ANNUAL CORPORATE GOVERNANCE REPORT

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This Annual Corporate Governance Report is part of the Company's Management Report for the year ended 31 December 2018. It has been prepared in accordance with Circular 2/2018, of 12 June, 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 2/2018, of 12 June, 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:

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In relation to the template for the Annual Corporate Governance Report established in annex I of appendix II of the CNMV Circular 2/2018, the Company advises that it has not included in this report information on sections A.4, A.6, A.13, C.1.8, C.1.20, C.1.22 and C.1.37 as these matters are not applicable to the Company in its current circumstances.

Overseeing a time of fundamental change

Javier Ferrán
Chairman

"2020 was an unprecedented year for IAG and for the Board, as we tackled the huge and disruptive challenges of the COVID-19 pandemic and made significant changes in our leadership."

This is my first report as the Chairman of IAG and I want to begin by thanking Antonio Vázquez, our outgoing Chairman, for the magnificent job he has done since the Group was created in 2011 to create such solid foundations for our corporate governance structure. I am also indebted to him for the tremendous support he has given me during the transition process.

It's a great honour to lead the IAG Board and to have the trust of my fellow directors in carrying out this role.

I come into the post at the end of an unprecedented year for the Group, faced with the incredible disruption to our business caused by COVID-19 but also in the midst of the most fundamental changes in our executive and Board leadership in ten years, including the appointment of five new Board members.

Despite these extraordinary times, the Board's role remains the same – to create long-term sustainable value for shareholders and our wider stakeholders.

In a crisis, however, the guidance we provide to the management team is more important than ever and our focus on the long term and on the interests of different stakeholders is right at the forefront of our thinking. This year, we were particularly focused first and foremost on confronting this crisis, overseeing the different initiatives for cash preservation and securing liquidity, as well as considering allocation of capital and risk management matters, while issues around the acquisition of Air Europa and Brexit were also high on our agenda.

I am very proud of the work and commitment shown by the Board in our response to the pandemic. We held a total of 42 Board meetings during the year as well as carrying out extra work to challenge, support and advise the management team. It's in times like these when a Board really proves its worth and I think that the Board rose to the occasion on contribution, availability and commitment.

As I've said the interests of stakeholders have been to the fore. But I would highlight one group in particular - the great people who work for our Group. Their wellbeing and ability to adapt to new ways of working have been central to our thinking, particularly when difficult decisions have had to be taken and sacrifices made. Efforts by our airlines to make sure customers remain safe at every point of travel during this overwhelming health emergency were also a big focus for the Board.

Board and committee changes

Effective succession planning is a vital element of good corporate governance. We faced some huge challenges here, which tested the resilience of our governance framework.

For any company, no change in leadership is greater than the appointment of a new chief executive. We were glad, at the start of the year, to announce the appointment of an internal candidate, Luis Gallego, to succeed Willie Walsh in the role. Luis' knowledge of the Group and of our industry is proving extremely valuable in these trying circumstances. I would like to thank Willie for his fundamental contribution to IAG and for his commitment from the inception of the Group right through to his last day with us, and particularly for agreeing to stay on for an extra six months in 2020.

Kieran Poynter, an IAG non-executive director since 2011, stepped down from the Board at our shareholders' meeting in September, having been an outstanding chair of the Audit Committee. We thank him for his great contribution to the Group from its inception. We also said farewell to Marc Bolland, who decided not to seek re-election, and he goes with our great gratitude also.

To fill these vacancies, Giles Agutter and Robin Phillips were elected to the Board, having been proposed by our largest shareholder, Qatar Airways. Both are valuable recruits to our team – Giles with a background in aviation, and Robin with his long experience in the financial sector.

As Antonio mentioned in his opening letter to this report, we had to make other significant changes in relation to Brexit to meet the requirement of having a majority of independent, EU non-executive directors. Deborah Kerr, María Fernanda Mejía and Steve Gunning stepped down in December 2020 to help us fulfil this requirement and we thank them for their flexibility and their contribution. Steve's executive duties as Chief Financial Officer remain unchanged and he will continue to attend Board meetings.

We appointed Peggy Bruzelius, Eva Castillo and Heather Ann McSharry to fill these positions and are grateful for the perspective and experience they bring – Peggy, with a background in financial services and project finance; Eva, with deep knowledge of telecoms and finance; and Heather Ann, with a career spent in pharmaceuticals and healthcare, financial services and consumer products. They are all well versed in governance having all served as non-executives before.

It's particularly pleasing to note that with their appointment female representation on the Board now stands at 45 per cent, with women also chairing two of our Committees. We remain committed to improving ethnic diversity in line with current best practice.

We have also refreshed the membership of the Board's Committees, including appointing new chairs in each case.

You can find further details of all these changes and appointments in the Nominations Committee report.

Management changes

In addition to approving the appointment of a new Chief Executive, the Board also considered the appointments of Javier Sánchez-Prieto, replacing Luis as Executive Chairman and CEO of Iberia, and Marco Sansavini moving over to lead Vueling. These appointments were delayed, along with Luis' elevation, until September to make sure we had stability in the early days of the pandemic.

The Nominations Committee also approved the following further significant changes in our leadership team:

- Sean Doyle, as the new British Airways Chief Executive;
- Donal Moriarty as acting interim Chief Executive of Aer Lingus;
- Fernando Candela in a new Management Committee role of Chief Transformation Officer; and
- David Podolsky as the new IAG Chief Strategy Officer.

All these appointments with the exception of David, who was previously at Bain & Co, were internal – yet again proving the superb pipeline of talent we have within the Company.

Board evaluation and inductions

We carried out an internal evaluation of the Board during the year. Although it was a limited exercise because of the amount of change in the Board and committees composition, it came to some useful conclusions, allowing us to draw on the experience of former directors and committee members. The process was overseen by the Nominations Committee and led by Antonio and me, with the support of the Board Secretariat. You can read more about it further on in this report.

We are making a special effort to introduce our new colleagues to the business as quickly and efficiently as possible. Obviously the induction programme has had to be adjusted to contend with the current environment, ensuring it brings new directors up to speed on current matters being debated by the Board and its committees. Details of the induction process are provided further on in this report.

Culture, employee and stakeholder engagement

Last year, given the challenging environment and the travel restrictions, work on culture and employee engagement was led by the operating companies. The IAG Board was regularly and closely informed of these initiatives. Particular focus was given to the wellbeing, health and safety of our employees.

In addition, in the last quarter a major and deep study was undertaken using common methodology with the help of McKinsey to evaluate culture for each business unit. This comprehensive study constitutes an excellent base to identify opportunities and establish action plans to continue to make sustainable progress in this critical area.

Restructuring plans were also shared with the Board, and the Board could confirm the rigour with which the different companies approached these difficult processes. We are extremely proud of the commitment, resilience and flexibility shown by people right across the Group during these very challenging times.

Finally, as a result of a review of our governance architecture, the Board has decided to retain direct oversight of culture and governance matters, giving it a greater priority by involving all Board members in this task. In addition, the remit of the Safety Committee was expanded to include environment and corporate responsibility, with a new composition fully meeting governance requirements. It will help improve the Board's oversight and involvement on sustainability and all related matters, sharpening our focus in this crucial area.

Outlook

I cannot say how proud I am of how people at every level of the Group have performed in these most difficult of times. Our employees, our various leadership teams and the Board itself, have all shown remarkable strength, endurance and adaptability.

That gives me great confidence that we will emerge from this crisis – not only stronger, but also ready to transform IAG into a more sustainable business for the future.

Javier Ferrán
Chairman


Javier Ferrán


Luis Gallego


Alberto Terol


Giles Agutter


Peggy Bruzelius


Eva Castillo


Margaret Ewing


Robin Phillips


Heather Ann McSharry


Emilio Saracho


Nicola Shaw

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, 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, Desigual SA. Non-executive director, Chupa Chups SA. Partner, Lion Capital LLC 2005–2018. President EMEA, President and CEO, Bacardi Group 1992-2004.

Luis Gallego S

Key areas of experience:
Airline industry

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.

Alberto Terol R A N

Key areas of experience:
Finance, professional services, information technology, hospitality industry

Current external appointments:
Vice Chairman, Lead Independent Director and Chair of the Nominations, Remuneration and Corporate Governance Committee, Indra Sistemas. Director, Broseta Abogados. International Senior Advisor, Centerbridge. Non-executive director, Schindler España. Independent Director Varma, S.A.. Patron of Fundación Telefónica. Executive Chairman of various family owned companies.

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

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.

Peggy Bruzelius Ⓐ

Key areas of experience:
Financial services, corporate finance

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

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

Eva Castillo Ⓐ Ⓡ

Key areas of experience:
Financial sector, telecoms sector

Current external appointments:
Non-executive director, Bankia. Non-executive director, Zardoya Otis. Member of the Council for Economy of the Holy See (Vatican), Member of the Board of the Comillas ICAI Foundation. Member of Entreculturas Foundation. Member of JAMS Foundation.

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

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. Non-executive director, 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.

Robin Phillips

Key areas of experience:
Finance, airline industry and transportation

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

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

Heather Ann McSharry Ⓝ Ⓡ

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

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

Previous relevant experience:
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:
Director, 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, general management

Current external appointments:
Executive Director, National Grid plc. Director, Major Projects Association. Director, Energy Networks Association and Energy UK.

Previous relevant experience:
Member of the Audit and Risk Committee, English Heritage 2015–2018. Non-Executive Director Ellevio AB 2015–2017. CEO, HS1 Ltd 2011–2016. 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.

● Committee Chair
Ⓐ Audit and Compliance Committee
Ⓝ Nominations Committee
Ⓢ Safety Committee
Ⓡ Remuneration Committee

Statement of compliance with applicable corporate governance codes

As a company incorporated and listed in Spain, IAG is subject to applicable Spanish legislation and to the Spanish corporate governance framework. In accordance with Spanish legal requirements, this Corporate Governance report includes information regarding compliance with the Spanish Good Governance Code of Listed Companies (which was updated and published in June 2020), as well as other information related to IAG's corporate governance. This report is part of the IAG Management Report.

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

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

In addition, and as required by the LSE Listing Rules, this Corporate Governance Report includes an explanation regarding the Company's application of the principles of the UK Corporate Governance Code. In effect, the disclosures in this Corporate Governance section of this Annual Report, including the different Board committees' reports, have been grouped into each of the five areas in which the Code is divided with the objective of helping shareholders and investors to assess how IAG has applied the Code principles during the reporting period.

During 2020, IAG fully complied with almost all the applicable recommendations of the Spanish Corporate Governance Code with the following exceptions, in relation to which the Company is reporting partial compliance:

- Recommendation number 1 regarding the existence of share ownership restrictions in the Company's bylaws, as IAG is required to have such restrictions due to applicable legal and regulatory requirements of the aviation sector.
- Recommendations number 4, 42, 45 and 54; in relation to the amendments introduced to these recommendations in June 2020, the Company was not able to update the relevant internal policies and the Board of Directors Regulations before December 31, 2020. The IAG Board will consider the relevant amendments and policy changes to bring the Company in line with these requirements within the first quarter of 2021.
- Recommendation number 52 regarding the rules on the composition and operation of non-mandatory board committees, because IAG's Safety Committee is chaired by an executive director, the Group Chief Executive, and not by an independent director as recommended by the Code. In this respect, on February 25, 2021 the Board reviewed its regulations and approved separate regulations for each Board advisory committee. As part of this review, it was decided to combine the support provided to the Board over safety matters with those related to environmental and corporate responsibility matters under a new Safety, Environment and Corporate Responsibility Committee. The composition of this Committee is fully compliant with the recommendation 52 of the Spanish Code.

As far as the 2018 UK Corporate Governance Code is concerned, the Company considers that it has complied with almost all of the Code provisions. The Company considers it is not in alignment with Provision 36 of the Code, as it has not developed a formal policy for post-employment shareholding requirements, but as explained in the Directors' Remuneration Report, it will approve such a policy as part of the changes to be introduced in the revised remuneration policy that it is due to be submitted to shareholders for approval during 2021.

Over the past year, work on culture and workforce engagement was primarily carried out at the level of the Group's various companies. Both the challenges posed by the COVID-19 pandemic and changes in the Group's leadership have led to a reconsideration of these matters both within the Board of Directors and the Management Committee itself.

Following the review of its corporate governance framework, the Board will have direct oversight over corporate culture and governance to support and monitor these matters at main board level.

At the same time, it has been agreed to reallocate oversight of environmental and corporate responsibility matters from the Audit and Compliance Committee to the new Safety, Environment and Corporate Responsibility Committee, thus alleviating the workload of the former and providing a closer and more specialised monitoring environment.

In addition, within the Management Committee, a new position has been created with responsibility for culture, talent and sustainability to promote and coordinate these areas at Group level.

In taking these steps, IAG's Board and Management Committee are reinforcing their commitment to ESG, especially at a time when the Group is seeking to rebuild itself as it overcomes the crisis created by the COVID-19 pandemic.

Key principles of the 2018 Corporate Governance Code

Board Leadership	**95**
Division of responsibilities	**103**
Composition, Succession and Evaluation	**108**
Audit, Risk and Internal Control	**114**
Remuneration	**124**

Board Leadership

IAG governance framework

IAG, as the Group's parent company, is responsible for the Group's strategy and business plan. It centralises the Group's corporate functions, including the development of its global platform. IAG sets the long-term vision for the Group, defines portfolio attractiveness and makes capital allocation decisions. Further details on the Group structure and corporate governance framework is included further on in this report.

The IAG Board is collectively responsible for the long-term sustainable success of the Group. As stated in its Regulations, the Board shall endeavour to reconcile the corporate interest with the legitimate interests, as applicable, of the employees, suppliers, customers and other stakeholders that might be affected, also taking into consideration the impact of its activities on the community as a whole and on the environment. Examples of this long-term focus and consideration of stakeholders' interest are discussed further on in this report and in the stakeholder section. In addition to this, each operating company has an individual brand and cultural identity, is responsible for the management of their respective businesses and accountable for the implementation of the joint business and synergy plans.

The IAG Board

The 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 detailed in article 3.4 of the Board Regulations, which are available on the corporate website (www.iairgroup.com).

The Board's primary responsibilities are summarised further on in this report.

Each Board meeting starts with a report from each of the committee's chairs on the key discussions and decisions considered by the respective committees, providing an opportunity for directors to comment or ask questions on the matters dealt with by each committee. This is followed by a general update from the Group Chief Executive Officer and subsequently, from the Chief Financial Officer.

With support from the General Counsel and the Board Secretary, the Chairman sets a carefully structured agenda for each meeting in consultation with the Chief Executive Officer. The Board has a 12-month rolling planner including both standard items and specific topics. During 2020, the Board activities and oversight of the business was adjusted to respond to the COVID-19 pandemic. The key activities of the Board in 2020 are detailed in the Board activities table further on in this report.

Board composition

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

At the Shareholders' Meeting on September 8, 2020, Luis Gallego was appointed as an executive director of the Company and its Chief Executive Officer following the retirement of Willie Walsh. Giles Agutter and Robin Phillips were appointed as proprietary non-executive directors at the proposal of Qatar Airways, IAG's biggest shareholder, with Kieran Poynter and Marc Bolland retiring from the Board.

As part of the plans implemented to ensure that the Group's EU licensed airlines continue to comply with EU ownership and control rules following Brexit, the composition of the IAG Board of Directors was changed so that it has a majority of independent EU non-executive directors. To this effect, on December 31, 2020 Deborah Kerr, María Fernanda Mejía and Steve Gunning stepped down from the Board and Peggy Bruzelius, Eva Castillo and Heather Ann McSharry were appointed as new members. Steve Gunning's executive functions as Chief Financial Officer remain unchanged.

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, 2020, the Board composition was:

Name of Board Member	Position/Category	First appointed
Antonio Vázquez	Chairman	May 25, 2010[1]
Luis Gallego	Chief Executive	September 8, 2020
Alberto Terol	Senior Independent Director	June 20, 2013
Giles Agutter[2]	Director (Proprietary)	September 8, 2020
Peggy Bruzelius	Director (independent)	December 31, 2020
Eva Castillo	Director (independent)	December 31, 2020
Margaret Ewing	Director (independent)	June 20, 2019
Javier Ferrán	Director (independent)	June 20, 2019
Heather Ann McSharry	Director (independent)	December 31, 2020
Robin Phillips[2]	Director (Proprietary)	September 8, 2020
Emilio Saracho	Director (independent)	June 16, 2016
Nicola Shaw	Director (independent)	January 1, 2018[3]

1 Antonio Vázquez retired from the Board on January 7, 2021. As previously announced, Javier Ferrán succeeded him as Chair.
2 Appointed on proposal from Qatar Airways (Q.C.S.C) a significant shareholder of IAG.
3 The appointment of Nicola Shaw as a non-executive director was approved by the Shareholders' Meeting on June 15, 2017 but did not become effective until January 1, 2018.

Further details of Board appointments during 2020 are set out in the Nominations Committee report.

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

Board Committees

The Board has four advisory committees to support its oversight on a number of areas, and exercises a direct supervision over the Group strategy, culture and governance. As a general rule, copies of the minutes of all committees' meetings as well as the documents made available ahead of each committee meeting are made available to all Board members.

The roles, memberships and activities of these committees during 2020 are described in their individual reports within this corporate governance report.

- Audit and Compliance Committee
- Nominations Committee
- Remuneration Committee
- Safety Committee

The Board decided in 2020 that it should reinforce its focus on ESG matters, assigning these responsibilities to an advisory Board committee. Following the Board evaluation and the review of the Board and committees' remits, it was decided to include sustainability matters within the existing Safety Committee, reviewing its remit and composition. The Board approved new and separate regulations for each one of the Board committees in its February 2021 meeting. These regulations are available on the corporate website.

Board diversity[1]

Nationality

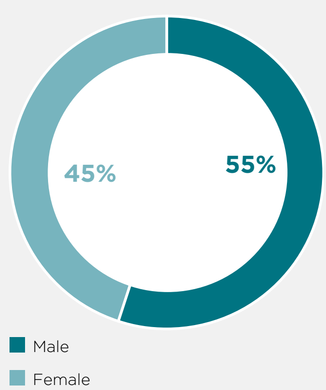
5 Spain

1 Sweden

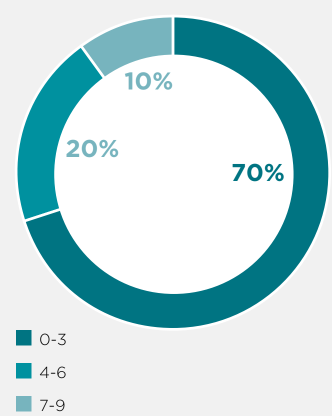
1 Ireland

4 UK

Gender



Tenure[2]



Core areas of expertise[2]

Related industry	30%
General management	90%
Consumer Brands B2C	30%
Corporate transactions	70%
CEO/Chair experience in a listed company	20%
International	50%
Accounting, Financial and related	70%
Technology	20%

1 Analysis completed on current Board composition.
2 Non-executive directors only.

Board and committee meetings

The Board was scheduled to meet nine times during the year along with its annual two-day strategy meeting scheduled for September 2020. Due to the COVID-19 pandemic from April the Board held weekly/bi-weekly meetings bringing the total meetings held during the reporting period to 42.

Some of these meetings were needed to be held at short notice in order to properly monitor business developments, support management during this difficult period and to make critical decisions in response to the COVID-19 pandemic. This illustrates director's individual and collective commitment to the Company.

The annual two-day strategy meeting was postponed and held in December allowing the new Chief Executive Officer and the management team to present their initial consideration on the required transformation of the Group.

During 2020, the Chairman and the non–executive directors met privately following each scheduled Board meeting. In addition to this, the Senior Independent Director also met with the non-executive directors, without the Chairman, as part of the chair succession planning process.

As stated in the Board Regulations, directors shall make their best efforts to attend Board meetings. If this is not possible, they may grant a proxy to another director, although non-executive directors may only grant their proxy to another non-executive director. These proxies need to be in writing and specifically granted for each meeting. No director may hold more than three proxies, except for the Chairman, although he cannot represent more than half of the Board members. As far as possible, proxies should be granted including voting instructions. Due to the extensive number of additional Board Meetings held during the year due to the COVID-19 pandemic some directors due to other commitments, were not able to attend all meetings.

Meetings attended by each director of the Board and the different committees during the reporting period are shown in the table below. The Board is listed as at date of this report:

Director	Board	Audit and Compliance Committee	Nominations Committee	Remuneration Committee	Safety Committee
Total in the period	**42**	**12**	**9**	**9**	**2**
Current directors					
Javier Ferrán[1]	40/42		4/4	6/7	0/1
Luis Gallego[2,3]	12/12				1/1
Giles Agutter[2,4]	12/12		4/4		1/1
Peggy Bruzelius[5]	1/1	1/1			
Eva Castillo[5]	1/1	1/1			
Margaret Ewing[6]	42/42	12/12			
Heather Ann McSharry[5]	1/1				
Robin Phillips[2]	12/12				
Emilio Saracho[7]	42/42		5/5	9/9	
Nicola Shaw	35/42			8/9	2/2
Alberto Terol[8]	42/42	12/12	9/9		
Former Directors					
Antonio Vázquez[9]	42/42		9/9		1/2
Willie Walsh[10]	29/30				1/1
Marc Bolland[10]	29/30		5/5	6/6	
Steve Gunning[11]	42/42				
Deborah Kerr[11]	42/42	10/11	7/8	3/3	
María Fernanda Mejia[11]	41/42	11/11		9/9	
Kieran Poynter[10]	29/30	7/7			1/1

1 Appointed chair and member of Nominations Committee on September 8 2020; stepped down from the Remuneration and Safety Committees on September 24, 2020; appointed Chairman of the Board on January 7, 2021.
2 Appointed on September 8, 2020.
3 Luis Gallego was due to take over from Willie Walsh as Chief Executive on March 26, 2020. Due to the COVID-19 pandemic and the exceptional circumstances facing the airline industry it was decided that Willie Walsh would remain as Chief Executive and delay his retirement. Luis Gallego attended Board Meetings as a guest until his official appointment at the Shareholders' Meeting held on September 8, 2020. Appointed chair and member of the Safety Committee on September 8, 2020.
4 Joined the Nominations Committee and the Safety Committee on September 24, 2020.
5 Appointed on December 31, 2020. Heather Ann McSharry joined the Nominations Committee. Peggy Bruzelius and Eva Castillo joined the Audit and Compliance Committee. Eva Castillo and Heather Ann McSharry joined the Remuneration Committee.
6 Appointed chair of the Audit and Compliance Committee on September 8, 2020, having been a member since June 20, 2019; joined the Nominations Committee on January 28, 2021.
7 Joined the Remuneration Committee on September 8, 2020; stood down from the Nominations Committee on September 24, 2020.
8 Appointed chair and member of the Remuneration Committee on December 31, 2020.
9 Retired on January 7, 2021.
10 Retired from the Board on September 8, 2020.
11 Stepped down from the Board on December 31, 2020.

