually. The assessment provides management with a mechanism for the identification of risks and associated controls relevant to the preparation of the financial report. The risk assessment has three main elements which are reviewed annually by the IAG Finance Committee:

a) A high-level assessment of key risks to the financial statements focusing on judgemental areas and those susceptible to error;

b) Identification of the key underlying business processes through a quantitative and qualitative risk assessment of the financial statements of material subsidiaries; and

c) Fraud risk at the Company level is most significant in individual projects, acquisitions and disposals. This fraud risk is managed through the individual projects which are staffed with senior professionals from appropriate departments, including finance, and third party advisors from leading law firms.

The IAG Internal Controls team reports to IAG Group Financial Controller and reviews financial process and control documentation across the Group and supports process owners to ensure they have designed effective controls. The Board has ultimate responsibility for risk management and internal control, including determination of the nature and extent of the principal risks it is willing to take to achieve its strategic objectives.

Scope of consolidation

A consolidation process is used at the Company and changes are determined based on developments in the corporate structure during the year. The Company, Aer Lingus, British Airways, IAG Cargo, IAG GBS, IAG Loyalty, Iberia and Vueling maintain consolidation hierarchies in their respective systems. These hierarchies are subject to access and change controls to ensure their continued integrity. The finance function is informed by the legal department of new or acquired entities.

The scope of the consolidation is addressed in two ways. Firstly, the establishment of any Special Purpose Vehicles (SPVs) will be approved by the Audit and Compliance Committee. This committee will confirm the requirement for the SPV and its governance. The determination of which entities will be consolidated is considered at the Company, Aer Lingus, British Airways, Iberia and Vueling group levels. The consolidation hierarchy is reviewed when changes in ownership structure arise, and new entities are incorporated or acquired. Any changes to the consolidation scope are presented and discussed at the Management Committee and the Audit and Compliance Committee meetings.

Control activities

Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets for each type of transaction that may materially affect the financial statements

The IAG Management Committee reviews the financial performance of the Group on a monthly basis comparing performance with the prior year and the most recent forecast. Each quarter, the performance for the quarter and the forecast for the financial year are analysed including a comparison with the prior year and previous forecast. Movements in key performance indicators such as unit revenue and unit cost are analysed together with the impact of foreign exchange and fuel costs. The analysis is carried out on the Group's main operating companies, Aer Lingus, British Airways, IAG Loyalty, Iberia, Level, and Vueling. Consistency of these management accounts with the published quarterly Group accounts leads to a high degree of confidence in the integrity of the published accounts.

The quarterly consolidation process is managed to a pre-agreed timetable and includes reviews and sign offs at key stages in the process. Within each entity, the finance and accounting departments consolidate, review and approve the financial information. The consolidated financial information is reviewed by the Chief Financial Officer of each operating company, prior to submission to IAG. These reviews will ensure that all material business risks have been properly recorded in the financial statements, confirm the accounting treatment of judgemental areas and ensure the proper application of new accounting standards and guidance notes. The Audit and Compliance Committee reviews both the consolidated accounts every quarter and all key judgements and approves all changes to accounting policies and treatments as applicable.

The IAG Group Technical Accounting Manager reports to IAG Group Financial Controller and is assigned with the definition and update of accounting policies and resolving doubts or conflicts arising from their interpretations, maintaining a free flow of information to those responsible for operations in the organization, as well as an up-to-date accounting policy manual distributed to the OpCos.

The Company consolidation process involves a critical review of Aer Lingus, British Airways, IAG Loyalty, Iberia and Vueling group submissions. For specialist areas, such as treasury, consolidated information is reviewed by subject specialists to identify anomalies, inconsistencies with management accounting information, and any inconsistent interpretation of instructions within the Group. The final accounts are reviewed by the IAG Group Financial Controller together with the IAG Chief Financial Officer. A peer review is also carried out by an experienced finance manager who has not been involved in the latter stages of the consolidation process.

Critical judgements, estimates, evaluations and projections are, as far as possible reviewed in advance of the year-end close process. Where appropriate, management obtains the support of internal or external specialists to conclude on any of these matters.