Board activities

2020 has been an unprecedent year for the Group, as it faced, and continues to face, the biggest challenge the airline industry has ever encountered. The Board activity clearly reflects these circumstances. The key areas of Board activity during 2020 both on standard items and on COVID-19 pandemic oversight are outlined herein:

Strategy and planning

- Joint Board/ Management Committee two-day strategy session, including:
  - IAG TSR drivers and performance
  - COVID-19 scenarios and IAG ambition
  - Recovery plan and priorities
  - Operating companies plans
  - Culture and talent
  - Analysis of key strategic questions
- Update on strategy with respect to the US market
- LEVEL's strategy
- 2021 financial plan
- €2.74 billion capital increase

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 agreements and franchise agreements.
- Update on the UK Information Commissioner's Office enforcement proceedings against British Airways

Board oversight – COVID-19 Crisis

MARCH

Number of meetings

3

- Initial impact of the pandemic (first lockdowns and reduction of operations)
- Engagement with key stakeholder groups
- Initial cash preservation initiatives
- COVID-19 crisis governance
- Briefing on Board responsibilities (I)
- Delay of leadership succession plans / salary/Board fee reduction measures adopted

APRIL

Number of meetings

6

- Operational and financial monitoring updates
- Cancellation of 2019 dividend
- Delay of Annual Shareholders' Meeting
- Financing initiatives (Spanish ICO Loans)
- Pre-release of 2020 first quarter results
- Report on workforce related measures

MAY

Number of meetings

4

- Operational and financial monitoring updates
- Financial plan: phase II initiatives and balance sheet repair exercise
- Engagement with key suppliers
- Briefing on Board responsibilities (II)
- Regulatory and governmental engagement activities (quarantine measures)
- Update on the restart of passenger operations
- Report on workforce related measures
- Evaluation of funding alternatives

JUNE

Number of meetings

4

- Operational and financial monitoring updates
- Regulatory and governmental engagement activities
- Report on workforce related measures

JULY

Number of meetings

6

- Operational and financial monitoring updates
- Preparation for capital increase (announced July 31)
- Briefing on Board responsibilities (III)

Significant transactions, investments and expenditures

- Air Europa acquisition proposal and renegotiation of terms
- Launch of new products and fleet reconfigurations (Q1)
- Significant aircraft acquisitions, lease-backs and aircraft-related financing arrangements
- Financing arrangement for the acquisition or lease of aircrafts
- Disposals/write-off of aircraft and deferral agreements

Risk management and internal controls

- Review risk map and risk appetite performance and statements
- Approve going concern and viability statements
- Effectiveness review of the internal control and risk management systems
- Updates regarding Brexit process
- External auditor yearly report to the Board
- Recommendation to appoint KPMG as external auditor for the period 2021 to 2024

Shareholders, stakeholders and governance

- Sustainability update
- Review feedback from institutional shareholders, roadshows as well as analyst reports
- Board and management succession planning
- Remuneration matters
- Shareholders' meeting call notice and proposed resolutions
- Review of the Board committee's composition
- Board and committees effectiveness evaluation, and agreed improvement priorities
- Corporate governance updates

AUGUST

Number of meetings

2

- Initial impact of the pandemic (first lockdowns and reduction of operations)
- Preparation for capital increase

SEPTEMBER

Number of meetings

4

- Financial markets and IAG trading updates
- Annual Shareholders' Meeting
- Capital increase (launched on September 9)
- Capital allocation framework

OCTOBER

Number of meetings

3

- Financial markets and IAG trading updates (including revenue/pricing framework analysis)
- Pre-release of 2020 third quarter results
- Capital allocation update
- Financing update

NOVEMBER

Number of meetings

4

- Operational update
- Financing and capital allocation proposals
- Update on impact of new lockdowns measures

DECEMBER

Number of meetings

3

- Operational update
- Financing and capital allocation proposals
- Update on impact of new lockdowns measures

Culture and stakeholder engagement

During 2020, IAG continued working under the same framework, based on its vision 'to be the world's leading airline group, maximizing sustainable value creation for our shareholders and customers' and the values that derive from the Code of Conduct approved in 2019. This Code that applies to all directors and employees of the Group, establishes simple integrity and compliance values applicable across the Group while respecting the different cultures and values existing in each of the operating companies.

Although compliance and training activities were carried out to support awareness of the principles detailed in the IAG Code of Conduct, the COVID-19 pandemic and the delay in the change of leadership, postponed some of the Group's plans in this area, but each of the operating companies continued with their own programmes and initiatives during the year. The IAG Board was regularly and closely informed of these initiatives. A specific case study regarding IAG Tech, a crucial area for the Group which works across the different business units, is provided opposite.

In the last quarter of 2020, a Group wide exercise was completed with external support. The survey has been designed to help understand the key leadership and cultural elements that are required to build a consistently high performing organisation. As the Group seeks to recover from the COVID-19 pandemic, the survey sought to identify strengths to build on, opportunities for improvement, and obstacles standing in the way of IAG being the leading airline group. The results and initial conclusions from this exercise were shared with the Board during the two-day strategy meeting held in December, during a session devoted to culture and talent.

The Audit and Compliance Committee has also reviewed and reported to the Board on the effectiveness and functioning of the confidential speak up channels available throughout the Group, where concerns can be raised on a confidential basis, and the number and nature of incidents reported to the speak up channels during 2020.

The Board continued to be updated throughout 2020 in relation to each operating company's employee matters as part of the report each company presents to the Board, in addition to specific matters that were conveyed as part of the COVID-19 pandemic ongoing reporting. In particular, information was shared with the Board on the COVID-19 specific measures adopted across the Group to support employee safety and wellbeing.

IAG Tech culture journey

IAG Tech was launched at the end of 2019, following my appointment as IAG CIO, bringing together over 1,500 digital and IT professionals across the Group, with a renewed mission to accelerate business performance, enable employees and protect the business through the use of technology and data.

IAG Tech has refocused around a common vision of bringing Technology Excellence to everything we do and started a transformative journey, where a single identity and a common vision purpose and values are key. These common values are innovation, empowerment, professionalism, transparency and agility.

During 2020, we have redefined the IAG Tech operating model and placed people at the heart of everything we do. As part of this effort, we have appointed our own Head of People and Culture emphasising the importance of nurturing culture and providing a focal point to hold everyone accountable.

When recruiting externally as well as when promoting people, there is a special focus to ensure the continuity and consolidation of IAG Tech's common values. Our own leadership academy is playing a key role in ensuring the right values and culture, as well as the right behaviours are fostered.

IAG Tech's targeted culture is underpinned by five people themes:

- *Engagement to ensure people are motivated, energised, happy, healthy and fulfilled. This is driven by widespread communication to capture our employees voice so we can include their views in any decisions we take, a focus on mental and physical wellbeing, encouraging a positive work/life balance, embracing diversity in every way, making everyone feel included and valued, being strong advocates for environment, social and governance activities inside and outside work, a strong and supportive network of IT/ Digital professionals, and fostering the right working environment.*
- *Talent Management aiming to ensure IAG Tech has the best people with the right skills at the right time. A strategic resource plan will be prepared in 2021 contemplating talent acquisition and onboarding, a new graduate and apprentice programme, a pipeline to identify and develop our people, succession and retention plans, and opportunities for growth and progression.*
- *Recognition framework allowing us to identify and celebrate great performance and examples of people living our values and behaviours.*
- *Performance Management directly linking everyone's objectives to our goals and targets, and KPIs and metrics so our people understand how they are personally contributing to achieving our vision, purpose and the business outcomes. We believe in fair, transparent and continual feedback.*
- *Learning and Development enabling us to have the right capabilities, skills and competencies needed to deliver the business outcomes and our vision of Technology Excellence whilst ensuring that our people feel they can grow and progress.*

IAG Tech participated in the Group's Organisation Health Index and other employee satisfaction surveys in 2020. Although we are still analysing the feedback received from the Organisation Health Index completed in December 2020, we acknowledge that we are only at the start of a long journey to create a world class culture. In order to support our journey, we have a robust plan as part of Project Magna (IAG Tech transformation programme) to continue to define, embed and nurture our culture. To complete this effort and to measure progress, we have planned an internal audit of our culture in 2021.

John Gibbs
IAG CIO

Shareholders

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 Officer, the Group Chief Financial Officer and the Chairman, who regularly meet with shareholders and investors. In addition, the Senior Independent Director has attended meetings at the request of certain shareholders. In January to March 2020, meetings were conducted in person, but from April onwards meetings have been conducted by telephone or by virtual means.

The Board is regularly appraised of shareholders' feedback and the main issues discussed with or raised by shareholders and investors. During 2020, the Company's brokers and other financial advisors gave a number of presentations to the Board to report on specific topics, including the capital increase, as well as the macro economic environment.

In July 2020, the IAG Board proposed the execution of a capital increase, which was approved at the 2020 Annual Shareholders' Meeting and was completed in October 2020. As part of this, a full roadshow was held with major shareholders on the day of the announcement and the subsequent days, and also several meetings were conducted in the month of September with numerous members of IAG's shareholder base and key potential investors, mainly across Europe and the US.

In addition, a wide campaign was launched to ensure retail shareholders were duly informed and provided the opportunity to participate exercising their pre-emptive rights or selling the corresponding subscription rights. As the capital increase was conducted under Spanish law, which differs from the UK rules, the Company launched a retail campaign in relation to its UK retail shareholders to ensure they were made aware of the process, of the relevant key dates to participate in the capital increase, as well as the fact that those who took no action would not be entitled to receive compensation for any unused and expired subscription rights and that their shareholding will be diluted, this being an important difference in relation to UK practice.

This retail campaign included contact centres both in the UK and Spain which provided support with shareholder queries in relation to the process, and the preparation of a shareholder guide including frequently asked questions which was made available on the corporate website, as well as media campaigns both in the UK and Spain.

At the 2020 Shareholders' Meeting, the 2019 report on directors' remuneration (resolution 8) was passed with 71.60% of the votes. As publicly stated, while the Board welcomed the majority support for this report, it was disappointed that 20.56% voted against this resolution. In accordance with the UK Corporate Governance Code recommendation, the Company completed an analysis of the voting results in order to identify those shareholders in the Top 100 who voted against or abstained on this resolution. Following this, a consultation process was launched in November 2020, including the main proxy advisory firms and more than 30 institutions that represent approximately half of the dissenting vote.

The main conclusion drawn from the conversations held were, while it was recognised that bonuses were determined at the end of February 2020 and paid in respect of the financial year to December 2019, these investors would have expected the implementation of exceptional measures in light of the financial situation of the Company and also to reflect the stakeholder experiences of employees and shareholders. They welcomed the salary reduction and other measures put in place by the Company and did not express any concern regarding IAG's current remuneration policy.

Considering stakeholders' interests

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

In addition, the relationship with shareholders and investors is conducted at IAG level, mainly through the investor relations department, the Group Chief Financial Officer, the Group Chief Executive Officer and the IAG Chairman. Engagment with debt and operating lease providers is also done at IAG level to ensure a strategic and consistent approach across the Group.

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

As far as sustainability matters are concerned, these are coordinated at Group level, covering the Group policies and objectives, governance structure, risk management, strategy and targets on material issues, sustainability performance indicators, communications and stakeholder engagement plans. Each individual operating company within the Group has a distinct sustainability programme that is aligned with the Group strategy. In 2020, the Board decided to reinforce its focus on this important area assigning this responsibility to a separate Board committee which can provide a closer oversight and support to this function. In February 2021, the Board decided to enhance the remit of the existing Safety Committee to fulfil this objective as a new Safety, Environment and Corporate Responsibility Committee. Further details on IAG's sustainability governance and engagement with stakeholders on sustainability can be found in the 'Sustainability' section.

The following graph details how the Board is kept informed in relation to IAG's key stakeholders.

Shareholders and other financial stakeholders	The Board has been regularly informed about shareholders considerations and concerns. As an example, the IAG Head of Investor Relations and the Company brokers were invited to the January 2020 Board meeting to inform about investors' comments following the Company's recent announcements in relation to the removal of the restrictions for non-EU shareholders, as well as regarding the retirement of the Group Chief Executive and the appointment of Luis Gallego as his successor. In addition, an analysis was shared with the Board on the market and investors' reaction to the announcement of the removal of these capital restrictions. The Board was also regularly informed about engagement efforts with institutional shareholders as well as with retail shareholders in relation to the capital increase, from the preparation of the transaction until its completion in early October. The Board placed particular emphasis on retail shareholders to ensure they were informed of their rights, the process to be followed and the calendar of the capital increase. The Board was also kept informed during 2020 about engagement with both debt and lease providers, as well as with respect to the different governmental support programmes in the context of the COVID-19 crisis.
Employees	The Board has been regularly informed about each operating company initiatives with respect to their workforce during the COVID-19 pandemic. In particular, a session at the annual strategy meeting was devoted to the analysis and discussion of the results and initial conclusions from the employee survey completed in the Group.
Customers	The Board has always paid special attention to issues related to customers and brands, and the focus on customer issues has always been present in Board discussions. During 2020, the Board has been regularly provided with customer information as part of its standard performance and monitoring activities. During this difficult period, the Board has been informed about the activities undertaken by the Group airlines to respond to COVID-19 pandemic customer expectations and changes introduced in the flying experience, as well as the measures adopted to support consumer confidence.
Suppliers	The Board receives regular updates regarding key supplier relationships, relevant developments and engagement activities, including updates received through internal audit and risk management reporting. Within the context of the COVID-19 crisis, the Board received regular reports on the engagement with the Group strategic suppliers, including airframe manufacturers and engine maintenance providers.
Governments and regulators	The Board is kept informed of any relevant issues within the regulatory and political context. In 2020, the Board was regularly informed about Brexit developments and the engagement with the relevant authorities at EU and Member State level. In addition to this, through the frequent meetings held during 2020, the Board was kept updated on the different engagement workstreams open with regulators and policy makers in relation to the COVID-19 pandemic. Contributing on how to respond to the virus to allow safe, continued operations and to demonstrate the inherent safety of air services and at the same time highlighting to those stakeholders IAG believed measures were severely detrimental to it and its customers' interests and provided no health benefit.
Airline partners and industry associations	As part of its usual work, the Board reviewed the Group's existing partnerships and joint business agreements and was frequently informed of the most relevant matters affecting the industry, particularly in the context of environmental matters. In addition to this, the Board was kept updated on the different initiatives put in place through cooperation with airlines partners and industry associations in the context of the COVID-19 crisis.

Division of Responsibilities

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

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

The different Company roles and their respective responsibilities are detailed in the Board Regulations as amended on February 25, 2021 (available on the corporate website).

Shareholders

Delegation

Accountability

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 matters reserved to the Board are:

- submission of proposals to the shareholders' meetings
- 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
- ensures effectiveness of the corporate governance system

Chairman
Javier Ferrán

- chairs shareholders' meetings
- leads the Board's work
- sets the Board's agenda and directs its discussions and deliberations
- main link with Chief Executive and management
- ensures effective communication with shareholders
- ensures the highest standards of corporate governance
- promotes the highest standards of corporate governance

Senior Independent Director
Alberto Terol

- acts as a sounding board for the Chairman and appraises his performance
- serves as intermediary for other directors when necessary
- is available to shareholders, if concerns not resolved through normal channels

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

Group CEO
Luis Gallego

- 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 the activities of the Group

Updated to the corporate governance framework approved by the Board on February 25, 2021

Non-executive directors

The role of non-executive directors is to hold management to account in respect of the Group's performance. They should provide guidance and advice but also a constructive challenge to the executive team.

The Board, as reported by the Nominations Committee, 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. Directors are required to provide the Nominations Committee with relevant information regarding potential conflict of interest that may arise, any positions that they hold or activities they perform at other companies or entities, as well as any substantial change that may affect their independence.

The shareholders' meeting held on September 8, 2020 approved the appointment 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, 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, 25.1% of the share capital of the Company. Throughout this period there has been a long-standing business and commercial relationship between Qatar Airways and the airlines of the IAG Group. This close relationship of commercial cooperation, which has always been undertaken on an arms-length and commercial basis, significantly reduces the potential existence of permanent conflicts of interest between Qatar Airways and the Group's airlines. Any potential conflict of interest that might affect the new proprietary directors is managed by applying the duty to abstention in accordance with the procedure for managing conflicts of interest described below.

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 Group, and that Robin Phillips has no relevant connection with Qatar Airways Group.

All schedule Board meetings include a private session for non-executive directors to meet with the Chairman.

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 his duties to the Company. In the event of conflict, the affected director must inform the Company and abstain from participating in the discussion of the transaction referred to by the conflict. For the purposes of calculating the quorum and voting majorities, the affected director would be excluded from the number of members in attendance.

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

The execution of these type of transactions or any transaction which may entail a conflict of interest need to be reported to the Audit and Compliance Committee to ensure that they are carried out at arm's length and with due observance of the principle of equal treatment of shareholders. In the case of transactions that fall within the ordinary course of business and are customary or recurring in nature and following a report by the Audit and Compliance Committee, the Board may grant a general authorisation as long as they are executed under certain terms and conditions. This authorisation needs to be endorsed by the shareholders' meeting in those cases established in the Spanish companies' legislation and, in particular, in any transaction with a director valued at more than 10 per cent of corporate assets.

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

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

Board information and training

All Board and committee meeting documents are available to all directors, including the minutes of each meeting. All directors have access to the advice of the Board Secretary and the Group General Counsel. Directors may take independent legal, accounting, technical, financial, commercial or other expert advice at the Company's expense when it is judged necessary in order to discharge their responsibilities effectively. No such independent advice was sought in the 2020 financial year.

In 2020 the Board received specific briefings on key developments, such as the ongoing negotiations regarding the UK's exit from the EU, and specific briefings regarding directors' duties and liabilities under Spanish and UK law, as well as regarding corporate governance developments both in Spain and the UK.

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

Appointment, re-election, resignation and removal of directors

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

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

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

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

Notwithstanding the above, a director must resign in the cases established in article 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 crediibility 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 circumstances that might harm the Group's name or reputation. In particular, if they become subject to any judicial, administrative or other proceedings. In such circumstances, the Board would consider the case as soon as practicable and adopt the decisions it deems fit, taking into account the corporate interest. As stated previously, if remaining on the Board would affect the Company's reputation, or otherwise jeopardise its interest, a director must place their position at the disposal of the Board and, at its request, formally resign.

The Board may only propose the removal of a non-executive director before the end of the mandate when it considers there is just cause, following a report by the Nominations Committee. For these purposes, just cause is deemed to exist when the director takes up new positions or enters into new obligations that prevent them from dedicating the necessary time to the performance of his or her duties as a director, otherwise breaches his or her duties as a director or unexpectedly becomes subject to any of the circumstances provided for in article 16.2 of the Board Regulations. The removal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that determine a material change of control.

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

The rules above have been updated according with the Spanish Corporate Governance Recommendations approved in June 2020 and incorporated in the Board Regulations approved in February 2021, and are available on the Company's website (www.iairgroup.com), and the website of the Spanish Comisión Nacional del Mercado de Valores (wwww.cnmv.es).

Other Statutory Information

Share issues, buy-backs and treasury shares

The Annual General Meeting held on September 8. authorised the Board, with the express power of substitution, for a term ending at the 2021 Annual General Meeting (or, if earlier, 15 months from September 8, 2020), to:

i reduce the share capital by means of reducing the par value of the shares by €0.40 each, to €0.10 per share.

ii increase the share capital pursuant to the provisions of Article 297.1.b) of the Spanish Companies Law, by up to fifty per cent of the aggregate nominal amount of the Company's issued share capital resulting after the capital reduction of passing such resolution (such amount to be reduced by the amount that the share capital has been increased by and the maximum amount that the share capital may need to be increased by on the conversion or exchange of any securities issued by the Board under the relevant authorisation), through the issuance and placement into circulation of new shares (with or without a premium) the consideration for which shall be cash contributions;

iii issue securities (including warrants) convertible into and/or exchangeable for shares of the Company, up to a maximum limit of 1,500,000,000 euros or the equivalent thereof in another currency, provided that the aggregate share capital that may need to be increased on the conversion or exchange of all such securities may not be higher than one-third of the aggregate nominal amount of the Company's issued share capital as at the date of passing such resolution (such amount to be reduced by the amount that the share capital has been increased by the Board under the relevant authorisation);

iv 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

Company's share capital

During the year the following changes to the share capital occurred:

Date of change	Share capital (euros)	Number of shares/voting rights
September 9, 2020	199,203,263.40	1,992,032,634
October 5, 2020	497,147,601	4,971,476,010

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 September 8, 2020.

v carry out the acquisition of its own shares directly by the Company or indirectly through its subsidiaries, subject to the following conditions:

a the maximum aggregate number of shares which is authorised to be purchased shall be the lower of the maximum amount permitted by the law and such number as represents 10 per cent of the aggregate nominal amount of the Company's issued share capital on September 8, 2020, the date of passing the resolution;

b the minimum price which may be paid for an ordinary share is zero;

c the maximum price which may be paid for an ordinary share is the highest of:

1 an amount equal to five per cent above the average of the middle market quotations for the shares as taken from the relevant stock exchange for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and

2 the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the transaction is carried out at the relevant time; in each case, exclusive of expenses.

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

The IAG Securities Code of Conduct regulates the Company's dealings in its treasury shares. This can be accessed on the Company's website.

Capital structure and shareholder rights

As of December 31, 2020, the share capital of the Company amounted to 497,147,601 euros (2019: 996,016,317 euros), divided into 4,971,476,010 shares (2019: 1,992,032,634 shares) of the same class and series and with a nominal value of €0.10 each (2019: €0.50 each), fully subscribed and paid.

As of December 31, 2020, the Company owned 5,096,863 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, 2020 the equivalent of 40,957,218 shares was held in ADR form (2019: 6 million shares).

During 2020, the Company filed one treasury shares reporting statement with the CNMV as a consequence of the change of the number of shares of the Company, as required by Spanish regulations, communicating the transfer of a total of 3,117,151 shares and resulting in a total of 5,737,059 treasury shares owned by the Company as of October 2, 2020.

Following shareholder approval, the nominal value of the Company's shares was reduced from €0.50 to €0.10 per share.

On July 31, 2020 the Company announced its proposal to undertake a capital increase with pre-emptive subscription rights to raise gross proceeds of up to €2.75 billion which was approved by shareholders at the shareholder meeting held on September 8, 2020. Therefore, during the period, 2,979,443,376 ordinary shares in the Company were issued and allotted on completion of the capital increase.

The significant shareholders of the Company at December 31, 2020, 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%**
Invesco Limited	–	65,995,270	Various mutual pension funds managed by Invesco Ltd	65,995,270	**1.327%**
Lansdowne Partners International Limited	–	62,414,365	Funds and accounts managed by Lansdowne Partners (UK) LLP	62,414,365	**1.255%**
Allan & Gill Gray foundation	–	54,667,573	Funds managed by Orbis Investment Management Limited	54,667,573	**1.100%**

As reported to the Spanish CNMV on February 23, 2021, Lansdowne Partners International Limited's shareholding increased to 80,876,691 shares, representing 1.627 % of the Company's share capital.

Shareholders' meeting

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

Considering the COVID-19 pandemic circumstances as well as the recommendation of the 2020 Spanish Corporate Governance Code, the Company facilitated attendance and participation to the 2020 Annual Shareholders' Meeting using an online platform.

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

Disclosure obligations

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

In accordance with article 7.2 b) of the Bylaws, shareholders must notify the Company of any acquisition or disposal of shares or of any interest in the shares of the Company that directly or indirectly entails the acquisition or disposal of a stake of over 0.25 per cent of the Company's share capital, or of the voting rights corresponding thereto, expressly indicating the nationality of the transferor and/or the transferee obliged to notify, as well as the creation of any charges on shares (or interests in shares) or other encumbrances whatsoever, for the purposes of the exercise of the rights conferred by them.

In addition, pursuant to article 10 of the Bylaws, the Company may require any shareholder or any other person with a confirmed or apparent interest in shares of the Company to disclose to the Company in writing such information as the Company shall require relating to the beneficial ownership of or any interest in the shares in question, as lies within the knowledge of such shareholder or other person, including any information that the Company deems necessary or desirable in order to determine the nationality of the holders of said shares or other person with an interest in the Company's shares or whether it is necessary to take steps in order to protect the operating rights of the Company or its subsidiaries.

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

Limitations on ownership of shares

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

In such circumstances, if non-qualifying persons acquire shares in breach of such restriction, the Board may also (i) agree on the suspension of voting and other political rights of the holder of the relevant shares, and (ii) request that the holders dispose of the corresponding shares so that no non-qualifying person may directly or indirectly own such shares or have an interest in the same. If such transfer is not performed on the terms provided for in the Bylaws, the Company may acquire the corresponding shares (for their subsequent redemption) pursuant to applicable legislation. This acquisition must be performed at the lower of the following prices: (a) the book value of the corresponding shares according to the latest published audited balance sheet of the Company; and (b) the middle market quotation for an ordinary share of the Company as derived from the London Stock Exchange's Daily Official List for the business day on which they were acquired by the relevant non-qualifying person.

Impact of change of control

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

- the brand alliance agreement in respect of British Airways and Iberia's membership of **one**world, the globally-branded airline alliance, could be terminated by a majority vote of the parties in the event of a change of control of the Company;
- the joint business agreement between British Airways, Iberia, American Airlines and Finnair and the joint business agreement between British Airways, Japan Airlines and Finnair can be terminated by the other parties to those agreements in the event of a change of control of the Company by either a third-party airline, or the parent of a third-party airline; and
- certain IAG financing and fuel 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.

Composition, Succession and Evaluation

Report of the Nominations Committee

Javier Ferrán
Nominations Committee Chair

Committee members

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

Dear Shareholder

I am pleased to present my first report of the Nominations Committee, after taking the chair position on September 8, 2020.

The main focus of the Committee during the year was on Board and Board committee's composition. The oversight of the succession arrangements for both the Chief Executive and, as far as appropriate as this process was led by the Senior Independent Director, for the Board Chair position were also key areas of consideration. The Committee was also consulted on appointments to, and promotions within, the IAG Management Committee.

I have covered in detail all the changes made during the year in my introduction to the Corporate Governance Report. As far as the Board is concerned, I would add that after a year with significant changes, we are very pleased with the outcome, having a Board with very solid and diverse set of skills, experience and capabilities. We are especially satisfied to have reached a female representation of 45%, but we recognise that there is more to do in other areas, such as ethnicity, as well as to ensure the development of diversity in its broadest sense in senior management across the Group.

Following executive leadership changes, the Committee's key priority for 2021 will be to focus on IAG's succession and talent management plans, as well as to reinforce the diversity of our pipeline.

I am convinced that the Group starts this new phase of its development with a strong board and senior management team with the breadth of skills, experience, capabilities and perspectives necessary to respond to the demands and challenges the business and the Group faces.

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 new Nominations Committee Regulations can be found on the Company's website.

The Nominations Committee has overall responsibility for leading the process for appointments to the Board and to ensure that these appointments bring the necessary skills, experience and competencies to the Board, aligning its composition to the business strategy and needs. The Committee also reports to the Board on the proposed appointment of senior executives of the Company. It oversees Board and senior management succession planning and in general the development of a diverse pipeline for succession.

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

The Committee was chaired by Antonio Vázquez until September 8, 2020, when he was replaced by Javier Ferrán. Antonio Vázquez remained a member until he retired from the Board on January 7, 2021.

The former members of the Committee during 2020 were:

- Antonio Vázquez left January 7, 2021
- Marc Bolland left September 8, 2020
- Deborah Kerr left December 31, 2020
- Emilio Saracho left September 24, 2020

The Committee's responsibilities

The Nominations Committee's responsibilities can be summarised as:

- evaluating the mix of competencies, knowledge and experience necessary in the Board's membership and reviewing the criteria for the Board composition and the selection of candidates
- submitting the recommendation for appointment of directors to the Board for approval, and reporting on the proposed designations of the members of the Board committees and their chairs
- succession planning for Board members making proposals to the Board so that such succession occurs in a planned and orderly manner
- reporting to the Board on the appointment and removal of senior executives (which includes all IAG Management Committee members)
- 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 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 2020

The Committee met nine times during 2020, including five scheduled meetings and four *ad hoc* meetings. Directors' attendance at these meetings can be found in the Corporate Governance section. The Group Chief Executive is invited to attend the Committee's meetings as and when necessary. During 2020, the Group General Counsel also attended several meetings.

The Committee focused on the following activities during the year:

- Group Chief Executive succession and appointment of Luis Gallego
- Board Chair succession plan and appointment of Javier Ferrán
- the composition of the Board, including Brexit considerations
- reviewing the Board committees' membership
- annual evaluation of performance of the Board Chair and of the Chief Executive
- management succession plans
- talent management, pipeline and diversity
- overview of the Board annual evaluation process and conclusions, as well as that of the Nominations Committee
- changes to Group company boards

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

Board changes

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

As foreseen in the Board refreshment plan, Kieran Poynter did not stand for re-election at the 2020 Shareholders' Meeting having served as an independent director of the Company for more than nine years. Marc Bolland also did not stand for re-election having considered his non-IAG commitments and increased demand of these commitments on his time during 2020. To fill the vacancies this created, Giles Agutter and Robin Phillips were appointed as non-executive proprietary directors in representation of the significant shareholder Qatar Airways Group (Q.C.S.C.), owner of 25.1% of the share capital of the Company. These appointments were reviewed by the Nominations Committee, taking into consideration the composition of the Board of Directors, as well as the suitability of the professional profiles and experiences of the proposed directors.

Having served nine years in office and as anticipated, Antonio Vázquez announced on July 31, 2020 his intention to retire from his position as a member and Chair of the Board of Directors. In accordance with the succession process outlined further on in this report, the Board unanimously approved the appointment of Javier Ferrán as his successor. Javier Ferrán met the independence criteria set out in the Spanish legislation and in the 2018 UK Code on appointment.

Due to the nature of our business and Brexit, IAG had to implement its plans to ensure that its EU licensed airlines continue to comply with EU ownership and control rules. In this context, the composition of the Board of Directors was changed so that it has a majority of independent EU non-executive directors. To facilitate these changes, on December 31, 2020 Deborah Kerr, María Fernanda Mejía and Steve Gunning stepped down from the Board, and Peggy Bruzelius, Eva Castillo and Heather Ann McSharry were appointed to fill these vacancies.

The search for these three new independent non-executive directors was initiated in 2019 by the Nominations Committee in accordance with the Board succession plan and was later redefined to identify suitable candidates to ensure that the Board had a majority of independent EU non-executive directors.

This process was completed in accordance with the IAG Directors Selection and Diversity Policy, respecting the following principles:

- Spencer Stuart was engaged to conduct this search.
- The search criteria was formulated following the evaluation of the balance of skills, experience, independence, diversity and knowledge on the Board. Based on these considerations, the role and capabilities required for these appointments were established, and the resulting criteria were included as an annex to the search firm's engagement letter.
- Two long-lists of candidates were reviewed during September and October 2020 and, following a detailed analysis of the profiles of the candidates included on both lists, it was agreed on a potential shortlist of candidates.
- This shortlist was reviewed and discussed by the Chair of the Nominations Committee, the Board Chair and the Senior Independent Director, and according to the conclusions reached and after hearing the feedback from a compliance perspective from the Group General Counsel, it was reported to the Nominations Committee.
- The interview process was completed between October and November 2020.

Following this, the three candidates identified were agreed, and submitted for approval at the Nominations Committee held on December 31, 2020. A final report was presented to the Board endorsing the three candidates' nominations.

Board positions and committee memberships

There has been a number of important changes to the Board composition and consequently to its committees, all of which have been overseen by the Nominations Committee.

Being a key position on the Board, succession for the chair of the Audit and Compliance Committee was carefully planned, ensuring an adequate handover process. Following the 2020 Shareholders' Meeting, Margaret Ewing succeeded Kieran Poynter in this position. Deborah Kerr and María Fernanda Mejía resigned as members of the committee with effect from December 31, 2020. This committee membership includes Alberto Terol, who has been an IAG director for seven years providing his expertise and knowledge of the sector. Peggy Bruzelius and Eva Castillo were appointed as members of this committee on December 31, 2020 given their respective backgrounds and experience.

Following his appointment as designated Chair, Javier Ferrán was appointed as Chair of the Nominations Committee. Antonio Vázquez, incumbent Chair, continued as a member of this committee until his retirement. Alberto Terol, as Senior Independent Director is also a member and was throughout 2020. Current membership also includes Giles Agutter, Margaret Ewing and Heather Ann McSharry ensuring a balanced composition as well as adequate cross-membership with other key committees.

On December 31, 2020 Alberto Terol was appointed as chair of the Remuneration Committee. In a challenging period for this committee, Alberto brings not only his experience as a current member of this committee, but also his experience of having chaired other listed companies' remuneration committees. This committee also includes Nicola Shaw and Emilio Saracho, and recently appointed members Eva Castillo and Heather Ann McSharry, all of them with relevant backgrounds.

On February 24, 2021 the Nominations Committee considered the composition of the new Safety, Environment and Corporate Responsibility Committee which was subsequently approved by the Board. This committee will be chaired by an independent non-executive director, Nicola Shaw, and it will be exclusively composed of non-executive directors with a majority of independent directors, thus conforming to the Spanish Code requirements.

Directors independence, performance and re-election

The Nominations Committee, having considered the matter carefully, is of the opinion that all of the current non-executive directors, with the exception of the two recently appointed 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 2020 Shareholders' Meeting were accompanied by an explanatory report issued by the Board of Directors with the support of the Nominations Committee assessing the competence, experience and merits of each candidate. Following this review, the Committee was of the opinion that each non-executive director submitting him or herself for re-election continued to demonstrate commitment to the role as a member of the Board and its committees, discharged his or her duties effectively and that each was making a valuable contribution to the leadership of the Company for the benefit of all shareholders.

The Committee also reviews the time commitment of each non-executive director on at least an annual basis. During 2020, the commitment, support and availability demonstrated by all directors without exception during these difficult months has been and continues to be outstanding.

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

At the beginning of the year, the Committee reviewed and finalised the succession plan for the Group Chief Executive, which culminated with the announcement, in January 2020, that Luis Gallego, the Chairman and Chief Executive of Iberia, would succeed Willie Walsh as Group Chief Executive.

In addition to this, and as proposed by both the incumbent and designated Chief Executive, the Committee considered the appointment of Javier Sánchez-Prieto, the then Chairman and Chief Executive of Vueling, as Chairman and Chief Executive of Iberia, and of Marco Sansavini, the then Commercial Director of Iberia, as Chairman and Chief Executive of Vueling.

Initially the appointments were due to take effect on March 26, 2020 but because of the impact of the COVID-19 pandemic on the Group's operations and the exceptional circumstances facing the airline industry, the Board decided to delay Willie Walsh's retirement as well as the relevant changes in the leadership of Iberia and Vueling to preserve management stability in the immediate response to the crisis. The appointments took effect following the Shareholders' Meeting held on September 8, 2020.

In addition, the Committee reviewed the following Management Committee appointments, which took effect on October 11, 2020, on the recommendation of the new Group Chief Executive:

- Sean Doyle, then Aer Lingus Chairman and Chief Executive, appointed to succeed Alex Cruz as British Airways Chief Executive.
- Donal Moriarty, then Aer Lingus Chief Corporate Affairs Officer, appointed interim Chief Executive in Sean's place.
- Fernando Candela, then Chief Executive of LEVEL, appointed to the Management Committee in a new role of Chief Transformation Officer.

In January 2021, the Committee also considered and reported to the Board on the appointment of David Podolsky as the new IAG Chief Strategy Officer.

In 2020 a formal review of the senior management succession plan was not undertaken by the Committee other than in respect of the changes outlined above. This will be an area of focus both for the Committee and the Group Chief Executive and its management team during 2021.

Diversity

The Nominations Committee and the Board are committed to achieving diversity in its broadest sense in the composition of the Board and senior management. Details of Board diversity can be found in the Corporate Governance section. Female directors currently represent 45% of the Board of Directors.

The Committee and the Board will be reviewing the Group's diversity and inclusion policies in 2021 to align to both the Spanish and UK Corporate Governance Codes' requirements as well as to current best practices. The Committee recognises that there is more to do in other areas beyond gender such as ethnicity and disability and will seek to further diversify the management and Board composition while recognising the difficulties it faces as far as the Board composition is concerned due to Spanish and UK governance and other relevant regulatory requirements.

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

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

Searches are conducted by selected executive search firms, only engaging with those who are signatories to the UK Voluntary Code of Conduct for Executive Search Firms. During 2020, Spencer Stuart was engaged to conduct relevant searches on behalf of the Board. Spencer Stuart, received the accreditation in 2019 under the Enhanced Code of Conduct for meeting exacting performance criteria and best practice standards in gender-balanced selection for FTSE 350 boards.

To ensure IAG meets its diversity standards, it requires that the long-list of potential candidates includes adequate representation of female candidates, and candidates, as far as possible, from the widest possible diverse pool. IAG Board's aspiration to have 33% female representation on the Board by the end of 2020 is formally reflected in the Directors Selection and Diversity Policy. This target was met in 2018, and as of today female directors have a 45% representation on the Board.

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

Induction of directors

An induction programme was launched for Giles Agutter and Robin Phillips following their appointments in September 2020. The programme is based upon IAG's induction guidelines but has been adapted to take account of the COVID-19 pandemic constraints. Due to his appointment as IAG Chairman there has also been a further induction programme for Javier Ferrán, including specialised one-to-one sessions as well as meetings with the leadership teams of each operating company. Handover sessions were also facilitated with the current Chairman to ensure a smooth transition.

In January 2021, another induction programme began to incorporate the three newly appointed directors following the same guidelines. In this regard, meetings with management have been arranged to prioritise a rapid introduction to the Group and briefings on main current matters, leading to a second phase of

My induction experience

Having spent many years in the airline industry, the IAG induction programme was an extremely useful exercise to get a better understanding of the complexities of this successful airline group. IAG is such a broad group of leading brands that it will no doubt take many months to get to know better the people that will work together to lead the company out of the current pandemic. The induction programme has highlighted the quality of talent that exists within the organisation and strengthened my confidence in the people to successfully adapt this company to the changing environment in which we operate. It has become clear to me the sense of pride that exists within the team for the companies that they have built, and this will no doubt continue to be a crucial asset for the company. I am so pleased to have the opportunity to work with the team in the months and years to come to ensure that IAG remains a leader in the global airline industry.

Giles Agutter

Given the pandemic, the induction process was necessarily more restricted: there were no site visits for example, and evidently in some cases the discussions needed to be online. Luis Gallego had formally taken over as Chief Executive only weeks before, and with several new faces in his leadership team. With this background, and given the unprecedented challenges facing the team, I was extremely impressed and very appreciative of the time, engagement and commitment of all who presented to us. Importantly the sessions were highly interactive, and across the entire management team there was the preparedness to listen as well as speak. For those recently appointed, I sensed that our induction meetings also served as a platform to articulate some of their plans and aspirations in their new roles. There was consistently a good balance in the discussion between the immediate priorities in confronting the pandemic and at the same time the focus on medium and longer term strategic goals. Overall, the approach was very diligent and demonstrated a clear respect for and understanding of the importance of the role of the board.

The preparation for the induction was thorough: not only ensuring that the broader remit and complexities of the group were fully represented and balanced, but also showing sensitivity to the key emerging issues and risks, for example cybersecurity, sustainability/ environment and Brexit.

I emerged from the induction with a rounded understanding of the group, both across the business verticals and functions, and felt confident as a result in being able to carry out my role on the board, and critically also knowing that I have had the time to start to develop personal working relationships with the management team as well.

Robin Phillips

customary meetings with all Management Committee members and other key positions within IAG.

The Committee annual evaluation

The annual performance evaluation of the Board and its committees was internally facilitated, having been carried out by an independent external facilitator in 2019. The evaluation concluded that the Committee operated effectively during 2020 and has successfully managed two key succession processes at Board level, while dealing with important changes to the Board and its committees composition in very difficult circumstances. Two key areas of focus for the Committee during 2021 will be:

- talent oversight and deeper review of management succession planning, so that the Committee has greater visibility of the bench across functions, and
- reinforcement of diversity and inclusion initiatives, ensuring that the Group builds a diverse talent pipeline aligned to its culture and values.

Chair succession

Last year's annual report stated that, having completed nine years as a non-executive director, the succession arrangement for the Chair of the Board was one of the priorities for the Nominations Committee for 2020. This process was led by the Senior Independent Director, involving all non-executive directors and executive directors. An internal potential candidate was identified very early in the process, and subsequently Alberto Terol decided to conduct the process jointly with the Chair of the Audit and Compliance Committee and long-serving director, Kieran Poynter. Within this process, the input from executive directors, and particularly that of the incumbent and designated Chief Executive, were sought as appropriate.

Several meetings with all non-executive directors were held where the role specification was discussed, including the skillset, experience and key leadership characteristics required to guide IAG throughout the next stage of the Group's development and to lead the Board and support management in confronting the challenges ahead. Spencer Stuart was engaged to complete a mapping exercise to identify potential chair candidates in accordance with the proposed role specification, which was also discussed and agreed with them. Following a first analysis of the long-list of potential candidates provided, a short list was prepared evidencing the existence of strong internal candidate. The short list was considered and discussed with all non-executive directors, excluding the already identified internal candidate. In addition the views of several major shareholders and advisors were also sought as part of the ordinary engagement contacts with these stakeholders.

The process resulted in a unanimous recommendation that Javier Ferrán was the most suitable candidate, and such proposal was discussed at the Nominations Committee meeting held on July 29, 2020 and submitted to the Board of Directors for approval. Javier Ferrán brings extensive board and governance experience, both in Spain and the UK, as well as a solid management expertise. Having been a director of the Company for more than a year at the date of approval of his appointment, the Board considered that his personal qualities and style perfectly matches the specifications required for the role.

Following Javier Ferrán's designation, the Committee considered the plan to induct him as Chair, working alongside Antonio Vázquez for the five months prior to his appointment.

Board and committee evaluation

The effectiveness of the Board and its committees is reviewed annually, with an independent, externally facilitated review being conducted every three years. The last external review was conducted in 2019, therefore an internal evaluation was completed for 2020.

The internal evaluation was led by both the incumbent and designated Chair and was conducted by the Board Secretary using a self-assessment questionnaire, complemented with an individual interview conducted by the new Chair with each of the non-executive directors. The report was presented to all Board members, together with the Group General Counsel and the Board Secretary and Deputy Secretary.

Considering the amount of change experienced by both the Board and the committees' composition during 2020, as well as the current circumstances, the exercise was inevitably more limited but more focused at the same time on the key challenges faced during the year. The overall conclusions of the review were positive, confirming that the Board and the committees continue to adequately fulfil their responsibilities. Directors considered that the two important succession plans completed during the year were handle in a very solid and professional manner, both in relation to the process and identification of suitable candidates as in the design and implementation of proper transition, acknowledging the compromise and collaboration of the departing Chief Executive and departing Chair. The planning of the Board succession and its execution was also positively commented on considering its relevance and depth in 2020. Specific questions were asked in the evaluation in relation to the Board's reaction to the COVID-19 crisis, both from a process and substance point of view. Directors concurred in considering that the engagement, support and oversight exercised by the Board during this difficult period has been outstanding. The strength of the different directors' profiles and their independent judgement was also put to test during this period and proved to be valuable.

The main focus for 2021 will be:

To accelerate and reinforce the induction programme for new directors, tailoring it to each director needs and profile, given the large amount of change in the Board's composition.

In view of the discussions held at the annual strategy session, to determine the strategic topics that should be covered in depth throughout the Board calendar.

The set up and functioning of the new Safety, Environment and Corporate Responsibility Committee.

Report of the Safety Committee

Luis Gallego
Safety Committee Chair

Committee members

	Date appointed
Luis Gallego (Chair)	September 8, 2020
Giles Agutter	September 24, 2020
Nicola Shaw	June 14, 2018

Dear Shareholder

I am pleased to share with you my first report as IAG Safety Committee Chair.

In addition to myself, we were pleased to welcome Giles Agutter as a member to the Committee after joining the Board as a non-executive director in September 2020.

During this year, the Committee's usual oversight over safety matters was understandably impacted by the COVID-19 pandemic, as the operations of the Group airlines diminished, and the normal safety activities adjusted to the new reality imposed by the pandemic.

According to the aviation regulatory framework, safety and security responsibility lies with the management of each Group airline under their respective operating licence and Air Operators Certificate. IAG's Safety Committee exercises a high-level overview of safety activities and fosters the discussion of common issues and the sharing of best practices between the Group airlines. This latter sphere of activity has proven very valuable in such unprecedented circumstances as it allowed us to share challenges, initiatives and best practices among the different Group airlines.

Luis Gallego
Safety Committee Chair

The Safety Committee

The Committee composition, competencies and operating rules were regulated by article 32 of the Board Regulations. Following the corporate governance review completed in February 2021, the remit of this Committee has been enhanced to cover environmental and corporate responsibility matters as a new Safety, Environmental and Corporate Responsibility Committee.

The Committee is made up of no fewer than three directors appointed by the Board, with the necessary dedication, capacity and experience.

In addition to Committee members, senior managers with responsibility for safety matters are invited to attend and report at Committee meetings as and when required. During 2020, representatives of the British Airways, Iberia, Aer Lingus and Vueling safety teams attended meetings.

The Committee's responsibilities

Responsibility for safety matters belongs to the Group's airlines. IAG, through its Safety Committee, has an overall view of each airline's safety performance and of any important issues that may affect the industry. The Committee also has visibility of the Group airlines' resources and procedures. Responsibility for performing detailed and technical assessments remains with each airline, overseen by their respective safety committees.

According to article 32 of the Board Regulations the Committee's duties included:

- to receive significant safety information about IAG's subsidiaries, franchise codeshare or wet-lease providers used by any member of the Group
- to exercise a high-level overview of safety activities and resources
- to inform the Board and to follow up on any safety-related matters as determined by the Board

The Committee's activities during the year

During 2020 the Committee held two meetings. Directors' attendance at these meetings is detailed in the Corporate Governance report.

The Committee reviewed the relevant areas of each operating company's performance across the Safety Risk Management activities. Although the reporting period included some pre COVID-19 operations, in the first quarter of 2020, a significant amount of the Committee's time after that was dedicated to the activities undertaken to ensure the effective management of risk as a consequence of the pandemic by each airline. This reflected the scale and pace of change following the restrictions imposed across the global operations and the impact on colleagues' skills, health and wellbeing and the continued airworthiness of the fleets. A substantial amount of work by each of the airlines' safety teams had been undertaken to manage safety risk that supported both citizen repatriation operations and the provision of cargo only services the details of which were shared with the Committee.

Former members of the Committee during 2020 were:

- Willie Walsh left September 8, 2020
- Kieran Poynter left September 24, 2020
- Javier Ferrán left September 24 2020
- Antonio Vazquez left January 7, 2021

Audit, Risk and Internal Control

Report of the Audit and Compliance Committee

Margaret Ewing
Audit and Compliance Committee Chair

Committee members

	Date appointed
Margaret Ewing (Chair)	June 20, 2019
Peggy Bruzelius	December 31, 2020
Eva Castillo	December 31, 2020
Alberto Terol	August 2, 2013

Detailed biographies of all current Committee members are included in this Annual Report. Despite the changes in composition, the Board is satisfied that, throughout the year, the Committee has retained competence relevant to its overall responsibilities and a wide range of financial, audit, risk management and relevant sector and business experience amongst its members, providing the right mix of skills and experience to provide constructive challenge and support to management. In accordance with the FRC's 2018 Code, the Board has determined that Margaret Ewing has recent and relevant financial experience. The Board, through the Nominations Committee, will continue to review the Committee's membership to ensure the skills and experience of its members align with the business as it develops.

Dear Shareholder

I am pleased to present my first Report as Chair of the Audit and Compliance Committee. The unprecedented and significant challenges faced by the Group throughout the COVID-19 pandemic influenced the activities of the Committee during 2020. We ensured: the key challenges faced by the Group were reflected in the external and internal audit plans; effective controls remained in place; rapidly changing key and emerging risks were identified and effectively managed; continued compliance with all regulatory and legal obligations; and sound financial judgements and estimates continued to be made.

I would like to start by thanking Kieran Poynter who stood down from the Board and as Chair of the Committee in September 2020, after ten years as a Non-Executive Director. During his time on the Committee Kieran made a significant contribution, playing a key role in advocating considerable and continuous improvement in the Group's internal control, risk management and compliance practices across the Group and ensuring that management was held accountable for delivering these improvements.

Former members of the Committee during 2020 were:

- Kieran Poynter (Committee chair until September 8, 2020) left on September 8, 2020
- Deborah Kerr left on December 31, 2020
- María Fernanda Meijía left on December 31, 2020

As noted in the Governance Report, Peggy Bruzelius and Eva Castillo joined the Committee, replacing Deborah Kerr and María Fernanda Mejía, on December 31, 2020. I would like to thank Deborah and María Fernanda for their valuable contribution to the Committee and welcome Peggy and Eva, who are already making an important impact on the Committee's agenda. Despite the recent changes, the Committee continues to have strong and diverse membership. It is well placed to provide robust challenge to the internal and external auditors and management. It also has the capability and expertise required to respond effectively to the significant and emerging opportunities and challenges faced by the Group.

I would also like to take this opportunity, on behalf of the Committee, to acknowledge and express our significant gratitude to management and teams (including internal auditors) who have interfaced with and provided support to the Committee during this period. We are incredibly proud of the way they have responded to the crisis and worked relentlessly with such determination and a real sense of purpose.