The scope of ICFR in the Group has been based on the material subsidiaries being Aer Lingus, British Airways, IAG Loyalty, Iberia and Vueling and processes performed by IAG GBS and IAG Cargo on behalf of the material subsidiaries. The scope of ICFR also includes the Company for Entity Level Controls and the Financial Statement Close Process. The Group ICFR model contains a Finance Risk & Control Matrix that includes entity level controls, IT general controls and 19 main business processes considered relevant to the preparation of the financial statements. The processes are listed below.

a) Financial Statement Close Process
b) Passenger Sales – Ticket Sales
c) Passenger Sales – Travel
d) Passenger Sales – Billing/Interline Billing
e) Cargo Sales
f) Alliance Partner Arrangements
g) Other Revenue
h) Buying Goods and Services
i) Buying Goods and Services - User charges
j) Payroll
k) Fixed Assets – Aircraft
l) Fixed Assets – Ground Assets
m) Fixed Assets – Engines and Engine Parts
n) Fixed & Current Asset Inventory – Engineering
o) Debtors & Invoicing
p) Fuel
q) Loyalty
r) Treasury
s) Tax

The design, implementation and maintenance of appropriate systems of ICFR is primarily the responsibility of management with process ownership identified and communicated to the operating companies via the IAG ICFR Policy. Business process owners are also responsible for the documentation of processes and sub-processes and can call on the support of the IAG Internal Control Team where required.

ICFR controls including 559 key controls have been defined across the 19 business processes and IT general controls in order to provide reasonable assurance as to the reliability of the financial information disclosed to the markets. Such controls can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. As a result of differences in business processes across the material subsidiaries not all controls are required in all material subsidiaries.

Internal control policies and procedures for IT systems giving support to key company processes regarding the preparation and publication of financial information

The Company has established the Baseline Information Security Standard which applies to all operating companies across the Group. IAG Tech Cyber Security Office is responsible for leading, managing and coordinating the dissemination and implementation of good information security practice throughout IAG. Information is protected based on its value, confidentiality, criticality to the company, and the risk of loss or compromise.

The Standard requires that all personnel working for the Group shall be organised in such a way as to minimise the risk of unauthorised changes to information, error, theft or fraud.

IAG Tech, together with the Opco IT management, manages and supports all IT systems under the guidance of the IAG Group Chief Information Officer whether these are based close to the business or are managed centrally on a Group basis. These systems are managed in accordance with the IAG Information Security Standard which is grouped under the following areas:

a. Cyber Security Office
b. Information Security Awareness and Training
c. Segregation of Duties
d. Privilege Access Management
e. Access Control
f. Application Programming Interfaces (APIs) Management
g. Physical Security
h. Password Management
i. Logging and Monitoring
j. Network Services
k. Security Patching and Virus Protection
l. Adherence to Change Control Procedures
m. Management of Information Security Incidents
n. Cyber Security Aspects of Business Continuity (BC)
o. Information Security Aspects of Disaster Recovery (DR) and Crisis Management (CM) Planning

p. Backups and Storage
q. Compliance with Legal Requirements
r. Compliance with the Data Protection Legislation
s. Compliance with Payment Card Industry (PCI) Standards
t. Technical Vulnerability Management
u. Supplier assurance and audit

The Group IT General Controls (ITGCs) are aligned with the IAG Information Security Standard. There are 18 key ITGCs supporting the financial reporting processes. All systems used by the Group including those related to financial reporting must comply with the IAG Information Security Standard as it provides clear direction concerning expectations for internal controls that are required to cover the inherent risks over the following four IT system management areas:

a. IT environment
    I. The IT organisational structure and description of responsibilities
    II. IT systems architecture and infrastructure
b. Secure access
    I. Access to system is managed via clear segregation of duties
    II. Application owners are responsible to keep their systems free of unauthorised and inappropriate users and access
    III. Users will only have access to data and functionality required to carry out the tasks assigned to them by the Group
    IV. Logical access controls include procedures for adding, changing and deleting users
    V. Restriction of privileged access rights to application support teams
    VI. Requirement to have personalised credentials for each user accessing the application
    VII. Password settings are configured appropriate to prevent unauthorised access to systems
    VIII. Physical access control including restricting access to computer facilities to authorised individuals
c. System Development and Change Management
    I. Control of changes
    II. Approval and authorisation of changes
    III. Testing of changes
    IV. Release management
d. Systems Operations
    I. Management of back-up files
    II. Incident management
    III. Management of job scheduling
    IV. Management of external partners and third parties
    V. Disaster contingency and recovery plans for IT systems

Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements

For outsourced processes, Service Level Agreements (SLA) are defined, agreed and signed in the contract with the vendor. British Airways, Iberia, Vueling, IAG Cargo and IAG Loyalty have outsourced financial process support to Accenture and Aer Lingus to Capita. The IAG GBS finance services team manage the outsourced processes on a day to day basis. Finance staff maintain a quarterly or half yearly review of outsourced accounts and reconciliations as well as ongoing monitoring of the operational status of outsourced processes.