The Committee held twelve formal meetings during 2020 (compared to eight in 2019) and members held numerous ad hoc and one-to-one meetings with finance team representatives, management and internal and external auditors, reflecting the Committee's increased level of support and constructive challenge to management as the impact of the pandemic and the risk landscape evolved rapidly. As restrictions impacting IAG's business emerged globally, the associated potential effects on the control environment, cyber security and Group funding arrangements resulted in the Committee providing additional oversight and seeking supplementary assurance. The Committee also focused on the significant operational, compliance and financial risks resulting from the pandemic impact and the potential implications for the Group's financial statements, non-financial information disclosures and compliance (including Task Force and Climate-related Financial Disclosures 'TCFD') and the Group's ability to execute and deliver its strategy, adapting our agenda and plans as appropriate as the year progressed.

Following the external audit tender in January 2020 and the Board's recommendation and shareholder approval at the Annual Shareholders' Meeting in September, KPMG will be the external auditor from, and including, the 2021 financial year. KPMG commenced its transition in November and liaised with IAG and operating company and functional management, as well as the incumbent auditor, EY, to be well placed to embark on the 2021 audit. We would like to thank the EY team members for their consistent delivery of quality audits. The smooth transition of the external audit remains a key priority of the Committee during 2021.

As we look forward to this current year, 2021, the Committee will continue to provide robust challenge of management and our new auditor as governments' responses to the COVID-19 pandemic continue to devastate the aviation sector and the risk environment consequently further evolves. In addition to the topics outlined above, the Committee will continue to target known and emerging risk areas for deep dives to ensure that the transformation occurring across the Group, as well as challenges posed by continuing economic, regulatory and political change, are appropriately reflected in the Group's accounting, internal control and compliance procedures. The Committee will also have regard to the developments in the UK Government's current initiatives on audit reform and will ensure that the Company develops appropriate plans to comply with any changes in regulatory requirements.

Following an external evaluation process in 2019, the Committee members completed an internally facilitated evaluation of the Committee's effectiveness during 2020. The findings were discussed and shared with the Board and indicated that the Committee continued to perform effectively and should focus in 2021 on the key matters noted above, including monitoring changing and emerging risks and their mitigations and increase our understanding and focus on evolving climate change and other non-financial information reporting regulations.

I hope that you find this report informative and can continue to take assurance from the work undertaken by the Committee during 2020 and planned for 2021. The Committee seeks to respond to shareholders' and other stakeholders' expectations in our reporting and we welcome feedback from and meetings with them on this Committee report or other related issues.

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. The Committee and Board approved revisions to Article 29 in February 2021 to reflect the latest guidance and regulatory requirements in Spain and the UK. A copy of these Regulations can be found on IAG's website.

The Committee's responsibilities and activities

The Committee's principal responsibility is to oversee and provide assurance to the Board with regards to the integrity and quality of financial reporting, effectiveness of audit arrangements and robustness and effective operation of internal controls and risk management processes.

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. KPMG also attended all Committee meetings from November. Members of the management team, including the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller, were invited to attend specific agenda items as required and when relevant.

A summary of the Committee's activities during 2020 and until the date of this report is detailed below. The Committee meeting agendas are always flexed to allow for ad-hoc discussion and reviews as and when required.

A private session of the Committee members was held during each Committee meeting and, at least once a year, the Committee meets privately with each of the external and internal auditor.

Further detail on significant financial reporting matters and other significant topics is provided in this report.

Area of Committee focus	Activities
Financial reporting	• reviewing the financial statements and announcements of the Group to ensure integrity; • consideration of the process for confirming and recommending to the Board that the 2020 Annual Report and Accounts is fair, balanced and understandable; • reviewing and challenging significant accounting estimates and judgements applied in the financial statements of the Group and related reporting and disclosures; and • reviewing and challenging management's assessment of the going concern and viability of the Group.
External auditor	• completion of the competitive external audit tender and recommending the appointment of KPMG as the 2021 external auditor, review of KPMG's transition arrangements and plan and overseeing implementation progress; • approval of the 2020 external audit plan and strategy including consideration of scope, changes in approach and methodology, emerging industry- and Group-specific audit risks and materiality. Monitoring the audit plan's implementation, including receiving regular reports from EY on key judgement and audit matters and any significant weaknesses detected in the internal control environment; • performing evidence-based assessment of the effectiveness and independence of the current external auditor, including the quality of the 2019 and 2020 audits, and reviewing and approving the EY fees and terms of reference; and • reviewing and approving 2020 non-audit services expenditure against policy and previously determined limit guidance. Reviewing and approving non-audit services limit guidance and expectations for 2021.
Internal auditor	• reviewing and agreeing the internal audit 2020 plan and 2021 first 6 months plan (including resourcing and budget to appoint appropriate external specialist resource when required), amendments to the plan (as the internal auditor responded to the pandemic's impact on the Group) and effectiveness of the function; • reviewing key audit conclusions, discussing management's responses and monitoring the resolution of issues raised; • holding regular meetings during the year between the Committee, the Head of Group Audit and the external audit partner as well as ensuring the Head of Group Audit feels able to raise any concerns informally and directly with the Chair of the Committee; and • monitoring and protecting Internal audit's independence and standing within the Group, ensuring its ability to influence and engage at the most senior levels across IAG and all operating companies and functions and is closely involved in the Group's discussions on risk.
Internal Control over Financial Reporting (ICFR)	• consideration and challenge of management's analysis of risks in financial reporting and documentation of accounting processes; • monitoring the internal controls manuals and procedures adopted by the Company, to verify compliance with them and review the designation and replacement of the individuals responsible for 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.

Area of Committee Focus	Activities
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 risk appetite and confirming management's assessment that the Group has applied appropriate mitigations or other effective controls (such as frequent Board updates) to ensure that an appropriate risk appetite has operated throughout the period; • overseeing treasury risk management, including reviewing the Group's fuel and foreign exchange hedging positions and financial counterparty exposure, and consideration of the implications of the approved hedging profile given the unprecedented decline in demand and its continued appropriateness in managing these risks; and • overseeing tax risk management and considering the tax strategy before recommending to the Board for approval and publishing on the IAG website.
Legal and compliance	• reviewing the Group's anti-bribery, sanctions, competition, privacy and Spanish Criminal Code compliance programmes including the latest related risk maps, regulatory developments, the key programme activities during 2020 and priorities for 2021; • reviewing the 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; and • reviewing the Group's independent third party-facilitated whistleblowing procedures and the Annual Report on: incidents reported via the whistleblowing channels, by category and nature; 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. Information relating to litigation is available in note 31 to the Financial statements.
Non-Financial Information	• reviewing the processes and integrity of information provided in the Group's Consolidated Statement of Non-Financial Information prepared to comply with the requirements of Law 11/2018, including information on environmental, social, employee-related, and human rights-related matters; and • reviewing the information prepared to cover the Group's longer-term sustainability and climate-related risks and opportunities, including the Group's alignment with the provisions set out by the TCFD process.

Governance and other matters	• reviewing and recommending to the Board the adoption of amendments to relevant policies. In 2020 this included:
	  • related party transactions policy;
	  • external auditor services policy (incorporating changes from the Revised FRC Ethical Standard 2019); and
	  • changes to existing policies and regulations resulting from the Revised CNMV Good Governance Code of Listed Companies June 2020.

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 impact the quarterly financial results announcements or the 2020 Annual Report and Accounts.

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

The significant accounting judgements, estimates and issues considered by the Committee in relation to the Annual Report and Accounts for the year to December 31, 2020 (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, together with a summary of the financial outcomes where appropriate. After robust challenge and debate, there are no topics where the conclusion resulted in significant disagreement between management, the external auditor and the Committee, or unresolved issues that needed to be referred to the Board

Viability and going concern assessments

Matter	Outcome/future actions
Throughout the year and in finalising the 2020 Financial Statements and Annual Report, given the economic uncertainty arising from the global COVID-19 pandemic and the further uncertainty and impact of the UK leaving the EU, the Committee has considered and robustly challenged management's comprehensive going concern review and viability assessment, including the supporting analysis. Management sense-checked the assumptions underlying the Base Case projections and Downside scenarios by comparison to forecasts available from informed external commentators (including IATA, analysts etc). The Committee considered the enhanced level of assessment and rigour applied by management and agreed it was appropriate in light of the level of volatility in the external environment. The Committee considered management's rationale for assuming the Group would be able to raise additional financing over the agreed Viability assessment period. The Committee also reviewed the external auditor's findings and conclusions on this matter, particularly at half year and year end and their review of working capital for the purpose of the capital increase in September. The Committee had regard to the recent going concern guidance issued by the FRC.	The Committee provided robust challenge of the assumptions applied in management's evolving Base Case projections (reflecting the deteriorating impact of the pandemic and related government responses), the severe but plausible Downside sensitivity scenarios and underlying assumptions and the reverse stress test scenario. Management responded to the Committee's concerns and, during the review in July provided additional granularity and insight in their analysis and assumptions, particularly in respect of the revenue and capacity forecasts. This was repeated in the year end review. Following this thorough challenge, the Committee recommended the viability and going concern statements and related disclosures to the Board for inclusion in the 2020 half year interim results announcement, the 2020 Annual Report and Accounts and preliminary results announcement, including a related 'material uncertainty' statement in respect of going concern and significantly expanded disclosures. The Committee will continue to robustly monitor the Group's viability assessment going forward.

Capital increase, funding strategy and capital allocation

Matter	Outcome/future actions
Following shareholder approval on September 8, 2020, IAG commenced a fully underwritten capital increase to raise gross proceeds of €2,741 million. The Committee provided robust and constructive challenge and support to management throughout the capital increase process, including the planning stages of the process, to ensure the existence of a strong rationale and business case. Throughout the process the Committee considered the views of the external auditor and reporting accountant. Due to the ongoing significant risk and implications for resilience and future viability resulting from trading challenges and other influences outside the control of the Group, the Committee has recently agreed with the Board that all funding strategy and capital allocation matters will be reviewed directly by the Board (rather than the Committee).	Specifically, the Committee: • Reviewed the working capital statement. The nature of the Committee's review was the same as that applied in reviewing the going concern and viability assessments (see above). • Reviewed the Financial Position and Prospects Procedures (FPPP) report from the reporting accountant including challenging potential talent retention issues and the potential consequences for the effectiveness of the Group's processes and internal controls. • Challenged management on the level of credit risk associated with the proposed arrangements for the receipt of the funds from the capital raise. Management subsequently reached an alternative agreement with the banks involved in the capital increase, mitigating the risk in accordance with the Group's treasury policy. • Challenged the sufficiency of the Directors' and Officers' liability insurance cover considering the heightened risks and value associated with the capital increase. Additional cover was subsequently obtained for the period required. • Reviewed and commented on various drafts of the Prospectus, providing appropriate assurance to the Board. • Considered management's accounting treatment of the rights issue, transaction costs and related disclosures.

Exceptional items

Matter	Outcome/future actions
During 2020, various costs were regarded as exceptional items as they were incurred solely because of the impact of the pandemic and management's response. These exceptional items included discontinuance of hedges of fuel derivatives and foreign currency derivatives, impairment of fleet assets stood down, write-down of expendable inventories related to fleet impairment and restructuring costs. In addition, certain other non-recurring material items (unrelated to the pandemic) were proposed as exceptional items by management, including the fine imposed in October 2020 from the UK Information Commissioner's Office relating to the theft of customer data at British Airways in 2018.	The Committee reviewed management's process for measuring derivative hedges to be discontinued and for reviewing and testing potential impairment, considered the reasonableness of the judgements and estimates deriving the exceptional items and the rationale for classifying them as COVID-19 related. In addition, the Committee considered the external auditor's findings and conclusions. The Committee debated with management the classification and disclosure of exceptional items in the financial statements with reference to the Group's policy, the views of the external auditor and the comment letters received from the CNMV (in October and December 2020 – see more detail below) plus further guidance issued by ESMA and the FRC. The Committee concluded that the approach taken in respect of identifying exceptional costs arising purely as a result of COVID-19 was appropriate and has been applied in line with the Group's policy and guidance from the relevant regulators and the judgements and estimates applied in determining the value of the relevant exceptional costs were reasonable. The Committee and management agreed that the Group's presentation of exceptional items in the 2020 Annual Report and Accounts would be altered and only disclosed in notes to the financial statements, as part of the Alternative Performance Measures disclosure note.

Revenue recognition of IAG Loyalty contract with American Express

Matter	Outcome/future actions
Effective from August 1, 2020, IAG Loyalty renewed its co-brand and marketing contracts with American Express through to 2028. While the performance obligations are consistent with the previous contract, the Committee considered management's proposed accounting treatment of two new aspects of the renewed contract, being an upfront payment for Avios points and an upfront sign-on bonus. Management had been advised by external professional experts, PwC.	The Committee concluded that, as a critical estimate/judgement in the Annual Report and Accounts. the approach taken, and related disclosures, in respect of determining the amortisation period, amortisation method and annual reassessment of the upfront payment were appropriate.

Other significant matters considered

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

CNMV letter

Matter	Outcome/future actions
In October 2020 the Company received a letter from the Director of the *Departamento de Informes Financieros y Corporativos* of the CNMV, requesting certain information or clarification related to accounting matters and disclosures in the Group's 2019 Annual Report and Accounts, 2020 condensed consolidated interim financial statements announcement and 2019 non-financial information statement. The Committee received confirmation from the auditor that the CNMV letter of October 2020 was representative of letters periodically sent to the largest corporates in Spain and there were no items of significance or concern raised in the letter. Management prepared a comprehensive response to the enquiries from the CNMV set out in their letter of October 2020, which was approved by the Committee for submission to the CNMV on November 16, 2020. Following the Company's response to the CNMV letter of October, a further letter was received from the CNMV on December 28, 2020 that focused on the Company's proposed treatment and disclosure of the impact of COVID-19 on the Group and its financial affairs and the disclosure of exceptional items.	The Committee reviewed and approved the response to the CNMV's second letter of December 28, 2020. The Company's response highlighted the intention to provide adequate disclosure of the impact of COVID-19 on the Group and agreement to alter the presentation and disclosure of exceptional items in the 2020 Financial Statements (see note on Exceptional Items above). It is anticipated that, following completion of the CNMV's review (which may have already occurred), the CNMV's letters and Company's responses will be published on the CNMV's website.

IT, cyber security and GDPR

Matter	Outcome/future actions
The Committee received an annual GDPR compliance update and quarterly updates from IAG Tech on the Group's IT and cyber security improvement programme covering the strategy, methodology and framework being applied and deep dives into various aspects of the programme. The Committee was pleased to note that management has retained the budgeted significant level of capital investment in the cyber security programme throughout 2020 and will continue to do so in 2021.	The Committee received additional granularity and visibility of the key cyber improvement projects and agreed that the direction and pace of progress made by IAG Tech is as expected and risk levels are understood. The Committee noted that the constraining factor on the pace of programme implementation is the ability of the organisation to absorb the volume of significant change occurring across the Group plus availability in the marketplace of relevant skilled personnel. The Committee will continue to monitor this business-critical programme in 2021 and has requested enhanced visibility of trend analysis and benchmarking data to better understand the Group's progress.

Fraud Procedures

Matter	Outcome/future actions
The fraud risk profile of the Group evolved rapidly because of the global COVID-19 pandemic as well as working from home becoming common practice for many of the Group's employees, auditors and suppliers. The Committee reviewed and approved the amended internal audit plan adapted to monitor key anti-fraud controls as well as adopting an agile approach to assurance over the continuous operation of the key ICFR controls across the Group during this period. In addition, the Committee reviewed the design of the internal control framework to prevent and detect fraud. This included consideration of the key controls and assurance activities taking place across the Group in relation to financial and non-financial fraud, whether from internal or external sources.	The Committee will continue to monitor fraud and internal controls carefully, including considering the views of the external auditor, the results of the annual ICFR audit and the results of focused anti-fraud control internal audits. The Committee requested management to identify additional sources of fraud detection assurance going forward to ensure the framework around internal control is operating appropriately.

SWIFT compliance

Matter	Outcome/future actions
SWIFT is a key supplier of secure financial messaging services to the Group to facilitate the settlement of payments and receipts with all counter parties. In 2018, SWIFT introduced its Customer Security Controls Framework to drive security improvement and transparency across the global financial community and a requirement for all SWIFT customers to complete an annual self-attestation assessment. The Committee challenged management on the progress made towards full compliance with SWIFT's requirements and requested regular status updates throughout 2020.	Management demonstrated the progressive resolution of the compliance issues during the year. This included the successful delivery of a series of initiatives, including the movement towards cloud infrastructure for a critical treasury system. The Committee was pleased with management's achievement of full compliance in 2020 despite the challenges experienced. The Committee will continue to receive regular updates in 2021.

Non-Financial Information (NFI) and the Task Force on Climate-related Financial Disclosures (TCFD)

Matter	Outcome/future actions
As part of the Group's Management Report, a Consolidated Statement of Non-Financial Information is prepared to comply with the requirements of Law 11/2018, on non-financial information and diversity. The Committee considered the challenges faced by management in collating, analysing and verifying the required employee data due to the impact of various government subsidies on remuneration and gender pay gap data during the year. In addition, the Committee considered the impact of COVID-19 on the emissions levels of the Group and the disclosed 2020 ratio and indicator variances compared with 2019 data.	The Committee was reassured with management's demonstration of close alignment with key sustainability frameworks including TCFD and the achievement of full compliance in 2020, despite the challenges experienced. The Committee will continue to receive regular updates in 2021.

Audit reform

Matter	Outcome/future actions
The proposed reform of the audit environment, including implications for companies, boards and audit committees, is an area of regulatory development that the Committee continues to monitor closely. The Committee considered management's analysis of the Company's current level of compliance with the relevant recommendations made by Sir Donald Brydon in his independent review of the quality and effectiveness of audit (the Brydon review). In addition, the Committee considered management's self-assessment exercise which concluded the Group's internal audit function practices are consistent or broadly consistent with the UK IIA Internal Audit Code of Practice released in January 2020.	The Committee agreed with management's recommendation that the Group will await the publication by BEIS of its consultation document on audit reform to identify a plan to achieve compliance by the date of required implementation. The Committee agreed to the recommended actions to address the aspects of the IA Code where the Group is currently partially compliant.

Internal Control over Financial Reporting

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

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

In 2020, the Committee reviewed the results of the internal audits of ICFR (which included IT general controls) as well as the results of the external audit. Despite the operating conditions of 2020 and remote working or furlough being applied for the majority of employees, no material or significant weaknesses were identified, and management continued to improve the control environment across the Group. The Committee also tracked the progress of internal audit recommendations to address any weaknesses identified.

Internal audit

The Committee considers and evaluates the level of Internal Audit resource and its quality, experience and expertise, supplemented as appropriate by third-party support and subject matter expertise, to ensure it is appropriate to provide the required level of assurance over the principal risks, processes and controls throughout the Group.

The Committee reviewed and approved the nature and scope of the work of Internal Audit throughout 2020. The half yearly audit plans were approved in January and July 2020 by the Committee, and all changes to the plan subsequently approved, including those to reflect the impact of the COVID-19 pandemic and the rapidly changing risk profile of the Group. The 2020 audit plans were adapted to include agile and real-time assurance over fraud risk while also ensuring coverage of specific risks, including cyber security, and satisfying ICFR and Spanish Criminal Code requirements. Progress against the plan and the results of Internal Audit's activities, including the quality and timeliness of management responses, was monitored throughout the year.

The Committee undertook an effectiveness review of the Internal Audit function and its leadership, which concluded that Internal Audit remains effective, has coped well with the challenges of the COVID-19 pandemic and continues to meet, adapt and add value to the needs of the Group.

External audit

The Committee engaged throughout the year with EY, with the engagement partners attending all Committee meetings as well as a series of ad hoc meetings. The Committee Chair met with the Group and lead audit partners throughout the year, and more frequently at the public reporting periods, to review Group developments, audit progress and their planned reporting. The Committee also discussed with EY, prior to recommendation of the financial statements to the Board for approval, the audit findings, including audit differences, and observations on internal controls, operations and resources.

Scope and execution

The Committee discussed and agreed the scope of the audit with EY prior to the commencement of the year end audit, ensuring that the audit plan was robust and informed by the auditor's review of the first half of the year financial statements. EY set out for the Committee the key tests that they intended performing on the identified higher-risk audit areas that could lead to material misstatement of the financial statements and significantly influenced the audit plan. 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, the accounting for all Group financing arrangements and how these were to be considered in the audit approach. In addition, the Committee provided input to management and EY on areas that it wanted to receive additional audit attention, such as the impact of the COVID-19 pandemic on current working from home practices (in respect of both IAG financial management and the audit team), loss of key people or any audit procedures involving physical inventory counts.

The auditor confirmed that 97 per cent (2019: 97 per cent) of the Group's revenue and 91 per cent (2019: 96 per cent) of the Group's total assets would be subject to a full scope audit and that specific scope procedures would be performed on IAG Loyalty and ICAG. The Committee challenged the auditor over the planned specific scope audit for IAG Loyalty and ICAG, however, following consideration of the combined coverage and clarification of the procedures adopted in a specific scope audit, the Committee agreed that the approach was appropriate and approved the plan.

The Committee agreed with EY, 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. For 2020, EY proposed a different methodology to determining the overall audit planning materiality compared to that applied in the prior year given the economic and financial consequences of COVID-19 on the Group's revenues and profitability. The Committee agreed that a significant reduction in materiality was appropriate, however challenged the method used in the calculation. The Committee was ultimately satisfied by the auditor's explanation that, regardless of the method adopted, a similar result would be obtained and, in all cases, lead to a significant reduction in the planning materiality compared to 2019 and therefore the level of audit work, specifically sample sizes, required of the auditor.

External auditor quality and effectiveness

The Committee remains 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 assessed and measured the quality of the audit through monitoring the auditor's compliance with relevant regulatory, ethical and professional guidance and assessed the audit team's qualifications, expertise, resources, partner rotation and the effectiveness of the audit process. The Committee's assessment included a detailed discussion with key executives and finance staff, which demonstrated that management regarded the quality of the EY audit and the audit team's overall performance as good. This aligned with the Committee's independent assessment of the overall quality of the audit, including the independence of EY and whether the auditor exhibited an appropriate level of challenge and scepticism in their work and dealings with management.

In particular, the Committee assessed the depth of review and level of challenge provided by the external auditor over the significant accounting judgements and estimates made by management. An example of where the Committee observed the external auditor demonstrate both professional scepticism and a challenge of management was in relation to the treatment of the ICO fine to British Airways as an exceptional item in the income statement. Whilst the Committee supported management's rationale for treating the item as exceptional, the Committee observed healthy debate initiated by EY which ensured that management's rationale was discussed in the Committee meetings throughout the year and the uncorrected misstatement in disclosure was included in the Board's letter of representation

In addition to the annual evaluation and regular review of reports and the working practices of the EY audit team, the

Committee undertook an ongoing assessment of external audit quality and effectiveness including, but not limited to, the following:

- The Committee oversaw formal terms of engagement with the auditor and agreed the audit fee. EY assured the Committee that the approved fee was at a level that was appropriate for the scope of the audit and to enable a quality audit to be undertaken.
- Reports from the external auditor were reviewed during four Committee meetings in 2020 and again in January and February 2021 Committee meetings, covering: the conclusions of the review of the Group's results for the half year, interim audit findings, early warning report for year end matters, and final report for year end matters.

EY attended all Committee meetings during the year, including ad-hoc meetings, to answer any questions the Committee had outside of these formal updates. The Committee is satisfied that the audit was probing, challenging and robust and the approach provided a reliable audit opinion with a reasonable expectation of detecting material errors, irregularities and material fraud. The Committee considered the external audit to have been effective and of a high quality.

External auditor reappointment
Having reviewed EY's performance during 2019, the Committee concluded that EY were independent and that it was in shareholders' interests to re-appoint the firm for 2020 before the transition of the audit to KPMG in 2021. The Board of Directors refrains from engaging any audit firm entitled to be paid fees by the Company for all services rendered that are in excess of 10 per cent of such firm's total revenue for the previous year. The EY lead audit and opinion signing partner for 2020 was Hildur Eir Jónsdóttir, who has held her role since 2016.