When the Group outsources relevant processes for the preparation of financial information to an independent expert, it ensures the professional's technical and legal competence. The Group has identified six processes outsourced to independent experts relevant to financial reporting.

a. British Airways outsources the derivation of pension scheme valuation and accounting, the proposed accounting treatment is subject to review and challenge by an in-house qualified accountant;
b. Iberia values the obligations to employees and restructuring plan costs by actuarial studies made by independent experts;
c. The Group outsources the valuation of assets and liabilities as a part of business combinations;
d. IAG outsources the calculation of the fair values of share-based payment plans; and
e. Aer Lingus outsources the valuation of pension scheme assets and liabilities.

f. IAG Loyalty places reliance on modelling from actuaries to determine assumptions used to calculate the deferred loyalty scheme balances.

Mechanisms for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR

The Group Financial Reporting department issues reporting instructions at each quarter end. These instructions establish a timetable for key closing activities such as agreeing intragroup balances, submitting the main accounting results and detailed disclosures. Assumptions to be used for accounting tests such as Weighted Average Cost of Capital and percentage sensitivities on derivative transactions are determined centrally and included in the instructions. The format of information to be submitted and the entities expected to submit the information is determined within the consolidation system which includes validation tests for completeness and internal consistency.

Disclosures relating to ICFR are validated by senior accounting professionals identified by the Chief Financial Officers of IAG, Aer Lingus, British Airways, IAG Loyalty, Iberia, and Vueling.

ICFR Monitoring

The IAG Audit and Compliance Committee reviews all disclosures relating to ICFR and validates the Group's approach to complying with the CNMV's ICFR recommendations. In this respect the Audit and Compliance Committee has been careful to achieve an appropriate balance between the CNMV's ICFR recommendations and the UK Corporate Governance Code approach.

The Group's ICFR includes 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 Audit and Compliance Committee is supported by the Internal Audit department.

The Internal Audit Department adopts a risk-based approach to planning which incorporates financial risk factors.

The results of audits are discussed at the Aer Lingus, British Airways, IAG Loyalty, Iberia and Vueling Boards of Directors or Management Committees, and the IAG Audit and Compliance Committee. The implementation of actions to address weaknesses identified by Internal Audit are tracked and follow up audits carried out whenever the overall rating of the original audit was judged to be "deficient" or "seriously deficient" or a "material weakness" in an internal control over financial reporting.

ICFR 2022 Scope and Results

Entity Level Controls, ITGCs and 19 business processes have been identified as having a major impact on financial reporting for 2022. There are 10 processes in scope for Aer Lingus, 3 processes in scope for IAG Loyalty, 18 processes in scope for British Airways, 17 processes in scope for Iberia, 8 processes in scope for Vueling and 2 process in scope for IAG.

Across the entities and business processes identified, the 559 key controls are made up of 451 business process key controls and 108 key IT general controls.

All in scope processes and key ITGCs have been tested. No material or substantial weaknesses were detected. A total of 108 weaknesses were detected. Action plans were put in place with process owners to address each of these internal control weaknesses and will be tracked by Internal Audit.

Relationship with Financial Analysts, Investment Banks and Credit Rating Agencies

Relationships with financial analysts, investment banks and rating agencies do not offer special characteristics that require a distinct treatment and therefore the Company does not have specific mechanisms in place to preserve their independence.

In accordance with Recommendation 4 of the Spanish Corporate Governance Code, the Board of Directors approved in February 2022 a 'Policy regarding disclosure of corporate information and engagement with shareholders, institutional investors and proxy advisors', which amended the policy approved in January 2016, and which is available on the corporate website. This policy sets out the principles governing relations with these stakeholders, which include ensuring that relevant information for shareholders, investors and the market in general is reported in a transparent and equitable manner and in accordance with the provisions of applicable market abuse regulations.

KPMG

International Consolidated Airlines Group, S.A.

Auditor's report referring to the "Information related to the Internal Control System over Financial Information (ICFR)" of International Consolidated Airlines Group, S.A. corresponding to the 2022 financial year

KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Auditor's report referring to the "Information related to the Internal Control System over Financial Information (ICFR)" of International Consolidated Airlines Group, S.A. corresponding to the 2022 financial year

To the Directors of International Consolidated Airlines Group, S.A.

As requested by the board of directors of International Consolidated Airlines Group, S.A. (the "Company") and in accordance with our proposal letter dated 25 November 2022, we have applied certain procedures to the "Appendix of the Annual Report, Internal Control Over Financial Reporting (ICFR)" attached hereto in the Annual Corporate Governance Report (ACGR) of International Consolidated Airlines Group, S.A. for 2022, which summarises the Company's internal control procedures for annual financial reporting.

The Directors are responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and monitoring of an adequate system of internal control and developing improvements to that system, as well as defining the content of and preparing the ICFR information attached hereto.

In this respect it should be borne in mind that, irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute, assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the effectiveness of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the Guidelines for preparing the auditor's report on the information on internal control over financial reporting of listed companies, published on the website of the Spanish National Securities Market Commission (CNMV), which define the work to be performed, the minimum scope thereof and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, nor on its design or operating effectiveness, with respect to the Company's annual financial reporting for 2022 described in the ICFR information attached hereto. Consequently, had additional procedures been applied other than those established in the aforementioned Guidelines, or had an audit or a review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

As this special work did not constitute an audit of accounts and is not subject to the legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the entity regarding ICFR – disclosures included in the directors' report – and an evaluation of whether this information meets all the minimum reporting requirements, taking into account the minimum content described in section F, on the description of ICFR, of the ACGR template provided in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, and subsequent amendments, the most recent being Circular 3/2021 of 28 September of the CNMV (hereinafter, the Circulars of the CNMV).

2. Inquiries of the personnel responsible for drawing up the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the entity.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing ICFR systems. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit committee.

4. Comparison of the information detailed in point 1 above with the understanding of the Entity's ICFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of the meetings of the board of directors, audit committee and other committees of the entity for the purposes of assessing the consistency of the matters discussed at these meetings in relation to ICFR with the information detailed in point 1 above.

6. Obtaining a representation letter in connection with the work performed, signed by those responsible for preparing and approving the information detailed in point 1 above.

No inconsistencies or incidents that might affect ICFR disclosures have come to light as a result of the procedures applied to those disclosures.

This report has been prepared exclusively within the context of the provisions of article 540 of the Revised Spanish Companies Act and the CNMV Circulars for the purposes of the description of ICFR in annual corporate governance reports.

KPMG Auditores, S.L.

Bernardo Rücker-Embden

1 March 2023

STATISTICAL ANNEX TO THE ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR END-DATE	2022/12/31
TAX ID (CIF)	A-85845535

Company name:

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Registered office:

El Caserío, Iberia Zona Industrial, nº 2 (La Muñoza), Camino de la Muñoza, s/n, 28042 Madrid

**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC LIMITED COMPANIES - STATISTICS**

A OWNERSHIP STRUCTURE

A1 Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company bylaws contain the provision of double loyalty voting:
No ☒
Yes ☐

Indicate whether the company has awarded votes for loyalty:
No ☒
Yes ☐

Date of the last modification of the share capital	Share capital	Number of shares	Number of voting rights (not including additional loyalty-attributed votes)	Number of additional attributed voting rights corresponding to shares with a loyalty vote	Total number of voting rights, including additional loyalty-attributed votes
October 5, 2020	497,147,601	4,971,476,010	4,971,476,010	0	4,971,476,010

Number of shares registered in the special register pending the expiry of the loyalty period

N/A

Indicate whether there are different classes of shares with different associated rights:

Yes ☐ No ☒

A.2 List the company's significant direct and indirect shareholders at year end, including directors with a significant shareholding:

Name or company name of shareholder	% voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Qatar Airways (Q.C.S.C.)	25.14	0	0	0	25.14	0	0

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% voting rights attributed to shares (including loyalty votes)	% of voting rights through financial instruments	% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote	

A3 Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A2 above:

Name or company name of director	% voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Javier Ferrán	0.02	0	0	0	0.02	0	0
Luis Gallego	0.02	0	0	0	0.02	0	0

Total percentage of voting rights held by the Board of Directors	0.04%

A.7. Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

No

A.8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

No

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
17,052,745	0	0.34

A.11 Estimated float:

	%
Estimated float	74.47

A.14 Indicate whether the company has issued shares that are not traded on a regulated EU market.

No

B GENERAL SHAREHOLDERS' MEETING

B.4 Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

Date of general meeting	Attendance data				
	% physical presence	% present by proxy	% distance voting		Total
			Electronic voting	Other	
September 8, 2020	0.34	40.81	0.04	2.87	44.06
Of which floating capital	0.02	40.81	0.04	2.87	43.74
June 17, 2021	0.01	48.95	0.01	2.82	51.79
Of which floating capital	0.00	46.46	0.01	2.82	49.29
June 16, 2022	0.04	38.27	0.03	2.87	41.20
Of which floating capital	0.04	35.86	0.03	2.87	38.80
October 26, 2022	0.05	34.05	0.07	3.73	37.90
Of which floating capital	0.05	31.62	0.07	3.73	35.47

B.5 Indicate whether there has been any item on the agenda at the general meetings held during the year that has not been approved by the shareholders.