External audit tender and transition
To comply with the Spanish Act 22/2015, the Committee conducted an audit tender process that concluded in January 2020. KPMG's appointment as the auditor of the Company for the years 2021, 2022 and 2023 was approved by shareholders at the General Meeting in September 2020. There were no contractual or similar obligations restricting the Group's choice of external auditor. KPMG confirmed its independence in November 2020 and the Committee has since reviewed and monitored the implementation of KPMG's transition plans.

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

The Committee reviews the nature and volume of projects undertaken by the external auditor on a quarterly basis and all projects are either pre-approved in line with the list of permitted services in the FRC's Revised Ethical Standard 2019 or approved by the Committee Chair for projects over €100,000 or of an unusual nature. The overall volume of work is addressed by a target annual maximum of €1.6 million with an additional allowance of up to €1.2 million for large projects where the external auditor is uniquely placed to carry out the work.

Average spend across the last three years was within the total target maximum. Spend in 2020 was €1,134,000 with an additional €1,238,000 relating to work performed on working capital and FPPP reviews for the capital increase completed in October, required under the regulations and most effectively performed by the statutory auditor. 20 per cent of the €1,134,000 spend related to recurring work on the audit of accounts required by the Group's Joint Business arrangements. Details of the fees paid to the external auditor during the year can be found in note 6 to the Group financial statements.

Remuneration

Report of the Remuneration Committee

Alberto Terol
Remuneration Committee Chair

Committee members

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

Dear Shareholder

As Chairman of the Remuneration Committee, and on behalf of the Board, I am pleased to present the Remuneration Report for 2020. This is my first report as Chairman of the Committee, having taken over the role from Deborah Kerr, who herself took over the role in September 2020 from Marc Bolland. I would like to thank Marc and Deborah for their contributions during their time as Chair of the Committee and I am very much looking forward to serving you in this new role.

Former members of the Committee during 2020 were:

- Marc Bolland (Committee chair until September 8, 2020) left September 8, 2020
- Deborah Kerr (Committee chair from September 8, 2020) left December 31, 2020
- Javier Ferrán left September 24, 2020
- María Fernanda Mejía left December 31, 2020

As set out in more detail elsewhere in this report, it has clearly been a very challenging year for the Group, as a result of the COVID-19 pandemic. In addition to the unique challenges presented by COVID-19, and the subsequent capital increase, we have also seen a change in CEO following the decision by Willie Walsh to stand down from the role, along with a number of changes in the membership of the Management Committee level. The Committee recognises the magnitude of these challenges and changes, and the impact that they have had, whether that be on our shareholders, employees, customers, or wider stakeholder base.

At this time, we face a significant risk in the retention of our Management Committee and other key senior talent and it is important for our business that they are motivated, incentivised and remunerated appropriately to support the return to strong, sustainable business performance. Over the course of 2020, the Committee has sought to make decisions which appropriately balance these considerations. As a result, we were naturally disappointed with the lower than usual vote for our 2019 Annual Report on Remuneration at our delayed 2020 AGM. IAG has always recognised the need to build strong relationships with our investors through a process of open and transparent dialogue, and the Committee has continued that approach during 2020. We have consulted widely with shareholders over the last six months, both to ensure that we fully understand the reasons for the vote, as well as to get their views and feedback in relation to the next review of our Directors' Remuneration Policy. I discuss both in more detail below, and would like to thank shareholders for their time and constructive feedback.

At the 2020 Shareholders' Meeting, we were disappointed that a significant minority voted against the 2019 Annual Report on Remuneration resolution but were confident that the decisions made with regard to remuneration were in line with our policy and were appropriate under the unique circumstances given the performance of the Company in 2019. Since then, we have engaged with shareholders to more fully understand their concerns and have had a number of productive meetings. The outcomes of these discussions are covered in more detail in the remuneration report.

2020 Shareholders' Meeting and shareholder consultation

Once the full impact of the pandemic became clear, particularly from late February 2020 onwards, we acted immediately and took decisive action on executive pay:

- Executive directors and non-executive directors took a 20 per cent reduction in salary or fees from the beginning of April 2020 until the end of the year. Heading into 2021, we are maintaining a reduction of 10%; and
- Upon recommendation from the Committee, the Board took the decision to cancel the 2020 annual incentive plan.

At the same time, the Committee was considering 2019 incentive outcomes. As a result of strong financial and operational performance during 2019, the Committee was comfortable that the payments earned by employees, including the Executive Directors, were appropriately aligned with the overall Company circumstances and justifiable. At the time the outcomes were approved, the full impact of COVID-19 was not fully apparent.

By the time our 2020 Shareholders' Meeting took place in September, the world was fully in the midst of the pandemic. The advisory vote on the 2019 Annual Report on Remuneration was passed with 71.6 per cent in favour, a disappointing result given historical levels of support. In engaging with shareholders following the Shareholders' Meeting, some expressed concerns as to whether the 2019 bonus payments were aligned with the overall shareholder and employee experience, given subsequent events in 2020. The Committee listened carefully to all feedback received, both on this issue, as well as wider discussions on our remuneration framework given our Policy was due for renewal. This helped shape the Committee's thinking, and informed internal discussions regarding our Policy review.

Strategy and link to remuneration

IAG's aim is to become the world's leading airline group. Its strategy is to actively participate in the consolidation of the airline industry to create a multi-brand portfolio of leading airline businesses, each focused on addressing specific customer markets and geographies, while driving revenue and cost synergies through commercial cooperation, scale effects and leverage of the broader Group platform. Execution of this strategy, coupled with disciplined capital allocation, will allow IAG to deliver superior value and sustainable financial returns to its shareholders.

In reviewing the Directors' Remuneration Policy, the Committee's main objective is to ensure that remuneration at IAG is aligned with, and drives delivery of, our business and strategic priorities, because we see that as the best way to drive short-term and long-term performance. We recognise the need to ensure that there is alignment between performance and pay outcomes, such that the management team receive fair outcomes under our incentive plans only where this can be supported by Company and individual performance and wider stakeholder experience.

Summary of 2020 performance and incentive outcomes

As a result of the pandemic, following the report from the Committee, the Board took the decision to cancel the 2020 annual incentive plan in its entirety.

The 2018 award of the PSP reached the end of its three-year performance period in 2020. As a result of the pandemic, all three measures (relative TSR, EPS, and RoIC) fell short of the threshold level at which payments begin, resulting in zero vesting overall for executive directors.

Board changes

Luis Gallego took over from Willie Walsh as IAG CEO in September 2020. The Committee carefully considered the leaving arrangements for Willie and the appointment package for Luis.

Capital increase

Finally, in October 2020 we carried out a €2.74 billion capital increase with a view to strengthening our financial position. The Committee considered the effects of this capital increase on the Company's share-based plans and we took action to ensure that participants were neither advantaged nor disadvantaged as a result of the rights issue.

On behalf of the Committee, I appreciate your time in reading our 2020 Directors' Remuneration Report, and hope that it will receive your support at our 2021 Shareholders' Meeting. I also hope that our final proposal following the review of our Remuneration Policy will also have your support as shareholders of the Company.

Approved by the Board and signed on its behalf by

Alberto Terol
Remuneration Committee Chairman

Introduction

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

The Company's current policy on directors' remuneration was approved by shareholders at the Shareholders' Meeting on June 14, 2018. It was intended that the policy would apply for three years and, therefore, during 2020 the Committee commenced a review of the policy. The proposal for this new remuneration policy will be included as part of the reports that will accompany the notice of the 2021 Shareholders' Meeting.

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

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

It is the Company's intention once again to comply voluntarily with all reporting aspects of the UK legislation of 2013, The Companies (Miscellaneous Reporting) Regulations 2018 (SI 2018/860) and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, and to follow best practice UK standards.

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

Directors' Remuneration Policy

Key elements of pay

Executive directors

The Company's remuneration policy is to provide total remuneration packages which are linked to the business strategy, are competitive, and take into account each individual's performance of their role in the Company's work.

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

The current and proposed future Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved at the Shareholders' Meeting on June 14, 2018. The policy was fully disclosed in the 2017 Directors' Remuneration Report. It is the intention of the Committee that the proposed future policy will reflect a number of changes within the existing regulatory and corporate governance framework. The proposed future remuneration policy will be presented in reports that will accompany the notice of the 2021 Shareholders' Meeting and will be submitted for a shareholder vote at that meeting.

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	12 months

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

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

Under the PSP and IADP if a director leaves, the Board, after considering the recommendation of the Remuneration Committee, may exercise its discretion (within the rules of the two 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, redundancy, retirement or death. Executive directors leaving with Good Leaver status will receive shares awarded to them under the IADP scheme, and a pro-rata amount of their PSP shares subject to the company performance conditions being met. The pro-ration is calculated according to what proportion of the performance period the executive director spent in company service. If Good Leaver status is not granted to an executive director, all outstanding awards made to them under the PSP and IADP will lapse.

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 six 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 Chairman's and current 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	September 8, 2020
Alberto Terol	June 20, 2013	September 8, 2020
Giles Agutter	September 8, 2020	–
Margaret Ewing	June 20, 2019	September 8, 2020
Robin Phillips	September 8, 2020	–
Emilio Saracho	June 16, 2016	September 8, 2020
Nicola Shaw	January 1, 2018[1]	September 8, 2020
Peggy Bruzelius	December 31, 2020	–
Eva Castillo Sanz	December 31, 2020	–
Heather Ann McSharry	December 31, 2020	–

1 Appointment approved by the annual Shareholders' Meeting 2017 on June 15, 2017 but effective January 1, 2018.

Annual Remuneration Report

The Annual Remuneration Report sets out how the Directors' Remuneration Policy (as approved by shareholders at the Shareholders' Meeting on June 14, 2018) was put into practice in 2020 and how the current policy is being implemented in 2021.

The Committee's activities during the year

In 2020, the Committee met nine times and discussed, amongst others, the following matters:

Meeting	Agenda items discussed
January (two meetings)	CEO exit arrangements CEO succession remuneration arrangements Review of IAG Management Committee members' basic salaries
February	2019 annual incentive plan payments to IAG Management Committee members 2020 Management Committee role-specific objectives Vesting outcome of the Performance Share Plan (PSP) 2017 award Proposal of the 2020 annual incentive plan Proposal of the 2020 PSP Final review of 2019 Directors' Remuneration Report Review of incentive plans in all operating companies across the Group Approval of remuneration for a new Management Committee member
June	Remuneration approach in response to COVID-19
July	Preparation for the 2020 Shareholders' Meeting
September	Remuneration implications as a result of the capital increase
October (two meetings)	Approval of remuneration for two new Management Committee members, and change in remuneration for the new CEO of British Airways (BA) on change of role CEO of BA exit arrangements Executive remuneration market update Remuneration strategy for 2021
December	Review of remuneration measures introduced in response to COVID-19 Initial review of proposed future remuneration policy

Subject to audit

Single total figure of remuneration for each executive director

The table below sets out the single total figure and breakdown for each executive director during 2020. An explanation of how the figures are calculated follows the table.

	Salary		Benefits		Pension		Total Fixed		Annual incentive		Long-term incentive		Total Variable		Total	
Director ('000)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Luis Gallego (GBP)[1, 2]	**206**	–	**69**	–	**26**	–	**301**	–	**-**	–	**-**	–	**-**	–	**301**	–
Luis Gallego (euro)	**232**	–	**78**	–	**29**	–	**339**	–	**-**	–	**-**	–	**-**	–	**339**	–
Steve Gunning (GBP)[1, 3]	**519**	315	**18**	8	**65**	39	**602**	362	**-**	286	**-**	380	**-**	666	**602**	1,028
Steve Gunning (euro)	**585**	358	**20**	9	**73**	44	**678**	411	**-**	325	**-**	432	**-**	757	**678**	1,168
Willie Walsh (GBP)[1, 4]	**511**	850	**23**	30	**128**	213	**662**	1,093	**-**	883	**-**	1,222	**-**	2,105	**662**	3,198
Willie Walsh (euro)	**576**	967	**26**	34	**144**	242	**746**	1,243	**-**	1,004	**-**	1,390	**-**	2,394	**746**	3,637
Total (€'000)	**1,393**	1,325	**124**	43	**246**	286	**1,763**	1,654	**-**	1,329	**-**	1,822	**-**	3,151	**1,763**	4,805

1 Remuneration for all executive directors above is paid in sterling and expressed in euro for information purposes only.
2 Luis Gallego joined the Board on September 8, 2020.
3 Steve Gunning stepped down from the Board on December 31, 2020, having joined the Board on June 20, 2019.
4 Willie Walsh stepped down from the Board on September 8, 2020.

Additional explanations in respect of the single total figure table for 2020

Each director has confirmed in writing that they have not received any other items in the nature of remuneration other than those already disclosed in the table above.

Base salary

Salary paid in year for executive directors. All executive directors agreed to a 20 per cent reduction in base salary as a result of the COVID-19 pandemic. Willie Walsh had a reduction in salary from £850,000 to £680,000 from April 1, 2020 until his retirement. Steve Gunning had a reduction in salary from £610,000 to £488,000 from April 1, 2020 until December 31, 2020. Luis Gallego had a reduction from his salary on appointment of £820,000 to £656,000 from his date of appointment to December 31, 2020. These reductions are reflected in the single total figures in the table above.

Taxable benefits

Taxable benefits including personal travel and, where applicable, a company car, fuel and private health insurance. Luis Gallego also received payments towards relocation costs.

Pension-related benefits

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

Annual incentive plan

In response to the COVID-19 pandemic, the annual incentive plan for the year to December 31, 2020 was cancelled.

Long-term incentive vesting

This relates to the IAG PSP 2018 award based on performance measured to December 31, 2020. The outcomes of the performance conditions resulted in zero vesting for executive directors and are described in detail later in this report.

For the year to December 31, 2020, the €:£ exchange rate applied is 1.1273 (2019: 1.1371).

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 2018 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 for all executive directors. For the year to December 31, 2020 the Company paid contributions of €15,366 (2019: €26,790).

Subject to audit

Variable pay outcomes

2020 Annual Incentive Plan

In response to the COVID-19 pandemic, the 2020 Annual Incentive Plan was cancelled.

IAG PSP award 2018

The IAG PSP award granted on May 10, 2018 was tested at the end of the performance period which began on January 1, 2018 and ended on December 31, 2020. The awards were equivalent to 200 per cent of salary for Willie Walsh, who was Chief Executive Officer of IAG at the time of the award, and 150 per cent of salary for Enrique Dupuy de Lôme, who was Chief Financial Officer of IAG at the time of the award. Luis Gallego and Steve Gunning, who were not executive directors at the time of the award, received awards of 150 per cent and 120 per cent of salary respectively.

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

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2018)
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one-third)	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	IAG underperformed the index by 20.7 per cent p.a.	0 per cent
Adjusted earnings per share (EPS) (one-third)	2020 EPS of 130 €cents (10 per cent of award vests)	2020 EPS of 170 €cents (100 per cent of award vests)	(122.6) €cents	0 per cent
Return on Invested Capital (RoIC) (one-third)	2020 RoIC of 13 per cent (10 per cent of award vests)	2020 RoIC of 16 per cent (100 per cent of award vests)	(22.4) per cent	0 per cent
Details of any discretion exercised				
Overall outcome for executive directors				0 per cent

IAG PSP award 2017

The IAG PSP award granted on March 6, 2017 was tested at the end of the performance period which began on January 1, 2017 and ended on December 31, 2019. The awards were equivalent to 200 per cent of salary for Willie Walsh, who was Chief Executive Officer of IAG at the time of the award, and 150 per cent of salary for Enrique Dupuy de Lôme, who was Chief Financial Officer of IAG at the time of the award. Luis Gallego and Steve Gunning, who were not executive directors at the time of the award, received awards of 150 per cent and 120 per cent of salary respectively.

The performance measures, and their weightings and definitions, were the same as described above for the 2018 award. The vesting of any award was subject to the Board being satisfied that the Group's underlying financial performance was satisfactory in the circumstances prevailing over the three-year period.

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2017)
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one-third)	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	IAG outperformed the index by 4.3 per cent p.a.	65 per cent
Adjusted earnings per share (EPS) (one-third)	2019 EPS of 100 €cents (10 per cent of award vests)	2019 EPS of 130 €cents (100 per cent of award vests)	116.8 €cents	60 per cent
Return on Invested Capital (RoIC) (one-third)	2019 RoIC of 12 per cent (10 per cent of award vests)	2019 RoIC of 15 per cent (100 per cent of award vests)	14.7 per cent	91 per cent
Details of any discretion exercised				
Overall outcome				72.11 per cent

Subject to audit

Scheme interests awarded during the financial year

The IAG PSP is a discretionary plan targeted at key senior Group executives and managers who directly influence shareholder value. The Company granted an award under the PSP on March 6, 2020. The table in this section sets out the key details of the award.

The Committee believes that comparing the Company's TSR to that of European transportation companies, including airlines, is appropriate, given that these companies are subject to external influences impacting share price performance similar to those of the Group. As outlined in last year's report, for the first time the index will be the STOXX Europe 600 Travel and Leisure Index, as the Board believes this is an appropriate benchmark, particularly as the index includes a large number of other airlines. This comparison provides a good reference point for management outperformance and value creation.

Adjusted EPS reflects the underlying profitability of our business and the core elements of value creation for our shareholders.

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

PSP 2020 – eligibility, metrics and targets

Type of award	Shares		
Basis of determination of the size of award	Awards only made to those executives who are consistently high-performing, and/or are in key roles, and/or whom the Company wishes to retain in the long term.		
Face value awarded (per cent of salary)	CEO of IAG (Luis Gallego) – 200 per cent No award made to Willie Walsh, as his retirement had been announced shortly before the date of award	CFO of IAG – 175 per cent	
Grant price	£4.59		
Performance period	January 1, 2020 to December 31, 2022		
Performance conditions and weightings	Threshold	Target	Maximum
TSR performance compared to the TSR performance of the STOXX Europe 600 Travel and Leisure Index (one-third weighting)	IAG's TSR performance equal to the index 25 per cent vests	IAG's TSR performance between index return and 8 per cent p.a. outperformance (straight-line vesting between threshold and maximum)	IAG's TSR performance exceeds index by 8 per cent p.a. 100 per cent vests
Adjusted EPS. Measure is adjusted EPS in final year of the performance period, i.e. 2022 adjusted EPS (one-third weighting)	EPS of 140 €cents 10 per cent vests	EPS between 140 €cents and 180 €cents (straight-line vesting between threshold and maximum)	EPS of 180 €cents 100 per cent vests
RoIC. Measure is RoIC in final year of the performance period, i.e. 2022 RoIC (one-third weighting)	RoIC of 14 per cent 10 per cent vests	RoIC between 14 per cent and 16 per cent (straight-line vesting between threshold and maximum)	RoIC of 16 per cent 100 per cent vests
Holding period	Additional period of two years after the performance period		

The adjusted EPS and RoIC measures are as defined for the 2018 PSP award earlier in the report. The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to review and, if appropriate, revise the adjusted EPS targets and/or definition in the context of any corporate transactions, provided that, in its view, any revised targets are no more or less challenging than the original targets. To the extent that any such adjustments are made, the Committee will disclose the basis for any adjustments and the rationale in subsequent reports. Further details in relation to Committee discretion and malus and clawback provisions are set out in the Company's Remuneration Policy.

Subject to audit

Total pension entitlements

Willie Walsh is not a member of the Company's pension scheme and the Company, therefore, did not pay any contributions in his time as an executive director during the reporting period (January 1, 2020 to September 8, 2020) (2019: zero). He received cash in lieu of contributions of £127,822 (2019: £212,500).

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 (September 8, 2020 to December 31, 2020). He received cash in lieu of contributions of £25,780.

Steve Gunning is not a member of the Company's pension scheme and the Company, therefore, did not pay any contributions during the reporting period (2019: zero). He received cash in lieu of contributions of £64,812 (2019: £39,357).

Payments for loss of office: Willie Walsh

On January 9, 2020 it was announced that Willie Walsh had decided to retire as Chief Executive and would step down from the Board on March 26, 2020. Because of the exceptional circumstances that faced the aviation industry due to COVID-19, it was announced on March 16, 2020 that he would delay his retirement for a short period. He stepped down from the Board and retired from the Company on September 8, 2020.

The details of his leaving arrangements were set out in the 2019 remuneration report and these were unaltered except for his revised leaving date. His outstanding performance share plans (2018 and 2019 awards) were pro-rated to his new leaving date of September 8, 2020, as opposed to the date of June 30, 2020 as stated in the 2019 Remuneration Report. As reported earlier in this report, the 2018 award of the performance share plan resulted in zero vesting.

Since leaving the Company, he has received a payment of £75,192 in lieu of 23 days of accrued but untaken holiday entitlement.

No other loss of office payments were made during the year in excess of the minimum threshold of £1,000 set for this purpose.

Payments for loss of office: Enrique Dupuy de Lôme

The former Chief Financial Officer of IAG, Enrique Dupuy de Lôme (who stood down from the Board on June 20, 2019) has received the following payments during 2020:

Basic salary of £164,091, taxable benefits of £8,693, and pension benefits of £41,023 (cash allowance). The details for the vesting of his outstanding IADP and PSP awards were set out in the 2019 Remuneration Report and these are unaltered.

Payments to past directors

Baroness Kingsmill received travel benefits worth €3,395 during 2020.

James Lawrence received travel benefits worth €7,192 during 2020.

Dame Marjorie Scardino received travel benefits worth €13,757 during 2020.

Patrick Cescau received travel benefits worth €12,114 during 2020.

Marc Bolland received travel benefits worth €2,129 during 2020 after he had left the Company.

Kieran Poynter received travel benefits worth €4,116 during 2020 after he had left the Company.

Subject to audit

Statement of directors' shareholding and share interests

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

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

Shares which count towards the guideline include shares already held by the executive, vested and exercised shares, vested and unexercised shares including those in the performance share plan holding period, and unvested deferred annual incentive shares. The table below summarises current executive directors' interests as of December 31, 2020:

Executive director	Shareholding requirement	Shares owned	Shares already vested, or in the holding period, from performance share plans	Shares already vested from deferred annual incentive plans	Unvested shares from deferred annual incentive plans	Total qualifying shareholding
Luis Gallego	350 per cent of salary	403,834	513,747	89,785	130,565	1,137,931 (498 per cent of salary)
Steve Gunning	200 per cent of salary	228,473	220,986	84,220	93,185	626,864 (342 per cent of salary)

The current Remuneration Policy does not cover post-cessation shareholding requirements. However, the new Remuneration Policy (subject to approval at the 2021 Shareholders' Meeting) will provide details of post-cessation shareholding requirements.

External non-executive directorship

The Company's consent is required before an executive director can accept an external non-executive appointment and permission is only given in appropriate circumstances. During the reporting period in question, Steve Gunning was a non-executive director at FirstGroup Plc, for which he received a fee of €55,576.

Non-executive directors

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

Role	Fee
Non-executive Chairman (this fee relates to Antonio Vázquez, who stood down from the Board on January 7, 2021. The fee for the new Chairman is covered in the 2021 implementation section).	€645,000
Non-executive directors	€120,000
Additional fee for holding a Committee chairmanship	€20,000
Additional fee for Senior Independent Director	€30,000

As set out in the British Airways and Iberia merger documentation, the conditions of IAG's former Chairman's service contract as an Iberia executive were taken into account at the time of the merger, meaning that he continued to be entitled to a lump-sum retirement benefit in an amount of €2,800,000. This was externalized at that time in the corresponding insurance policy, with the fund balance under the policy (including accrued interest) being payable upon exit from the Company for any reason. Pursuant to such conditions, following his retirement on January 7, 2021, Antonio Vázquez received his retirement benefit as set forth above by collecting the fund balance under the policy.

Subject to audit

Single total figure of remuneration for each non-executive director

Director (€'000)	2020 fees	Taxable benefits	Total for year to December 31, 2020	2019 fees	Taxable benefits	Total for year to December 31, 2019
Antonio Vázquez	548	–	548	645	5	650
Alberto Terol	128	10	138	136	26	162
Patrick Cescau[1]	–	–	–	71	27	98
Giles Agutter[2]	30	–	30	–	–	–
Marc Bolland[3]	84	3	87	138	19	157
Margaret Ewing[4]	107	4	111	64	1	65
Javier Ferrán[5]	107	4	111	64	2	66
Deborah Kerr[6]	107	–	107	120	11	131
María Fernanda Mejía[7]	102	15	117	120	14	134
Robin Phillips[8]	30	–	30	–	–	–
Kieran Poynter[9]	84	2	86	140	24	164
Emilio Saracho	102	6	108	120	18	138
Dame Marjorie Scardino[10]	–	–	–	58	40	98
Nicola Shaw	102	1	103	120	16	136
Total (€'000)	**1,531**	**45**	**1,576**	**1,796**	**203**	**1,999**

1 Patrick Cescau retired from the Board on June 20, 2019.
2 Giles Agutter joined the Board on September 8, 2020.
3 Mark Bolland retired from the Board on September 8, 2020.
4 Margaret Ewing joined the Board on June 20, 2019.
5 Javier Ferrán joined the Board on June 20, 2019.
6 Deborah Kerr stepped down from the Board on December 31, 2020.
7 María Fernanda Mejía stepped down from the Board on December 31, 2020.
8 Robin Phillips joined the Board on September 8, 2020.
9 Kieran Poynter retired from the Board on September 8, 2020.
10 Dame Marjorie Scardino retired from the Board on June 20, 2019.

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

Additional explanations in respect of the single total figure table

Each director has confirmed in writing that they have not received any other items in the nature of remuneration other than those already disclosed in the table above.

Fees

Fees paid in the year for non-executive directors. All non-executive directors agreed to a reduction in fees of 20 per cent from April 1, 2020 to December 31, 2020. The fees subject to a reduction were non-executive director fees, the non-executive chairman fee, the additional fee for the Senior Independent Director, and the additional fee for holding a Committee chairmanship and this reduction is reflected in the table above.

Taxable benefits

Taxable benefits including personal travel.

For the year to December 31, 2020, the €:£ exchange rate applied is 1.1273 (2019: 1.1371).

Subject to audit

Directors' interests in shares

	Total shares and voting rights	Percentage of capital
Antonio Vázquez	1,490,726	0.030
Luis Gallego	749,784	0.015
Alberto Terol	66,341	0.001
Giles Agutter	625	0.000
Margaret Ewing	18,750	0.000
Javier Ferrán	774,750	0.016
Robin Phillips	0	0.000
Emilio Saracho	0	0.000
Nicola Shaw	4,285	0.000
Peggy Bruzelius	0	0.000
Eva Castillo Sanz	0	0.000
Heather Ann McSharry	0	0.000
Total	**3,105,261**	**0.062**

There have been no changes to the shareholdings set out above between December 31, 2020 and the date of this report.

Share scheme dilution limits

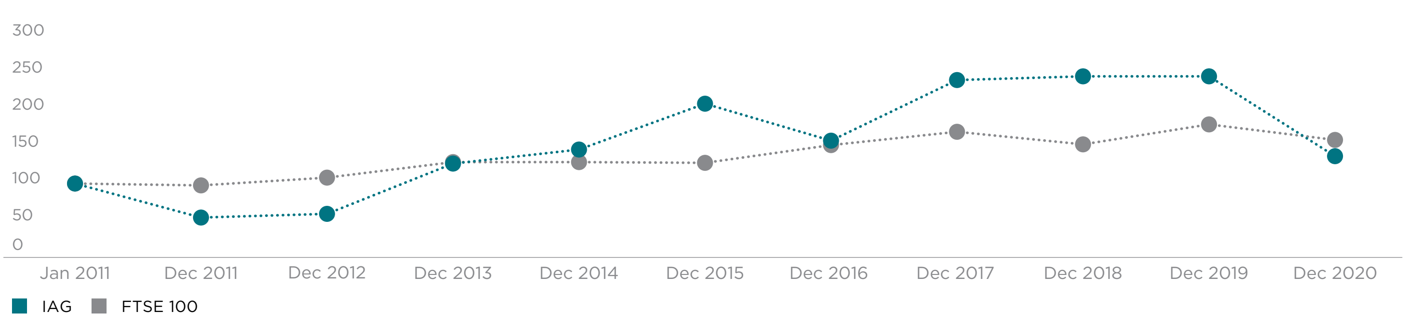
The Investment Association sets guidelines that restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10 per cent of the issued ordinary share capital and restrict the issues under the Company's discretionary schemes to 5 per cent in any ten-year period. At the annual Shareholders' Meeting on June 14, 2018 the Company was given authority to allocate up to 45,000,000 shares (2.26 per cent of the share capital at that time) in 2019, 2020, and 2021. Of this a maximum of 5,100,000 shares could be allocated to executive directors under all IAG share plans for awards made during 2019, 2020, and 2021.

Company performance graph and CEO of IAG 'single figure' table

The chart shows the value by December 31, 2020 of a hypothetical £100 invested in IAG shares on listing compared with the value of £100 invested in the FTSE 100 index over the same period. A spot share price has been taken on the date of listing, and a three-month average has been taken prior to the year ends.

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

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



The table below shows the CEO 'single total figure' of remuneration for each year since the creation of IAG in January 2011:

		CEO of IAG – 'total single figure' of remuneration	Annual incentive payment as a percentage of the maximum	Long-term incentive vesting as a percentage of the maximum
2011		£1,550,000	18 per cent of maximum	35 per cent of maximum
2012		£1,083,000	No annual incentive payment	Zero vesting of long-term incentives
2013		£4,971,000	78.75 per cent of maximum	100 per cent of maximum
2014		£6,390,000	97.78 per cent of maximum	85 per cent of maximum
2015		£6,455,000	80 per cent of maximum	100 per cent of maximum
2016		£2,462,000	33.33 per cent of maximum	50 per cent of maximum
2017		£3,954,000	92.92 per cent of maximum	66.67 per cent of maximum
2018		£3,030,000	61.85 per cent of maximum	46.19 per cent of maximum
2019		£3,198,000	51.97 per cent of maximum	72.11 per cent of maximum
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

Single total figure of remuneration includes basic salary, taxable benefits, pension-related benefits, annual incentive award and long-term incentive vesting and in 2020 reflects the reduction in salary from April 1 to December 31, 2020.

2011 figure includes 20 days of remuneration in January 2011 paid by British Airways.

Percentage change in remuneration of the CEO of IAG compared to employees

The table below shows how the remuneration of the CEO of IAG has changed for 2020 compared to 2019.

This is then compared to a group of appropriate employees. It has been determined that the most appropriate group of employees are all UK employees in the Group, which comprised around 39,000 employees at the beginning of 2020 but, following restructurings in the Group as a result of the COVID-19 pandemic, there were around 29,000 employees at the end of 2020. To make the comparison between the CEO of IAG and employees as meaningful as possible, it was determined that as large a group as possible of employees should be chosen.

The selection of all UK employees in the Group (roughly two-thirds of the entire Group's employees) meets these criteria. The majority of the UK employees in the Group are employed by British Airways, but there are also a number of employees from all other companies in the Group based in the UK. It was determined that employees outside the UK would not be considered for the comparison, as very different employment market conditions exist in other countries.

	CEO of IAG	UK employees
Basic salary	No basic salary increase for 2020 (Willie Walsh). Luis Gallego's basic salary on appointment was 3.5 per cent lower than the final (non-reduced) basic salary of Willie Walsh.	Basic salary awards in 2020 to UK based employees varied from zero to around 3.0 per cent.
Annual incentive	Decrease from £883,000 (Willie Walsh) in March 2020 (covering the 2019 performance period) to zero in March 2021 (covering the 2020 performance period) (both Willie Walsh and Luis Gallego), as the 2020 annual incentive was cancelled as a result of the pandemic.	Annual incentive payments in 2020 were zero in all companies in the Group, as a result of the COVID-19 pandemic.
Taxable benefits	No change in benefits policy. Actual payments were £23,000 (Willie Walsh) and £69,000 (Luis Gallego) in 2020, and were £30,000 (Willie Walsh) in 2019. Luis Gallego's benefits included relocation costs.	No change in benefits policy. Overall costs 2020 versus 2019 increased slightly in line with inflation.

Change in directors' remuneration compared to employees

The table below shows the percentage change between 2019 and 2020 in salary/fee, benefits and annual bonus for directors compared with average earnings for UK employees in the Group.

Director	Salary/fees	Taxable benefits	Annual incentive
Luis Gallego	–	–	–
Steve Gunning	65%	125%	(100%)
Willie Walsh	(40%)	(23%)	(100%)
Antonio Vázquez	(15%)	(100%)	–
Alberto Terol	(6%)	(62%)	–
Giles Agutter	–	–	–
Marc Bolland	(39%)	(84%)	–
Margaret Ewing	67%	300%	–
Javier Ferrán	67%	100%	–
Deborah Kerr	(11%)	(100%)	–
María Fernanda Mejía	(15%)	7%	–
Robin Phillips	–	–	–
Kieran Poynter	(40%)	(92%)	–
Emilio Saracho	(15%)	(67%)	–
Nicola Shaw	(15%)	(94%)	–
Average pay based on the Group's UK employees	(12%)	-	-

For Steve Gunning, Margaret Ewing, and Javier Ferrán, the increase in fees is because the 2019 fee was only for the period after they joined the Board, which was on June 20, 2019.

Relative importance of spend on pay

The table below shows, for 2020 and 2019, total remuneration costs, adjusted operating profit/(loss) and dividends for the Company.

	2020	2019
Total employee costs, IAG[1]	**€3,247,000,000**	€4,962,000,000
Total remuneration, directors (including non-executive directors)	**€3,339,000**	€7,485,000
IAG adjusted operating (loss)/profit (before exceptional items)	**(€4,365,000,000)**	€3,285,000,000
Dividend declared	**–**	€288,000,000
Dividend proposed	**–**	Cancelled[2]

1 Total employee costs are before exceptional items, and include furlough grants received.
2 The Company announced on April 2, 2020 that the 2019 proposed final dividend of €337,000,000 was cancelled.

CEO Pay Ratio

The table below shows the ratio of pay between the CEO of IAG and IAG's UK employees. The CEO of IAG remuneration is the 2020 'single figure' total remuneration and is a combined figure for the two CEOs of IAG who were in this role during 2020. This is compared with the 25th, median and 75th percentile 2020 total remuneration of full-time equivalent UK employees in IAG. The Government's methodology "Option A" has been used to calculate the remuneration, as we believe that this is the option that most investors favour, and gives the most accurate and robust ratio. The data for the UK employees is from the payroll records of 37,081 UK employees who were in the Group for the whole of or some of 2020.

Percentile	CEO of IAG Pay Ratio 2019	**CEO of IAG Pay Ratio 2020**	Basic Salary, UK employees	Total Remuneration, UK employees
25th (Lower Quartile)	109:1	**34:1**	£17,173	£28,383
50th (Median)	72:1	**22:1**	£28,551	£42,823
75th (Upper Quartile)	49:1	**15:1**	£45,228	£63,877

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

Investor Engagement Plan

At the Company's 2020 Shareholders' Meeting, the consultative vote on the 2019 annual Directors' Remuneration Report received a vote in favour of less than 75 per cent. Since the Shareholders' Meeting, the Company has engaged with major shareholders to understand the main issues causing the low vote in favour, and these were:

- The annual bonus payments for 2019, in light of the Company's current circumstances, in particular the bonus of £883,000 paid to departing CEO Willie Walsh, given the use of government support and the clear challenges the industry is facing; and
- the new CFO's remuneration package, which had a higher salary and higher maximum award levels than his predecessor under the annual bonus and the PSP schemes.

The Company has had a helpful and productive dialogue in our engagement with our main shareholders when discussing these issues. The Committee listened carefully to all feedback received on this, as well as wider discussions on our remuneration framework given our Policy is due for renewal. This will help shape the Committee's thinking and will inform internal discussion and development of the proposed new Remuneration Policy. The Company's response is covered in more detail in the Corporate Governance section of the Annual Report.

Implementation of Remuneration Policy for 2021

For 2021, the Remuneration Policy applies to the only executive director in the Board, the CEO of IAG, as the CFO of IAG stood down from the Board on December 31, 2020.

Basic salary

Basic salaries for executive directors are reviewed from January 1 each year. After careful consideration of Company affordability, the contribution of each executive, retention risks and the size of pay increases generally across the Group for 2020 (which varied across the Group from zero to 3.0 per cent), the Board, following the recommendation of the Remuneration Committee, approved the following:

Executive director	Basic salary review
CEO of IAG	£820,000 (€924,000) (no increase from 2020). Luis Gallego has agreed to take a 10 per cent salary reduction from January 1, 2021 until further notice.

2021 annual incentive plan, and 2021 long-term incentive plan

The Company's current Remuneration Policy includes an annual incentive award, with a maximum opportunity for the CEO of IAG of 200 per cent of salary. This incentive is subject to certain financial and non-financial measures: (i) at least 60 per cent and no more than 80 per cent is subject to financial measures (e.g. IAG operating profit); (ii) 25 per cent or less will be subject to role-specific objectives, and; (iii) the remaining portion is subject to measurable non-financial metrics (e.g. NPS and carbon measures). There will be no payment until performance for each particular metric has reached the threshold level of the agreed target range, 50 per cent of the maximum opportunity will be awarded for on-target performance, and the maximum for each element will only be awarded once a stretch target has been reached. Finally, half of the overall outcome of the annual incentive detailed above is payable in deferred shares in the Company vesting after three years (under the Incentive Award Deferral Plan).

For the long-term incentive, the existing Policy includes a Performance Share Plan (PSP), a discretionary plan targeted at key senior executives and managers of the Group. The PSP consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions designed to reflect the creation of long-term value within the business and which are measured over a three-year performance period. Following the performance period, there is an additional holding period of at least two years.

A full description of the Company's current Remuneration Policy is available on the Company's website.

As the Company's Remuneration Policy is due to be renewed at the 2021 Shareholders' Meeting, the frameworks for the 2021 annual incentive plan and the 2021 long-term incentive plan will be detailed in the Remuneration Policy proposal, which will be submitted for a shareholder vote at that meeting.

Taxable benefits and pension-related benefits

Taxable benefits remain unchanged for 2021.

Non-executive director fees

Non-executive director fees were last reviewed in 2017 and remain unchanged for 2021. The fees have remained unchanged since 2011.

Javier Ferrán was appointed Chairman of the Board on January 7, 2021. His fee on appointment was €645,000 per annum.

All non-executive directors, including the newly appointed Chairman, have agreed to take a 10 per cent reduction in fees from January 1, 2021 until further notice, as a result of the pandemic.

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's website (www.iairgroup.com).

Beyond executive directors, the Committee oversees the general application of the remuneration policy for the members of the IAG Management Committee (and also occasionally considering remuneration matters related to managers generally across the Group).

According to article 32 of the Board Regulations the Remuneration Committee shall be made up of no fewer than three independent non-executive directors, with the dedication, capacity and experience necessary to carry out their function. Alberto Terol chairs the Committee. None of the Committee members has any personal financial interest, other than as a shareholder, in the matters to be decided.

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

Advisers to the Committee

The Committee appointed Deloitte as its external adviser in September 2016. Deloitte reports directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2020 were €117,071, charged on a time and materials basis. Deloitte is a member of the Remuneration Consultants Group and a signatory to the voluntary UK Code of Conduct. As well as advising the Remuneration Committee, other Deloitte teams provided advice in relation to remuneration, pensions, global employment programmes, data governance, business process improvement, financial advisory work and tax to the Group in 2020. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent.

The Company obtained high-level headline remuneration survey data from a variety of sources. During the year, both CEOs of IAG provided regular briefings to the Committee apart from when their own remuneration was being discussed.

Statement of voting

The table below shows the consultative vote on the 2019 annual Directors' Remuneration Report at the 2020 Shareholders' Meeting, and the binding vote on the Directors' Remuneration Policy at the 2018 Shareholders' Meeting:

	Number of votes cast	For	Against	Abstentions/Blank
2019 Annual Directors' Remuneration Report	871,102,122	623,709,500 (71.60 per cent)	179,093,920 (20.56 per cent)	68,298,702 (7.84 per cent)
Directors' Remuneration Policy	1,463,865,426	1,396,029,011 (95.37 per cent)	13,091,180 (0.89 per cent)	54,745,235 (3.74 per cent)

Supplementary information

Directors' share options

The following directors held nil-cost options over ordinary shares of the Company granted under the IAG PSP as at December 31, 2020.

Director	Date of grant	Number of options at date of appointment	Exercise price	Options exercised during the year	Options lapsed during the year	Options granted during the year	Adjustment as a result of the capital increase	Exercisable from	Expiry date	Number of options at December 31, 2020
Executive directors										
Luis Gallego	May 28, 2015	87,031	–	–	–	–	44,211	January 1, 2020	December 31, 2024	131,242
	March 7, 2016	64,988	–	–	–	–	33,013	January 1, 2021	December 31, 2025	98,001
	March 6, 2017	160,476	–	–	44,757	–	58,785	January 1, 2022	December 31, 2026	174,504
	May 10, 2018	128,826	–	–	–	–	65,443	January 1, 2023	December 31, 2027	194,269
	March 8, 2019	162,543	–	–	–	–	82,571	January 1, 2024	December 31, 2028	245,114
	March 6, 2020	357,298	–	–	–	–	181,507	January 1, 2025	December 31, 2029	538,805
Total		**961,162**	**–**	**–**	**44,757**	**–**	**465,530**			**1,381,935**

Director	Date of grant	Number of options at January 1, 2020	Exercise price	Options exercised during the year	Options lapsed during the year	Options granted during the year	Adjustment as a result of the capital increase	Exercisable from	Expiry date	Number of options at December 31, 2020
Steve Gunning	May 28, 2015	52,363	433.4p	52,363	–	–	–	January 1, 2020	December 31, 2024	–
	March 7, 2016	37,621	–	–	–	–	19,111	January 1, 2021	December 31, 2025	56,732
	March 6, 2017	96,703	–	–	26,970	–	35,424	January 1, 2022	December 31, 2026	105,157
	May 10, 2018	77,800	–	–	–	–	39,522	January 1, 2023	December 31, 2027	117,322
	March 8, 2019	101,587	–	–	–	–	51,606	January 1, 2024	December 31, 2028	153,193
	March 6, 2020	–	–	–	–	226,852	115,240	January 1, 2025	December 31, 2029	342,092
Total		**366,074**	**–**	**52,363**	**26,970**	**226,852**	**260,903**			**774,496**

The award granted on March 6, 2017 was tested at the end of the performance period, and as a result 72.11 per cent of the award vested, as detailed earlier in this report in the section on Variable pay outcomes.

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

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2020 PSP award was 459 pence (2019: 567 pence; 2018: 691 pence; 2017: 546 pence; 2016: 541 pence; and 2015: 550 pence).

Incentive Award Deferral Plan (IADP)

The following directors held conditional awards over ordinary shares of the Company granted under the IAG IADP (awarded as a result of IAG's performance for the periods that ended December 31, 2016, December 31, 2017, December 31, 2018, and December 31, 2019).

Director	Relates to incentive award earned in respect of performance	Date of award	Number of awards at date of appointment	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Adjustment as a result of the capital increase	Number of awards at December 31, 2020
Executive directors									
Luis Gallego	2017	May 10, 2018	59,850	–	March 8, 2021	–	–	30,403	90,253
	2018	March 8, 2019	49,454	–	March 8, 2022	–	–	25,122	74,576
	2019	March 6, 2020	54,059	–	March 6, 2023	–	–	27,461	81,520
Total			**163,363**	**–**		**–**	**–**	**82,986**	**246,349**

	Relates to incentive award earned in respect of performance	Date of award	Number of awards at January 1, 2020	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Adjustment as a result of the capital increase	Number of awards at December 31, 2020
Steve Gunning	2016	March 6, 2017	16,117	16,117	March 6, 2020	–	–	–	–
	2017	May 10, 2018	37,603	–	March 8, 2021	–	–	19,102	56,705
	2018	March 8, 2019	32,813	–	March 8, 2022	–	–	16,669	49,482
	2019	March 6, 2020	–	–	March 6, 2023	–	46,177	23,457	69,634
Total			**86,533**	**16,117**		**–**	**46,177**	**59,228**	**175,821**

There are no performance conditions to be tested before vesting for the IADP, except that the director must still be employed by the Company at the time of vesting or have left as a Good Leaver.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2020 IADP award was 459 pence (2019: 567 pence; 2018: 691 pence; and 2017: 546 pence).

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2017 IADP award was 546 pence. The share price on the date of the vesting of this award (March 6, 2020) was 432 pence. The money value of the shares received was the share price on the date of the vesting multiplied by the number of shares in respect of the award vested, as shown in the table above.

Managing risk in an extremely challenging and uncertain environment

The Board of Directors has overall responsibility for ensuring that IAG has an appropriate risk management framework, including the determination of the nature and extent of risk it is willing to take to achieve its strategic objectives. The Board has oversight of the Group's operations to ensure that internal controls are in place and operate effectively. Management is responsible for the effective operation of the internal controls and execution of the agreed risk mitigation plans.

The Group has an Enterprise Risk Management (ERM) policy which has been approved by the Board. This policy sets the framework for a comprehensive risk management process and methodology, ensuring a robust identification and assessment of the risks facing the Group, including emerging risks. Enterprise risks are assessed and plotted on an Enterprise risk map (with individual risk maps produced for each operating company and relevant function, such as IAG Tech and IAG Group Business Services, and for the overall Group). This process is led by the Management Committee and best practices are shared across the Group.

This year, in response to the pandemic crisis, the risk management framework has further evolved to: develop the Group's assessment of the interdependencies of risks; built on scenario planning to quantify risk impact under different assumptions; and consider the risks within the Group's risk map that have increased either as a result of the external environment or as a result of decisions made by the business in response to the external environment. The process adopted this year has helped the Board and management to respond quickly to the new and rapidly changing risk landscape, enabling clear understanding and identification of emerging risks arising from the impact of the pandemic and of how the pandemic has affected existing risks included within the Group's existing risk maps.

Approach and process

Across the Group, risk owners are responsible for identifying potential risks and appropriately managing the related business decisions within their area of responsibility. As the Group transforms, the level of change and agility required creates risks and opportunities. For these business transformational risks, business owners are assigned, and the business will agree appropriate mitigations and timelines for implementation, following discussions with all relevant stakeholders. All risks are assessed for likelihood and impact against the Group's three-year Business Plan and strategy. 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.

As part of the risk management framework, potential emerging risks and longer-term threats are considered to identify new trends, competitor actions, regulations, governments' interventions, or business disruptors that could impact the Group's business strategy and plans. These emerging risks are monitored 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 to three years can be made, and appropriate mitigations can be put in place. Following the pandemic impact, consideration of other high-impact, low likelihood risks have been discussed.

IAG considers risks to the Strategic Business Plan over the short term up to two years, 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 business plan over two years, as well as potential brand reputation, regulatory scrutiny and share price considerations.

The risk management framework is embedded across the Group. Risk maps are discussed, and risk potential impacts assessed for each operating company and Group functions that support the business, such as IAG Tech and IAG GBS, and at the Group level, and the enterprise risk function ensures consistency over the risk management process.

Risk maps are reviewed by each operating company's management committee, which considers the accuracy and completeness of the map, significant movements in risk and any changes required to the response plans addressing those risks. Where the Group's operating companies have a reliance on other parts of the Group for services delivery, risks are reflected appropriately across risk maps to ensure accountability is clear. Each operating company's management committee confirms to its operating company board as to the identification, quantification and management of risks within its operating company as a whole at least annually.

The management committee of each operating company escalates risks that have a Group impact or require Group consideration in line with the Group ERM framework.

At the Group level, key risks from the operating companies, together with Group-wide risks, are maintained in a Group risk map. The IAG Management Committee reviews risk during the year including the Group risk 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 Board of Directors discusses risk and considers the risk environment as part of wider Board discussions at every meeting in addition to the bi-annual risk map review, including a review of the assessment of IAG's performance against its risk appetite, scenarios for assessment of viability and the outputs from the viability modelling. The Board has ongoing early sight of management consideration of potential scenarios to enable it to challenge subjectivities and confirm rationale.