Yes

Item 13 of the agenda of the 2022 General Shareholder's Meeting ("Approval, for a term ending at next year's annual shareholders' meeting, of the reduction to fifteen days of the notice period for calling extraordinary general meetings, in accordance with the provisions of article 515 of the Companies Act") was not approved due to the fact that, despite reaching more than 98.5% votes in favour of the share capital, duly represented in person or by proxy in such Shareholders Meeting, it did not reach the majority of two thirds of the total share capital required by Spanish Law.

B.6 Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

No

C STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation:

Maximum number of directors	14
Minimum number of directors	9
Number of directors set by the general meeting	11

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
Javier Ferrán	-	Independent	President	June 20, 2019	June 16, 2022	Vote at the Shareholders' Meeting
Luis Gallego	-	Executive	Chief Executive	September 8, 2020	June 16, 2022	Vote at the Shareholders' Meeting
Giles Agutter	-	Proprietary	Director	September 8, 2020	June 16, 2022	Vote at the Shareholders' Meeting
Peggy Bruzelius	-	Independent	Director	December 31, 2020	June 16, 20022	Vote at the Shareholders' Meeting
Eva Castillo	-	Independent	Director	December 31, 2020	June 16, 2022	Vote at the Shareholders' Meeting
Margaret Ewing	-	Independent	Director	June 20, 2019	June 16, 2022	Vote at the Shareholders' Meeting
Maurice Lam	-	Independent	Director	June 17, 2021	June 16, 2022	Vote at the Shareholders' Meeting
Heather Ann McSharry	-	Independent	Director	December 31, 2020	June 16, 2022	Vote at the Shareholders' Meeting
Robin Phillips	-	Proprietary	Director	September 8, 2020	June 16, 2022	Vote at the Shareholders' Meeting
Emilio Saracho	-	Independent	Director	June 16, 2016	June 16, 2022	Vote at the Shareholders' Meeting
Nicola Shaw	-	Independent	Director	January 1, 2018	June 16, 2022	Vote at the Shareholders' Meeting

Total number of directors	11

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
Alberto Terol	Independent	June 17, 2021	June 16, 2022	Nominations Committee and Remuneration Committee	No

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisation chart of the company	Profile
Luis Gallego	Chief Executive	**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.

Total number of executive directors	1
Percentage of Board	9.09

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
Giles Agutter	Qatar Airways Group (Q.C.S.C)	**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.
Robin Phillips	Qatar Airways Group (Q.C.S.C)	**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.

Total number of proprietary directors	2
Percentage of Board	18.18

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	Profile
Javier Ferrán	**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.
Peggy Bruzelius	**Key areas of experience:** Financial services, corporate finance **Current external appointments:** Chair, Lancelot Holding AB. Member, the Royal Academy of Engineering Sciences. **Previous relevant experience:** Non-executive, Lundin Energy AB 2012-2022. Non-executive director, Skandia Mutual Life Insurance 2012-2022. Chair, Swedish National Agency for Higher Education 2008-2011. Member Board of Trustees, Stockholm School of Economics 2000-2011. Various Corporate Boards, Trygg Hansa Liv AB, Celsius AB, AB Ratos, Scania AB, The Body Shop Plc, Axel Johnson AB, Axfood AB Husqvarna AB 1992-2019. Senior Independent Director, AB Electrolux 1996-2012. Non-executive director, Syngenta AG 2001-2014. Non-executive director, Diageo plc 2009-2018. Non-executive director, Akzo Nobel nv 2007-2019. Executive Vice President, Head of Asset Management Skandinaviska Enskilda Banken 1997-1998. CEO, ABB Financial Services AB 1991-1997.
Eva Castillo	**Key areas of experience**: Financial sector, telecoms sector **Current external appointments**: Non-executive director, Caixabank. Trustee of the Council for Economy of the Holy See (Vatican). Trustee of the

	Board of the Comillas ICAI Foundation.Member of Entreculturas Foundation. Member of Advantere School of Management. **Previous relevant experience:** Non-executive director, Zardoya Otis 2019-2022. Non-executive director, Bankia 2012-2021. Chair Telefónica Deutschland AG. 2012-2018. Non-executive director, Telefónica, S.A. 2008-2018. Non-executive director VISA Europe Plc 2014-2017. President and CEO, Telefónica Europe 2012-2014. Non-executive director, Old Mutual Plc 2011-2013. President and CEO Merrill Lynch Capital Markets, Spain 1999-2006. President and CEO, Merrill Lynch, Wealth Management EMEA 2006-2009.
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, Quintet Private Bank (Europe) S.A. 2015-2020. Member of the Board of Directors, 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. Managing Partner and CEO, Deloitte Luxembourg 2000-2010. Head of Audit (1993-2000), Audit Partner, Financial services 1988-1993. Deloitte & Touche UK 1979-1985.
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.
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.
Nicola Shaw	**Key areas of experience**: Transport sector, public policy and regulatory affairs, consumer, safety and environment operational management **Current external appointments**: CEO, Yorkshire Water. **Previous relevant experience:** Executive Director, National Grid plc 2016-2021. Non-Executive Director Ellevio AB 2015–2017. CEO, HS1 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.

Total number of independent directors	8
Percentage of Board	72.73

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

No

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				**% of total directors for each category**			
	Year n	**Year n-1**	**Year n-2**	**Year n-3**	**Year n**	**Year n-1**	**Year n-2**	**Year n-3**
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Independent	5	5	5	4	62.5	55.55	55.55	40.00
Other External	0	0	0	0	0	0	0	0
Total:	5	5	5	4	45.45	41.67	41.67	33.33

C.1.11 List the positions of director, administrator or representative thereof in other entities, whether or not they are listed companies, held by directors or representatives of directors who are members of the company's board of directors:

Identity of the director or representative	Company name of the listed or non-listed entity	Position
Javier Ferrán	Diageo Plc	Chairman
Javier Ferrán	BlackRock Long Term Private investee company	Director
Luis Gallego	Asociación Internacional de Transporte Aéreo (IATA)	Director
Giles Agutter	Southern Sky Ltd.	CEO
Giles Agutter	JSX Airlines	Director
Peggy Bruzelius	Lancelot Holding AB	Chairman
Eva Castillo	Caixabank, S.A.	Director
Margaret Ewing	ConvaTec Group Plc.	Director
Margaret Ewing	ITV Plc.	Director
Maurice Lam	Bank of China (Europe) S.A.	Director
Maurice Lam	Banque Internationale à Luxembourg S.A.	Director
Heather Ann McSharry	Jazz Pharmaceuticals plc	Director
Emilio Saracho	Industria de Diseño Textil, S.A. (Inditex)	Director
Robin Phillips	IR - Scientific (Canada)	Director
Robin Phillips	Pancreatic Cancer UK	Chairman

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Identity of the director or representative	Other paid activities
Javier Ferrán	Senior advisor to BlackRock Long Term Private Capital
Robin Phillips	Senior Advisor, Circadence Corporation (US)
Maurice Lam	Lam & Partners Sàrl
Emilio Saracho	Senior Advisor, Altamar Capital Partners

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

Yes

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	5,108
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	0
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	0
Pension rights accumulated by former directors (thousands of euros)	1,463

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
Nicholas Cadbury	Chief Financial Officer
Fernando Candela	Chief Transformation Officer
Adam Daniels	Chairman and CEO IAG Loyalty
Sean Doyle	Chairman and CEO British Airways
Lynne Embleton	Chairman and CEO Aer Lingus
John Gibbs	Chief Information Officer
Sarah Clements	General Counsel
Carolina Martinoli	Chief People, Corporate Affairs and Sustainability Officer
Julio Rodriguez	Interim Strategy Director
Javier Sanchez-Prieto	Chairman and CEO Iberia
Marco Sansavini	Chairman and CEO Vueling

Number of women in senior management	3
Percentage of total senior management	27.27

Total remuneration of senior management (thousands of euros)	13,987

C.1.15 Indicate whether the Board regulations were amended during the year:

No

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

No

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	12
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director.

Number of meetings	**10**

Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the audit committee	7
Number of meetings held by the nomination committee	6
Number of meeting held by the remuneration committee	8
Number of meetings held by the safety, environment and corporate responsibility committee	6

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings at which at least 80% of the directors were present in person	12
Attendance in person as a % of total votes during the year	95.455
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	12
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
Luis Gallego	Chief Executive
Nicholas Cadbury	Chief Financial Officer

C.1.29 Is the secretary of the Board also a director?