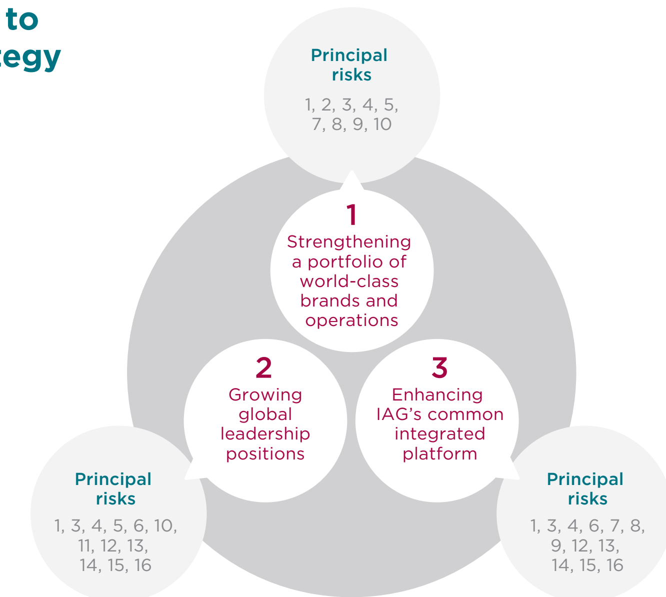
IAG has a risk appetite framework which includes statements informing the business, either qualitatively or quantitatively, of the Board's appetite for certain risks. Each risk appetite statement formalises how performance is monitored either on a Group-wide basis or within major projects. The framework remained in place throughout the year, with the Board assessing its appetite to tolerance of certain risks through additional reviews with management. The highly regulated and commercially competitive environment, together with the businesses' operational complexity, exposes the Group to a number of risks. 2020 has heightened IAG's exposure to certain of these risks as a result of the COVID-19 pandemic's unprecedented impact on the travel and aviation industry. Management remains focused on mitigating these risks at all levels in the business although many remain outside our control; for example, changes in political and economic environment, government restrictions over travel and movement of their citizens, governance requirements and regulations, external events causing operational disruption including civil unrest, adverse weather or pandemic, volatility in the markets and availability of funding and changes in the competitive landscape.

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. No new principal risks were identified through the risk management discussions across the Group's businesses this year. Where the existing principal risks have been reconsidered to reflect the challenges faced by the Group following the COVID-19 pandemic impact, these are highlighted by the 'C19' symbol in the table below. Additional key business responses implemented by management are also set out.

Link to strategy



See our Business model and Strategic priorities sections

See our Sustainability section

Key: Risk trend

Increase Stable Decrease C19 Affected by COVID-19

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 risks to have a material impact on the Group.

Strategic

Open competition and markets are in the long-term best interests of the airline industry and consumers. The Group seeks to mitigate the risk from government intervention or changes to the regulations that can have a significant impact on operations.

1. Airports, infrastructure and critical third parties

C19

Status The pandemic resulted in restrictions being imposed, which have required capacity adjustments, including fleet adjustments and new operating procedures to recommence flying. The operations of the Group's suppliers, including aircraft manufacturers, have also been impacted by the pandemic, which has increased the risk of significant business interruption, delays or disruptions, such as a temporary suspension of operations, a lack of availability of labour to support supplier operations and/or longer-term problems in maintaining supply, whether as a result of suppliers entering insolvency or otherwise. This may lead to shortages of business-critical services and/or increased costs to secure such services.

The Group continues to lobby and raise awareness of the negative impacts of ATC airspace restrictions and performance issues on the aviation sector and economies across Europe, particularly through a future recovery period.

The Group relies on the provision of airport infrastructure and is dependent on the timely delivery of appropriate facilities. A third runway expansion proposal at London Heathrow and additional facilities at Dublin Airport are among examples where the Group supports solutions that are efficient, cost effective and of value to our customers.

Risk description	Strategic relevance	Mitigations
IAG is dependent on the timely entry of new aircraft and the engine performance of aircraft to improve operational efficiency and resilience and support the delivery of the Group sustainability programme.	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.	• The Group mitigates engine and fleet performance risks, including 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.
IAG is dependent on the timely, on-budget delivery of infrastructure changes, particularly at key airports.	Infrastructure decisions or changes in policy by governments, regulators or other entities could impact operations but are outside of the Group's control.	• 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.
IAG is dependent on resilience within the operations of ATC services to ensure that its flight operations are delivered as scheduled.	London Heathrow has no spare runway capacity. An uncontrolled increase in the planned cost of expansion could result in increased landing charges.	• The Group is active at an EU policy level and in consultations with airports covered by the EU Airport Changes Directive.
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. The impact of the pandemic on the Group's supply chain will also impact the Group where suppliers face ongoing financial stress or restructuring where they exit the market for supply of services.	Airport charges represent a significant operating cost to the airlines and have an impact on operations.	• The Group pro-actively works with suppliers to ensure operations are maintained and the impact to their businesses understood, with mitigations implemented where necessary. • The Group procurement function has led an ongoing review of all critical contracts across the Group's businesses.

2. Brand reputation

C19

1

Status The Group's ability to attract and secure bookings, and therefore revenue depends on the public recognition of the Group's airlines' brands and their associated reputation. The Group's airlines brands are, and will continue to be, vulnerable to adverse market or customer perception. Reliability, including on-time performance, is a key element of the brands and of each customer's experience. 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. The Group's airlines have implemented strict hygiene and social distancing measures to ensure customer and employee safety in line with EASA regulations. British Airways was awarded a Skytrax 4-star Airline Safety rating in November, the first airline to receive such a rating.

Risk description

Erosion of the brands, through either a single event or a series of events, 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.

Strategic relevance

The Group's brands are well positioned in their respective markets and have significant 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 Strategic Business Plan.
- Product investment to enhance the customer experience supports the brand propositions and is provided for in the Strategic Business Plan.
- All airlines track and report internally on their Net Promoter Score (NPS) to measure customer satisfaction.
- IAG Customer Steering Group meets monthly and shares initiatives.
- New hygiene protocols are being adopted across the Group's airlines to address regulatory requirements resulting from the pandemic.
- Enhanced disruption management tools within airlines to allow customers to manage their travel preferences.
- 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.

3. Competition, consolidation and government regulation

C19

1 2 3

Status The scale of governmental support and aviation-specific state aid measures have varied by market and the potential consequential impact to the competitive landscape is under continuous assessment. Governmental restrictions, introduced to address the pandemic risk, have been fragmented and volatile and have required significant agility within our networks to manage the impact on our customers and business.
The Group announced plans in 2019 to acquire Air Europa, which is owned by Globalia, subject to regulatory approvals. In November 2020, the Group reached an amended agreement with Globalia, which is still subject to the satisfactory negotiation with Sociedad Estatal de Participaciones (SEPI) regarding the non-financial terms associated with the financial support provided by SEPI to Air Europa in 2020. The acquisition is still subject to approval by the European Commission.

The Group continues to monitor and discuss the negative impacts of government policies such as the imposition of 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.

Governments' support schemes for the aviation sector create distortionary effects across the markets in which IAG's airlines operate.

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. Additional Management Committee meetings, to address strategic issues arising from the responses of regulators and governments to the pandemic, were convened throughout the year.
- The Board of Directors discusses strategy throughout the year and dedicates two days per year to undertake a detailed review of the Group's strategic plans. Similar to the additional Management Committee meetings, additional Board meetings were convened throughout the year.
- The Group strategy function supports the Management Committee by identifying where resources can be devoted to exploit profitable opportunities.
- 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 has led an ongoing review of all critical contracts.
- The Group has restructured its businesses and operations to meet the challenge of the current environment.
- The portfolio of brands provides flexibility as capacity can be deployed at short notice as needed.
- The IAG Management Committee regularly reviews 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 department monitors government initiatives, represents the Group's interest and forecasts likely changes to laws and regulations.

4. Digital disruption

Status The Group has established an IAG Tech function which brings together the digital and IT departments from across the Group under the Group's Chief Information Officer (CIO). 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 understanding business requirements, helping to transform the Group's businesses and deliver a digital customer experience, which together with the Group's exploitation of technology, reduces the impact digital disruptors can have.

Risk description	Strategic relevance	Mitigations
Technology disruptors may use tools to position themselves between our brands and our customers.	Competitors and new entrants to the travel market may use technology more effectively and disrupt the Group's business model.	• IAG Tech is responsible for digital and IT. • Operating companies' CDIOs are members of the IAG Tech management committee. • The Group's CIO and Chief Transformation Officer are members of the IAG Management Committee. • IAG Customer Steering Group. • 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.

5. Sustainable aviation

Status IAG was the first airline group to commit to a target of net zero carbon emissions by 2050, including adding management targets in current incentive arrangements. Sustainable Aviation, **one**world and Airlines for Europe have also all now committed to net zero emissions by 2050. There is an emerging trend of introduction of aviation "eco taxes" globally. The Group has accelerated the retirement of its aged fleet of Boeing 747s and Airbus A340s during 2020, in response to the pandemic. The Group also maintained its plans and initiatives to meet climate change commitments.

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. During 2020 the Group has updated 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.

While 2020 was a year of unprecedented disruption and uncertainty due the pandemic, other key aspects of aviation policy continued to be developed in relation to sustainability. In July the European Commission published a roadmap for its legislative initiative aimed at implementing the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), alongside the EU Emissions Trading Scheme.

See the Sustainability risk and opportunities section

Risk description	Strategic relevance	Mitigations
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 and increasing price of carbon impact on demand for air travel. Customers may choose to reduce the amount they fly.	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.	• IAG climate change strategy to meet target of net zero carbon emissions by 2050. • British Airways offsets all UK domestic flight carbon emissions. • Fleet replacement plan will introduce aircraft into the fleet that are up to 40 per cent more carbon efficient. • IAG investment in sustainable aviation fuels of US$400 million, including British Airways' partnership with Velocys. • Management incentives aligned to IAG's targets. • Partnering with ZeroAvia to explore hydrogen-powered aircraft technology. • Participating in CORSIA, the ICAO global aviation carbon offsetting scheme.

Business and operational

The safety and security of customers and employees is a fundamental value to the Group.

6. Cyber attack and data security

C19

2 3

Status The risks from cyber threats has been heightened in the year as many of the Group's employees and suppliers' employees moved to working-from-home arrangements in line with governments' advice and restrictions, requiring analyses of security arrangements and authentications over access to corporate environments. More widely, the external environment saw an increase in the frequency of phishing attacks as cyber criminals attempted to take advantage of remote working practices.

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).

In relation to the theft of customer data in 2018 the UK Information Commissioner's Office issued a final penalty notice to British Airways.

Despite significant reductions in the Group's capital expenditure, in response to the liquidity impact of the pandemic, investment in cyber security systems remained at levels originally planned.

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 regulation 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. This is regularly reviewed by the IAG Audit and Compliance Committee, IAG Management Committee and the IAG Tech leadership.
- 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.
- 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 their own cyber projects on a quarterly basis.
- The IAG Chief Information Security Office supports the Group businesses providing assurance and expertise around strategy, policy, training and security operations for the Group.
- Threat Intelligence is used to analyse cyber risks to the Group.
- Data Protection Officers are in place in all operating companies, coordinated through a Group wide Privacy Steering Group.
- New working practices have been reviewed to ensure the integrity of the cyber and data security environment and controls with additional oversight measures being implemented as required.
- All third-party suppliers have confirmed their adherence to IAG security requirements within any revised security protocols.

7. Event causing significant network disruption

C19

1 3

Status The outbreak of the pandemic in 2020 resulted in an unprecedented level of disruption to the aviation sector, as well as global economic impacts. Other 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 of the Group's control such as adverse weather, another pandemic, civil unrest or terrorist event seen in cities served by the Group's airlines.

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.

The COVID-19 pandemic is likely to continue to have an adverse effect on the Group over the period of the Business Plan, as would any future pandemic outbreak or other material event that results in the imposition of governments' restrictions on travel and the movement of its populations.

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's airlines' operational capability 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 to 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.

8. IT systems and IT infrastructure

C19 1 3

Status The Group recognises the importance of technology across the business and has brought all of its digital and IT resources together into IAG Tech, reporting to the Chief Information Officer, a member of the IAG Management Committee. The IAG Tech management committee has established a new governance structure that is mirrored across into the Group's businesses to ensure that IT investment and operating company requirements are appropriately prioritised and delivered. There is an increased focus on service delivery and services management as the Group addresses its legacy environment. Plans and investment to upgrade or transform away from obsolete systems or architecture have been subject to ongoing review in the light of the pandemic.

Risk description	Strategic relevance	Mitigations
The dependency on IT systems 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, particularly if the Group needs to defer investment to preserve cash.	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.	• 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.

9. People, culture and employee relations

C19 1 3

Status Additional safety procedures have been introduced to protect the Group's staff and customers, in line with industry recommendations. Where possible, the Group's staff are working from home and in line with governments' recommendations.

Employee consultations have been undertaken as required and appropriate in relation to restructuring necessitated by the pandemic. Where possible, the Group has utilised government wage support schemes. In November 2020, the Unite union representing the Group's cargo handling business in the UK balloted its members for industrial action in December. An agreement was reached in January 2021 between the union and the cargo business.

The resilience and engagement of our people and leaders has been critical through the pandemic period to ensuring the Group is best positioned to resume operations and adapt as needed to the uncertain external environment. As the Group rapidly transforms all its operations to adjust for the new environment, the engagement and support of the Group's employees is going to be a critical enabler.

In 2021, the Company will be bringing a new remuneration policy to shareholders for approval that will be closely aligned to the Company's strategy and will support the aim of attracting and retaining exceptional talent across the Group.

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	Strategic relevance	Mitigations
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.	The Group has a large unionised workforce represented by a number of different trades unions. IAG relies on the successful agreement of collective bargaining arrangements across its operating companies to operate its airlines.	• Collective bargaining takes place on a regular basis with the operating companies' human resources specialists, who have a strong skillset in industrial relations. • Operating companies' people strategies. • Succession planning within and across operating companies. • IAG Tech refresh of professional development framework. • Operating companies' engagement surveys and subsequent action plans. • IAG Code of Conduct.
Our people are not engaged, or they do not display the required leadership behaviours. The Group businesses fail to attract, motivate, retain or develop its people to deliver service and brand excellence. Digital and agile skillsets are not in place to execute on the required transformation and drive the business forward.	The right skillsets and culture are needed to transform our businesses at the pace required.	

Business and operational continued

10. Political and economic environment

C19

1

2

Status The pandemic has resulted in governments around the world implementing, at very short notice, numerous, differing and wide-ranging measures in an attempt to contain the spread of the virus, such as travel restrictions, curfews, quarantines, lockdowns and restrictions on non-essential services. This has led to an unprecedented decrease in the demand for both domestic and international air travel and has also resulted in severe economic downturns and rising unemployment levels in a number of countries and regions. These are being actively monitored and near-term capacity plans are refreshed dynamically, according to the latest status.

There can also be no certainty as to the level of demand for the Group's services after any restrictions are lifted; the Group anticipates that global passenger demand will not return to 2019 levels until at least 2023.

Wider macroeconomic trends are being monitored such as tensions between the US and China, particularly over the terms of the trade deal and how the new administration in the US plans to engage with the Chinese government. The imposition of tariffs by the EU on the US in response to the findings of a WTO review could also result in an escalation of application of tariffs elsewhere. The stress of the pandemic could have further far-reaching impacts including currency devaluations, new tax regimes on corporates and individuals as well as changes in control of governments and new government policies.

Following the referendum decision in 2016, the UK left the EU on December 31, 2020 under the terms of the Trade and Cooperation Agreement between the EU and the UK. This agreement includes all arrangements for aviation that would otherwise be covered by a typical air services agreement and the business has made all necessary adjustments.

See the Regulatory environment section

Risk description	Strategic relevance	Mitigations
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.	IAG remains sensitive to political and economic conditions in the markets globally.	• The Board and the Management Committee review the financial outlook and business performance of the Group through the financial planning process and regular reforecasts (frequently during 2020). • 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 and the Group's operating companies have been in discussions with governments regarding restrictions and approaches for the implementation of consistent, customer-centric testing regimes.
Uncertainty or failure to plan and respond to economic change or downturn impacts the operations of the Group. Political decisions to respond to the pandemic impact economies across all markets, causing longer-term economic stress.		

11. Safety or security incident

2

Status The IAG Safety Committee of the Board 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. See the Safety Committee report.

Risk description	Strategic relevance	Mitigations
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.	The safety and security of our customers and employees are fundamental values for the Group.	• 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. • Incident centres respond in a structured way in the event of a safety or security incident or intelligence. • The Board's Safety Committee shares best practices between Group airlines.

Financial

IAG balances the relatively high business and operational risks inherent in its business through managing liquidity and financial risks so as to protect the Group.

12. Debt funding

C19 2 3

Status Despite disruption in the financial markets since the spread of the pandemic, the Group has proactively focused on protecting liquidity by renewing and extending credit facilities and agreeing new aircraft leases, together with agreeing additional one-year funding facilities in advance of a future improvement in market conditions. Aircraft were successfully financed on long-term arrangements during the year and the additional one-year facilities were repaid. The Group also raised additional equity, with net proceeds of €2.7 billion received in early October. In December British Airways announced that it had received commitments for a 5-year Export Development Guaranteed term loan for £2.0 billion underwritten by a syndicate of banks, partially guaranteed (80 per cent) by UK Export Finance (UKEF).

Risk description	Strategic relevance	Mitigations
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.	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 cashflows of the Group.	• The IAG Board and Management Committee have reviewed the Group's financial position and financing strategy on a very frequent basis (often weekly) throughout the period of the pandemic. • The Group has maintained clear focus on protecting liquidity. • Additional funding arrangements entered into, including raising additional equity.

13. Financial and treasury-related risk

C19 2 3

Status The financial markets were impacted by the uncertainty derived from the pandemic. The imposed travel ban resulted in reduced jet fuel consumption. The Group's reduced capacity in addition to sharp decline in jet fuel prices in the first half of 2020 amounted to an exceptional loss on fuel and foreign exchange hedges.

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 have all been re-evaluated this year to ensure the Group responds to the rapidly changing financial environment appropriately. Details are set out in the Group financial statements.

Risk description	Strategic relevance	Mitigations
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 in 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.	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.	• 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.

Financial continued

14. Tax

C19 2 3

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 9 of the Group financial statements.

Risk description	Strategic relevance	Mitigations
The Group is exposed to systemic tax risks arising from either change 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 recover the national debts arising from 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.	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.	• 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 Department. • 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.

Compliance and regulatory

The Group has no tolerance for breaches of legal or regulatory requirements.

15. Group governance structure

2 3

Status Following the referendum decision in 2016, the UK left the EU on December 31, 2020 under the terms of the Trade and Cooperation Agreement between the EU and the UK. IAG initiated the remedial plans on the ownership and control of its European airlines that were agreed with all national regulators in 2019. The Group will continue to encourage stakeholders in the UK and EU to normalise ownership of airlines in line with other business sectors.

See section 10

Risk description	Strategic relevance	Mitigations
The governance structure the Group has in place includes nationality structures to protect Aer Lingus', British Airways' and Iberia's route and operating licences. IAG could face a challenge to its ownership and control structure.	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.	• 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

2 3

Status The Group has maintained its focus on compliance with key regulations and mandatory training programmes have continued throughout the year. As employees have exited the Group businesses following restructuring, access to systems and processes has been reviewed and removed from these employees in a timely manner.

Risk description	Strategic relevance	Mitigations
The Group is exposed to the risk of individual employees' or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses to the Group.	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.	• The Group has clear frameworks in place including comprehensive Group-wide policies designed to ensure compliance. • There are mandatory training programmes in place to educate Board members and 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 framework and training. • Data Protection Officers are in place in all operating companies. • IAG Compliance Steering Group.

Viability assessment

The business model and strategic priorities are set out in the Business Model and Strategic Priorities section. The impact of the COVID-19 pandemic on the business is also set out in the Chief Executive Officer's review and the Financial review.

As part of the review of the business model and assessment of Group strategy alignment to the external environment, the Directors have assessed key threats and trends faced by the industry, emerging risks and opportunities arising from the pandemic as well as other structural industry risks and non sector-specific risks over a timeframe beyond the plan period, for example climate change risk. These are considered in the light of how they could impact our business model and relevance, our operations or our customers and include changes in regulations, customer trends and behaviours, macroeconomic predictions on growth, regional market opportunities and technology trends and infrastructure developments that could impact our operations, as well as more existential threats to the aviation industry.

When developing the Group's three year Business Plan ('Business Plan'), longer-term considerations have been assessed by the Management Committee in conjunction with the priorities faced by the business during the next three years in responding to the impact of the pandemic crisis on the Group's businesses. The Board has also conducted its annual strategy session in addition to increased review meetings during the year, where these longer-term considerations have been assessed in parallel with the near-term priorities and adaptions required by the Group. Following this process, short-, medium- and longer-term plans, challenges and opportunities have been identified and actions agreed.

The Group has undertaken extensive analysis, forecasting and scenario modelling over the last 12 months. It has refined the models and developed the depth of the analysis to ensure that the stresses considered reflected specifics to markets and regions across Aer Lingus, British Airways, Iberia and Vueling as well as the analysis completed at the Group level. Assumptions have been refined based on the impact of the pandemic on the airlines and other businesses through 2020 and into 2021. The modelling was refreshed in February 2021 for the latest available information and predictions. This refresh of the Business Plan formed the Base Case ('Base Case') for the purposes of the Viability (and Going Concern) assessment.

During 2020 and in January and February 2021, the Board reviewed, on many occasions, scenarios stressing the financial plans for both the second half of 2020 and for the period to December 2023. These exercises leveraged the existing processes and models used for viability assessment within the Group. 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 Business Plan (the 'Base Case') to determine the Group's resilience to such impacts. The results of these severe but plausible downside scenarios (as described below) on the Base Case 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 Base Case).

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. Each scenario considered the impact on liquidity, solvency and the ability to raise financing in an uncertain and volatile environment. When considering the mitigations, management has 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 as mitigations were presented with recommendations for the Board to review. In assessing the potential mitigations, the Board considered, amongst other matters, 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 reverse stress testing, which demonstrated the level of revenue decline (before mitigations) that would result in the Group using all available cash balances and compared this to the outputs from the scenarios analyses.

Management has assessed and the Board considered the longer-term sustainability and climate-related risks, applying scenario analysis techniques as set out by the Task Force on Climate-related Financial Disclosures (TCFD) process, and their potential impact on the Group's viability over the next three years.

For more details of the Group's sustainability risks and opportunities, see Sustainability section.

Scenarios modelled

No.	Title	Link to principal risks
1	A Downside Case considering the impacts of delays in the removal of government restrictions beyond the assumptions in the Base Case in 2021, further delaying recovery based on demand sensitivity experienced in 2020. This could be caused by factors such as the slower than expected pace of roll out of vaccines and/or governments' risk appetite to remove restrictions and allow movement of their populations. The Downside Case modelled significant capacity ASK reductions by airline and by region, including adjustments to non-passenger revenues. Passenger yield assumptions were also significantly reduced to reflect the constantly evolving and changing governmental restrictions that adversely impact the airlines and, therefore, customers' willingness to fly. 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 sensitivities around the impact of 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 scenario. Capacity recovery modelled by geographical region saw capacity gradually increasing from a reduction of 79 per cent versus 2019 in quarter 1 of 2021 to 18 per cent in quarter 1 of 2022. Across the Viability period to December 2023, the Group has assumed a gradual easing of travel restrictions, by geographical region, based on deployment of vaccines. Travel corridors between countries are assumed to be introduced from quarter 3 2021. The capacity reduction equates on average, to a Group passenger revenue stress of over 10 per cent across the total three year period compared to the Base Case. Sensitivities around mitigating actions were presented to allow the Board to challenge the ability of the Group to respond to the range of potential outcomes. The impact of a further delay in recovery was also considered, with a setback in early 2022, which could be linked to further resurgence of COVID-19, delays in vaccination, or the need to modify vaccines leading to restrictions being re-introduced in the early months of 2022. The period to March 2022 of this Downside Case scenario has also been applied as the Downside Case set out in the going concern analysis (see note 2 of the Group financial statements).	3, 7, 10, 12, 13
2	A stress to model the impact of a ransomware attack on an IAG airline. The scenario assumes a disruption period resulting from the attack, impacting customers and operations of the affected airline.	6, 7, 8
3	A revenue stress on shorthaul operations across the Group to reflect changes in customer behaviours towards shorthaul travel where other travel options exist or taxation regimes impact demand. Increasing global concern about climate change and the impact of carbon is expected to grow in future years especially with the potential implementation of new taxes and eco-initiatives (see Sustainable aviation section 5). This scenario was not considered to be severe by management but allowed the Board to understand the potential impacts of the Sustainability agenda on the Group's future financial performance.	5

Viability Statement

The Directors have assessed the viability of the Group over three-years to December 2023 considering the ongoing impact of the pandemic on the external environment and aviation industry and the assumptions adopted in the refreshed Business Plan ('the Base Case' for the purposes of this Statement), 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 time frame for assessment as it is aligned with the Group's strategic planning period (as reflected in the Base Case) and the external uncertainties facing the aviation sector more widely are significantly beyond any experience to date and regularly unexpectedly change. 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 2023. However, this is subject to a number of significant factors related to the pandemic that are outside of the control of the Group. In reaching this assessment the Directors have made the following assumptions when considering both the Base Case and the Downside Case:

- 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;
- the pandemic does not result in further prolonged and substantial capacity reductions and groundings into H2 2022 or beyond; and
- any new virus strain or threat to public health that emerges during the viability period can be managed within vaccination and testing regimes and do not result in new government regulations that further significantly affect our airlines' operations.