No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
Álvaro López-Jorrín Hernández	N/A

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

No

Outgoing auditor	Incoming auditor

If there were any disagreements with the outgoing auditor, explain their content:

No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	1,022	1,212	2,234
Amount invoiced for non-audit work/Amount for audit work (in %)	48%	12%	22%

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	**2**	**2**

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	**16.7%**	**16.7%**

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

Yes

Details of the procedure
As set forth in Article 10 of the Board Regulations, call notices for Board meetings should be sent sufficiently in advance to ensure directors receive them, and no later than seven days before the date of the meeting. The call notice should always include, save for justified cause, the meeting agenda as well as any information deemed necessary. In addition to this, the Board Secretary also reminds directors that if they have any doubt or question regarding any item on the agenda or any explanatory paper, they can send their queries to the Group General Counsel or the Board Secretary so that the management team can prepare the appropriate answers or explanations as soon as possible. In general, all Board and committee meeting documents are available to all directors, including the draft minutes of the previous meetings, through an online platform which facilitates an efficient and secure access to all materials. Directors have access to all documentation relating to both the Board and each of the Board's committees, regardless of whether or not they are members. 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. This is regulated in article 27 of the Board of Directors’ Regulations. 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.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	0
Type of beneficiary	**Description of the agreement**
	There are no agreements executed between the Company and its directors, executives or employees that provide for compensation upon termination of employment. IAG standard employment agreements (most of them subject to UK law) provide only for payments in lieu of notice. The applicable period of notice required from the executive directors and senior executives 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 six months’ basic salary is payable within 28 days of the date of termination of employment. A payment in respect of basic salary for the second six months period only becomes payable if, in the Company’s reasonable opinion, the executive directors and senior executives have taken reasonable steps to find alternative paid work and then only in six monthly instalments. The Company may reduce the

	sum payable in respect of any month by any amount earned by the executive directors and senior executives (including salary and benefits) referable to work done in that month.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of directors	**General shareholders' meeting**
Body authorising the clauses	**X**	

	YES	**NO**
Are these clauses notified to the General Shareholders' Meeting?	**X**	

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

AUDIT COMMITTEE

Name	Position	Current
Margaret Ewing	Chair	Independent
Peggy Bruzelius	Member	Independent
Eva Castillo	Member	Independent
Maurice Lam	Member	Independent

% of independent directors	100

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Names of directors with experience	Margaret Ewing
Date of appointment of the chairperson	September 8, 2020

NOMINATION COMMITTEE

Name	Position	Current
Javier Ferrán	Chairman	Independent
Giles Agutter	Member	Proprietary
Peggy Bruzelius	Member	Independent
Margaret Ewing	Member	Independent
Heather Ann McSharry	Member	Independent

% of proprietary directors	20

% of independent directors	80

REMUNERATION COMMITTEE

Name	Position	Current
Heather Anne McSharry	Chairman	Independent
Eva Castillo	Member	Independent
Emilio Saracho	Member	Independent
Nicola Shaw	Member	Independent

% of independent directors	100

SAFETY, ENVIRONMENT AND CORPORATE RESPONSIBILITY COMMITTEE

Name	Position	Current
Nicola Shaw	Chair	Independent
Giles Agutter	Member	Proprietary
Maurice Lam	Member	Independent
Robin Phillips	Member	Proprietary
Emilio Saracho	Member	Independent

% of proprietary directors	40
% of independent directors	60

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year n		Year n-1		Year n-2		Year n-3	
	Number	%	Number	%	Number	%	Number	%
Audit committee	3	75.00	3	75.00	3	75.00	3	60.00
Nomination committee	3	60.00	2	40.00	1	20.00	1	20.00
Remuneration committee	3	75.00	3	60.00	3	60.00	2	40.00
Safety, Environment and Corporate Responsibility committee	1	20.00	1	20.00	1	25.00	1	20.00

D RELATED PARTY AND INTRAGROUP TRANSACTIONS

D2 Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. If the responsibility has been with the General Meeting (GM), indicate if the proposed resolution has been approved by the board without a vote against of the majority of the independents directors:

Name or company name of the shareholder or any of its subsidiaries	Shareholding	Name or company name of the company or entity within its group	Nature of the relationship	Type of operation and other information required for its evaluation	Amount (thousands of euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the GM, if applicable, has been approved by the board without a vote against the majority of independents
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Purchase of ground handling services	2,483	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Net balancing of frequent flyer programmes	763	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Purchase of maintenance services	2,284	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Payment for code sharing arrangements	392	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Purchase of airport lounge and counter services	379	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.14	British Airways	Contractual	Purchase of Cargo capacity	75,401	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Purchase of interline services	602	Board of Directors	Qatar Airways	Yes

							proprietary directors	
Qatar Airways (Q.C.S.C.)	25.143	Iberia	Contractual	Purchase of ground handling services	89	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	Vueling	Contractual	Purchase of ground handling services	7	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	Aer Lingus	Contractual	Purchase of interline services	819	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	Aer Lingus	Contractual	Purchase of ground handling services	12	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	Aer Lingus	Contractual	Baggage fees	40	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.14	IAG Loyalty	Contractual	Payment for code sharing arrangements	19,837	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	IAG Loyalty	Contractual	Purchase of interline services	5,296	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Sale of ground handling services	2,888	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Income for code sharing arrangements	13,267	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Sale of interline services	56,054	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Income from alliances	5,742	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	British Airways	Contractual	Sale of airport lounge and counter services	1,289	Board of Directors	Qatar Airways proprietary directors	Yes

Qatar Airways (Q.C.S.C.)	25.143	Iberia	Contractual	Sale of maintenance services	19,637	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	Iberia	Contractual	Sale of ground handling services	4,413	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	Iberia	Contractual	Sale of airport lounge and counter services	800	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	Vueling	Contractual	Sale of procurement services	1,898	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	Aer Lingus	Contractual	Sale of interline services	2,351	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	Aer Lingus	Contractual	Sale of ground handling services	7	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	IAG Loyalty	Contractual	Income for the licensing of the Avios brand	4,278	Board of Directors	Qatar Airways proprietary directors	Yes
Qatar Airways (Q.C.S.C.)	25.143	IAG Loyalty	Contractual	Sale of interline services	23,824	Board of Directors	Qatar Airways proprietary directors	Yes

D3 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

N/A

D.4 Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

N/A

D5 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.

N/A

Company name of the related party	Brief description of the operation and other information necessary for its evaluation	Amount (thousands of euros)

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company´s conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Explain

IAG considers that it does not comply with this recommendation because of the restrictions included in the Bylaws of the Company in relation to the ownership of shares. This is a partial non-compliance because these restrictions derive directly from the ownership and control restrictions set out in the applicable law or in the bilateral air transport treaties signed by Spain and the United Kingdom and are not simply determined discretionarily by the Company.

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Not applicable

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company

should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- ***a)*** **Report on the auditor's independence.**
- ***b)*** **Reports on the workings of the audit and nomination and remuneration committees.**
- ***c)*** **Report by the audit committee on related party transactions.**

Complies

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies

9. **That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.**

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies

10. **That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:**

a) Should immediately distribute such complementary points and new proposals for resolutions.

b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.

c) Should submits all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Not applicable

11. **That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.**

Not applicable

12. **That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.**

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies

13. **That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.**

Complies

14. **That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:**

a) Is concrete and verifiable;

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and

c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

a) In large-cap companies where very few shareholdings are legally considered significant.

b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies

18. That companies should publish the following information on its directors on their website, and keep it up to date:

a) Professional profile and biography.

b) **Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**

c) **Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**

d) **Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.**

e) **Company shares and share options that they own.**

Complies

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Not applicable

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented

Complies

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies

27. **That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.**

Complies

28. **That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.**

Complies

29. **That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.**

Complies

30. **That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.**

Complies

31. **That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.**

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies

32. **That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.**

Complies

33. **That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.**

Complies

34. **That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond**

to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Not applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity in the composition and skills of the Board of Directors.

d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Not applicable

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies

40. **That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.**

Complies

41. **That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.**

Complies

42. **That in addition to the provisions of applicable law, the audit committee should be responsible for the following:**

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor’s independence.

c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.

e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies

45. That the risk management and control policy identify or determine, as a minimum:

a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.

b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.

c) The level of risk that the company considers to be acceptable.

d) Measures in place to mitigate the impact of the risks identified in the event that they should materialise.

e) Internal control and information systems to be used in order to control and manage he aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensuring the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.

b) Actively participating in drawing up the risk strategy and in important decisions

regarding risk management.

c) **Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.**

Complies

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies

48. That large-cap companies have separate nomination and remuneration committees.

Complies

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) **Proposing the basic conditions of employment for senior management to the Board of Directors.**

b) **Verifying compliance with the company's remuneration policy.**

c) **Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.**

d) **Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.**

e) **Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.**

Complies

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

a) That they be composed exclusively of non-executive directors, with a majority of independent directors.

b) That their chairpersons be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and the minutes be made available to all directors.

Complies

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

d) Supervision of the company's environmental and social practices to ensure they are in alignment with the established strategy and policy.

e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies

55. That environmental and social sustainability policies identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct

b) Means or systems for monitoring compliance with these policies, their associated risks, and management.

c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.

d) Channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.

b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.

c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously

vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies

Indicate whether any director voted against or abstained from approving this report.

Yes ☐ No ☒

I declare that the details included in this statistical annex coincide and are consistent with the descriptions and details included in the annual corporate governance report published by the company.