Due to the uncertainty created by the COVID-19 pandemic and potential for future waves of the pandemic and the impact on travel restrictions and/or demand, the Group is not able to provide certainty that there could not be more severe downside scenarios than those it has considered, including the stresses it has considered in relation to factors such as the impact on yield, capacity operated, cost mitigations achieved and fuel price variations. In the event that such a scenario were to occur, the Group would need to implement additional mitigation measures and would likely need to secure additional funding over and above that which is contractually committed at February 25, 2021. The Group has been successful in raising financing since the outbreak of COVID-19, however the Group cannot provide certainty that it will be able to secure additional funding, if required, in the event that a more severe downside scenario than those it has considered were to occur.

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 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 approve 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 IAG 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, Iberia and Vueling is updated and reviewed on an ad hoc basis. In British Airways, IAG GBS, Iberia 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.

Minor breaches of the standards of conduct are investigated by line managers, and disciplinary action is in accordance with the employment policies and standards applicable to the individual. Major breaches are investigated by the responsible business area within each operating company.

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 2020. Members of the IAG Internal Audit team have received on average a day of ICFR training in 2020.

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 section 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 Internal Control 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 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 Group Financial Controller together with the 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 Consolidation 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 Closing 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 Internal Control Team where required.

ICFR controls including 490 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 information security practice within 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 manages and supports all IT systems under the IAG Group CIO 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 Organisation of Information Security
b Information Security Awareness and Training
c Risk Management
d Segregation of Duties
e Access Control and Privilege Management
f Physical Security
g Password Management
h Logging and Monitoring
i Network and Infrastructure
j Security Patching and Virus Protection
k System Developments and Change Management
l Systems and Security Operations
m Compliance

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 2020 Scope and Results

Entity Level Controls, ITGCs and 19 business processes have been identified as having a major impact on financial reporting for 2019. There are 10 processes in scope for Aer Lingus, 2 processes in scope for IAG Loyalty, 18 processes in scope for British Airways, 17 processes in scope for Iberia, and 7 processes in scope for Vueling.

Across the entities and business processes identified, the 490 key controls are made up of 400 business process key controls and 90 key IT general controls.

All in scope processes and key ITGCs have been tested. No material or substantial weaknesses were detected. A total of 99 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

The Board of Directors approved in January 2016 a Shareholder Communication Policy regarding communication and contact with shareholders, institutional investors and proxy advisors that regulates the relationship and channels of communication of the Company with shareholders, institutional investors and proxy advisors. This policy complies in full with market abuse regulations and provides an equitable treatment to shareholders in the same position.

In addition, the Company has a Group Code of Conduct requiring compliance with the applicable laws, rules and regulations of the countries in which we operate including competition and anti-bribery legislation. IAG and its staff are bound by values of integrity and responsibility; the Company is firmly committed to maintaining the highest standards of ethics, honesty, openness and accountability.

This Instruction applies to all staff of IAG and its subsidiary companies and to suppliers and their representatives when working for IAG. A breach of these principles will be managed in accordance with the Company's established disciplinary procedures or contract engagement terms. In accordance with this policy, staff should immediately report any actual of potential breaches of the Instruction to their line managers or, if not appropriate, for whatever reason, to the Chief of Staff of General Counsel. All matters will be dealt with in confidence. Timely, appropriate and thorough investigations will be carried out into all cases of actual of suspected breaches whether discovered or reported. There is also mandatory training providing specific guidance on how these policies apply to staff in their respective roles.

This Instruction also prevents the offering or making of payments or the offering or making or promising of gifts to dishonestly influence a decision or to induce or reward a person for improper performance of their functions or job activity.

The company has established whistleblowing procedures so that staff can report any malpractice. In addition to this, there is a whistle blower hotline as an alternative for those employees who, for whatever reason, do not feel comfortable using internal procedures. This hotline is an independent, confidential call bureau. All calls are referred to the highest level of management within IAG.

Finally, conflict of interest situations are covered within IAG's employees' regulations, establishing appropriate reporting obligations. If employees become aware of any potential conflicts of interest, these must be disclosed to the Company as soon as possible.

Agreed Upon Procedures Report

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Building a better
working world

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AGREED UPON PROCEDURES REPORT

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

In accordance with the request from the Board of Directors of International Consolidated Airlines Group, S.A. (hereinafter IAG) and our engagement letter dated February 11, 2021, we have performed certain procedures on the ICFR-related information of IAG, included on Appendix Internal Control over Financial Reporting (ICFR) of the 2020 Corporate Governance Report, which summarizes the internal control procedures of IAG in relation to the annual financial information.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system as well as developing improvements to that system, and preparing and establishing the content of the accompanying ICFR-related information disclosed in Appendix Internal Control over Financial Reporting (ICFR).

It should be noted that irrespective of the quality of the design and operability of the internal control system adopted by IAG in relation to its annual financial information, it can only provide reasonable, rather than absolute assurance with respect to the objectives pursued, due to the inherent limitations to any internal control system.

In the course of our audit work on the financial statements and pursuant to the Technical Auditing Standards, the sole purpose of our assessment of IAG internal control was to enable us to establish the scope, nature, and timing of the audit procedures to be applied to the IAG financial statements. Therefore, our assessment of the internal control performed for the purposes of the audit of the financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of these procedures was limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or its design or operating effectiveness, in relation to IAG's annual financial information for 2020 described in the ICFR related information in Appendix Internal Control over Financial Reporting (ICFR) of the Corporate Governance Report. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters might have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for therein.

The procedures applied were as follows:

1. Read and understand the information prepared by IAG in relation to the ICFR - which is provided in the Annual Corporate Governance Report disclosure information included in the Directors 'Report - and assess whether such information addresses all the required information which will follow the minimum content detailed in Appendix Internal Control over Financial Reporting (ICFR), relating to the description of the ICFR, as per the model established by CNMV Circular nº 7/2015 dated December 22, 2015.

2. Make enquiries of personnel in charge of preparing the information described in point 1 above in order to:

    a. Obtain an understanding of the process followed in its preparation

    b. Obtain information which will allow us to assess whether the terminology used is adapted to the definitions provided in the reference framework

    c. Obtain information on whether the control procedures described are implemented and in use by IAG

3. Review the explanatory documentation supporting the information described in point 1 above, which should basically include that which is provided directly to those responsible for preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes related reports prepared by the Internal Audit Department, senior management, and other internal and external experts providing support to the Audit and Compliance Committee.

4. Compare the information described in point 1 above with our knowledge of IAG's ICFR obtained as a result of performing the external audit procedures within the framework of the audit of the financial statements.

5. Read the minutes of the meetings held by the Board of Directors, Audit and Compliance Committee and other IAG committees in order to assess the consistency between the ICFR issues addressed therein and the information provided in point 1 above.

6. Obtain the representation letter related to the work performed, duly signed by the personnel in charge of preparing the information discussed in point 1 above.

As a result of the procedures applied, no inconsistencies or issues were observed that might have an impact on ICFR-related information.

This report was prepared exclusively within the framework of the requirements of the article 540 of the Consolidated Spanish Companies Law and by Circular nº 7/2015 dated December 22, 2015 of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

Hildur Eir Jónsdóttir

March 2, 2021

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

ISSUER IDENTIFICATION DETAILS

YEAR END-DATE	2020/12/31
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

A OWNERSHIP STRUCTURE

A.1 Complete the table below with details of the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
October 5, 2020	497,147,601	4,971,476,010	4,971,476,010

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

No

Class	Number of shares	Par value	Number of voting rights	Rights and obligations conferred

A.2 List the company's significant direct and indirect shareholders at year end, excluding directors:

Name or corporate name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Qatar Airways (Q.C.S.C)	25.14	0	0	0	25.14
Lansdowne Partners International Limited	0	1.255	0	0	1.255
Invesco Limited	0	1.327	0	0	1.327
Marshall Wace LLP	0	0	3.022	0	3.022
Allan & Gill Gray Foundation	0	1.10	0	0	1.10

Breakdown of the indirect holding:

Name or corporate name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
Allan & Gill Gray Foundation	Orbis Investment Management Limited	1.100	0	1.100
Lansdowne Partners International Limited.	Funds and accounts managed by Lansdowne Partners (UK) LLP.	1.255	0	1.255
Invesco Limited	Mutual and pension funds managed by Invesco Limited and its subsidiaries	1.327	0	1.327

A.3 Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or corporate name of director	% voting rights attributed to shares		% voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Antonio Vázquez	0.03	0	-	0	0.03	0	
Luis Gallego	0.02	0	-	0	0.02	0	
Giles Agutter	0.00	0	-	0	0.00	0	
Peggy Bruzelius	0.00	0	-	0	0.00	0	
Eva Castillo	0.00	0	-	0	0.00	0	
Margaret Ewing	0.00	0	-	0	0.00	0	
Javier Ferrán	0.02	0	-	0	0.02	0	
Heather Ann McSharry	0.00	0	-	0	0.00	0	
Robin Phillips	0.00	0	-	0	0.00	0	
Emilio Saracho	0.00	0	-	0	0.00	0	
Nicola Shaw	0.00	0	-	0	0.00	0	
Alberto Terol	0.00	0	-	0	0.00	0	
% of total voting rights held by the Board of Directors:				**0.07**		0	

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments

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 Companies Law. If so, describe them briefly and list the shareholders bound by the agreement:

Yes

Parties to the shareholders' agreement	% of share capital concerned	Brief description of the agreement	Expiry date of the agreement, if any
Qatar Airways Group (Q.C.S.C.) International Consolidated Airlines Group, S.A. (the “Company”)	25.14%	Agreement dated August 8, 2020 under which Qatar Airways Group (Q.C.S.C.) as a significant shareholder of the Company, confirmed its support for the proposal of capital reduction and subsequent capital increase and committed to exercise in full its pre-emptive subscription rights and to vote in favor of all resolutions to be proposed at the Shareholders' Meeting held on September 8, 2020 in connection therewith, in accordance with the provisions of Article 531 of the Capital Companies Law. This agreement was reported to the Spanish Securities Market Commission (CNMV) as a relevant fact on August 8, 2020, with registration number 3,939.	-

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

No

Parties to the concerted action	% of share capital concerned	Brief description of the concerted action	Expiry date of the concert, if any

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

Name or company name

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
5,096,863	0	0.103

(*) Through:

Name or company name of direct shareholder	Number of direct shares
Total:	

A.11Estimated floating capital:

	%
Estimated floating capital	**67.99**

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:

Attendance data					
Date of shareholders' meeting	% attending in person	% by proxy	% remote voting		
			Electronic means	Other	Total
June 14, 2018	0.09	68,40	0.00	2.64	71.13
Of which floating capital	0.03	47.66	0.00	2.64	50.33
June 20, 2019	0.11	59.70	0.01	2.61	62.43
Of which floating capital	0.05	59,70	0.01	2.61	62.37
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

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.

Item 16 of the agenda of the 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 Law") was not approved due to the fact that, despite reaching more than 97.40% 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

Number of shares required to attend General Meetings	
Number of shares required for voting remotely	

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	12

C.1.2 Complete the following table on Board members:

Name or corporate name of director	Representative	Category of director	Position on the board	Date of first appointment	Last re-election date	Method of selection to the Board
Antonio Vázquez	-	Independent	Chairman	May 25, 2010	September 8, 2020	Vote at the Shareholders' Meeting
Luis Gallego	-	Executive	Chief Executive	September 8, 2020	September 8, 2020	Vote at the Shareholders' Meeting
Giles Agutter	-	Proprietary	Director	September 8, 2020	September 8, 2020	Vote at the Shareholders' Meeting
Peggy Bruzelius	-	Independent	Director	December 31, 2020	December 31, 2020	Cooption
Eva Castillo	-	Independent	Director	December 31, 2020	December 31, 2020	Cooption
Margaret Ewing	-	Independent	Director	June 20, 2019	September 8, 2020	Vote at the Shareholders' Meeting
Javier Ferrán	-	Independent	Director	June 20, 2019	September 8, 2020	Vote at the Shareholder' Meeting
Heather Ann McSharry	-	Independent	Director	December 31, 2020	December 31, 2020	Cooption
Robin Phillips	-	Proprietary	Director	September 8, 2020	September 8, 2020	Vote at the Shareholders' Meeting
Emilio Saracho	-	Independent	Director	June 16, 2016	September 8, 2020	Vote at the Shareholders' Meeting
Nicola Shaw	-	Independent	Director	January 1, 2018	September 8, 2020	Vote at the Shareholders' Meeting
Alberto Terol	-	Independent	Director	June 20, 2013	September 8, 2020	Vote at the Shareholders' Meeting

Total number of directors	12

Indicate if any directors, whether through resignation or by agreement of the general meeting, have left the Board during the period subject to this report:

Name or corporate name of director	Category of the director at the time of leaving	Date of last appointment	Leaving date	Committees of which he was a member	Indicate whether the Director left before the end of term
Marc Bolland	Independent	June 20, 2019	September 8, 2020	Remuneration Committee (Chair) Nominations Committee	No
Kieran Poynter	Independent	June 20, 2019	September 8, 2020	Audit Committee (Chair) Safety Committee	No
Willie Walsh	Executive	June 20, 2019	September 8, 2020	Safety Committee (Chair)	No
Steve Gunning	Executive	September 8, 2020	December 31, 2020	-	Yes
Deborah Kerr	Independent	September 8, 2020	December 31, 2020	Audit Committee Nominations Committee Remuneration Committee	Yes
María Fernanda Mejía	Independent	September 8, 2020	December 31, 2020	Audit Committee Remuneration Committee	Yes

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

EXECUTIVE DIRECTORS

Name or corporate name of director	Position held in the company organization chart	Profile
Luis Gallego	Chief Executive	**Key areas of experience:** Airline industry **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
% of the total of the board	8.33

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate	Name or corporate name	Profile

name of director	of significant shareholder represented or proposing appointment	
Giles Agutter	Qatar Airways (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 (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
% of the total of the board	16.67

INDEPENDENT DIRECTORS

Individual or corporate name of director	Profile
Antonio Vázquez	**Key areas of experience:** Consumer, sales/marketing, finance, governance **Current external appointments:** Chairman, Cooperation Board of Loyala University. Trustee, Loyola University Foundation. Member, Advisory Board of the Franklin Institute. Trustee, Nantik Lum Foundation. **Previous relevant experience:** Chairman, Iberia 2012–2013. Chairman and CEO, Iberia 2009–2011. Chairman and CEO, Altadis Group 2005–2008. Chairman, Logista 2005–2008. Director, Iberia 2005–2007. Chief Operating Officer and other various positions, Cigar Division of Altadis Group 1993–2005. Various positions at Osborne 1978–1983 and Domecq 1983–1993. Began his professional career in consultancy at Arthur Andersen & Co.
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. Non-executive director, John Lewis Partnership Plc 2012–2014. Non-executive director, Whitbread Plc 2005–2007. Vice Chairman, Managing Partner, Public Policy, Quality and Risk and London Practice Senior Partner, Deloitte LLP 2007–2012. Director, Finance, BAA Ltd 2006 and Chief Financial Officer, BAA PLC 2002–2006. Group Finance Director, Trinity Mirror PLC 2000–2002. Partner, Corporate Finance, Deloitte & Touche LLP 1987–1999.
Javier Ferrán	**Key areas of experience:** Consumer, finance, sales/marketing, governance **Current external appointments:** Chairman, Diageo Plc. 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, 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, Desigual SA. Non-executive director, Chupa Chups SA. Partner, Lion Capital LLC 2005–2018. Regional President EMEA, President and CEO, Bacardi Group 1992-2004.
Emilio Saracho	**Key areas of experience:** Banking, corporate finance, investment management **Current external appointments:** Director, 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, general management **Current external appointments:** Executive Director, National Grid plc. Director, Major Projects Association. Director, Energy Networks Association and Energy UK. **Previous relevant experience:** Member of the Audit and Risk Committee, English Heritage 2015–2018. Non-executive director Ellevio AB 2015–2017. CEO, HS1 Ltd 2011–2016. 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.

Alberto Terol	**Key areas of experience:** Finance, professional services, information technology, hospitality industry **Current external appointments:** Vice Chairman, Lead Independent Director and Chair of the Nominations, Remuneration and Corporate Governance Committee, Indra Sistemas. Director, Broseta Abogados. International Senior Advisor, Centerbridge. Non-executive director, Schindler España. Independent Director, Varma, S.A.. Patron of Fundación Telefónica. Executive Chairman of various family owned companies. **Previous relevant experience:** Chairman of the Supervisory Board, Senvion GmbH 2017–2019. Director, OHL 2010–2016. Director, Aktua 2013–2016. Director, N+1 2014–2015. International Senior Advisor, BNP Paribas 2011–2014. Member, Global Executive Committee Deloitte 2007–2009. Managing Partner, EMEA Deloitte 2007–2009, Managing Partner Global Tax & Legal, Deloitte 2007–2009. Member Global Management Committee, Deloitte 2003–2007. Managing Partner Latin America Deloitte, 2003–2007, Integration Andersen Deloitte 2002–2003, Managing Partner EMEA, Arthur Andersen 2001–2002, Managing Partner Global Tax & Legal, Arthur Andersen 1997–2001, Managing Partner, Garrigues-Andersen 1997–2000.
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 Remuneration Committee a CRH plc. Non-executive director, Chair of Nominations and Governance Committee, Jazz Pharmaceuticals Plc. **Previous relevant experience:** 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.
Peggy Bruzelius	**Key areas of experience:** Financial services, corporate finance **Current external appointments:** Chair, Lancelot Holding AB. Non-executive director and Chairman of the Audit Committee, Lundin Energy AB. Non-executive director and Chair of the Investment Committee, Skandia Mutual Life Insurance. Member, the Royal Academy of Engineering Sciences. **Previous relevant experience:** Chairman, 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, Bankia. Non-executive director, Zardoya Otis. Member of the Council for Economy of the Holy See (Vatican), Member of the Board of the Comillas ICAI Foundation. Member of Entreculturas Foundation. Member of JAMS Foundation. **Previous relevant experience:** President and CEO Merrill Lynch Capital Markets, Spain 1999-2006. President and CEO, Merrill Lynch, Wealth Management EMEA 2006-2009. President and CEO , Telefónica Europe 2012-2014. Non-executive director, Old Mutual Plc 2011-2013. Non-executive director, Telefónica, S.A. 2008-2018. Non-executive director VISA Europe Plc 2014-2017. Chair Telefónica Deutschland AG. 2012-2018.
Total number of external independent directors	9
% of the board	75.00

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

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile

Total number of other external directors	
Percentage of Board	

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category

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	4	4	2	55.55	40.00	40.00	25.00
Other External	0	0	0	0	0	0	0	0
Total:	5	4	4	2	41.67	33.33	33.33	18.18

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name or corporate name of director	Name of listed company	Position
Emilio Saracho	Industria de Diseño Textil, S.A. (Inditex)	Non-Executive Director
Alberto Terol	Indra Sistemas, S.A.	Non–Executive Director
Javier Ferrán	Diageo Plc	Chairman
Margaret Ewing	ConvaTec Group Plc.	Non–Executive Director
Margaret Ewing	ITV Plc.	Non–Executive Director
Eva Castillo	Bankia, S.A.	Non-Executive director
Eva Castillo	Zardoya Otis S.A	Non-Executive director
Peggy Bruzelius	Lundin Energy AB	Non-Executive director
Heather Ann McSharry	CRH plc	Non-Executive director
Heather Ann McSharry	Jazz Pharmaceuticals plc	Non-Executive director

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)	6,388
Amount of pension rights accumulated by directors currently in office (thousands of euros)	0
Amount of pension rights accumulated by former directors (thousands of euros)	4,072

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)
Lynne Embleton	CEO of IAG Cargo
Sean Doyle	CEO of Aer Lingus then CEO of British Airways
Marco Sansavini	CEO of Vueling
Adam Daniels	CEO of IAG Loyalty
Alistair Hartley	Director of Strategy
Julia Simpson	Chief of Staff
Luis Gallego Martin	CEO of Iberia
Alex Cruz	CEO of British Airways
Chris Haynes	Chief Counsel
John Gibbs	Chief Information Officer
Andrew Crawley	CEO of IAG Loyalty
Fernando Candela	Chief Transformation Office
Donal Moriarty	CEO of Aer Lingus
Javier Sanchez-Prieto	CEO of Vueling then CEO of Iberia

Number of women in senior management	58
Percentage of total senior management	30%

Total remuneration of senior management (thousands of euros)	7,768

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

Yes

The Board of Directors, on the meeting held on February 27, 2020, following the favourable report by the Audit and Compliance Committee, approved the amendment of articles 3, 12, 17, 29, 30 and 31 of the Board Regulations, as well as the inclusion of a new article 6.bis.

On December 31, 2020, the Board of Directors approved the amendment of articles 13.2 and 30.1 of the Board Regulations.

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

Additional requirements and/or maximum number of years of office	

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	42
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	

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

Number of meetings held by the Audit and Compliance Committee	12
Number of meetings held by the Nomination Committee	9
Number of meeting held by the Remuneration Committee	9
Number of meetings held by the Safety Committee	2

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

Number of meetings in which at least 80% of directors were present in person	42
Attendance in person as a % of total votes during the year	97.42
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	33
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	98.02

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
Steve Gunning	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	-

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

Explanation of disagreements

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)	**30**	**2,664**	**2,694**
Amount invoiced for non-audit work/Amount for audit work (in %)	**3%**	**44%**	**37%**

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	**10**	**10**

	Individual	**Consolidated**
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	**100**	**100**

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

In order to be assisted in the performance of his or her duties, any director may request the hiring of legal, accounting, technical, financial, commercial or other expert advisors, whose services shall be paid for by the Company. The Board Regulations were updated in February 2021, and this is now regulated in article 27 of these Regulations.

The assignment must deal with specific issues of certain significance and complexity arising during the performance of the director's duties.

The request for an expert to be hired shall be channelled through the Chairman or the Board Secretary, who may submit it to the prior approval of the Board of Directors. Such approval may be denied in well-founded instances, including the following circumstances:

Where it is not necessary for the proper performance of the duties entrusted to the directors;

Where the cost thereof is not reasonable in light of the significance of the issues and the assets and income of the Company;

Where the technical assistance sought may be adequately provided by the Company's own experts and technical personnel; or

Where it may entail a risk to the confidentiality of the information that must be made available to the expert.

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	
13	

Type of beneficiary	**Description of the resolution**
Executive Directors and IAG Management Committee	There are no express provisions in executive directors and senior executives service contracts with the Company for compensation payable upon termination of those contracts, other than for payments in lieu of notice. The 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.
Chairman	Antonio Vázquez Romero had a specific agreement if his service contract is terminated for whatever reason. Additional information on this agreement has been provided in the Annual Report on the Remuneration of the Directors.

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 AND COMPLIANCE COMMITTEE

Name	**Position**	**Type**
Margaret Ewing	Chair	Independent
Peggy Bruzelius	Member	Independent
Eva Castillo	Member	Independent
Alberto Terol	Member	Independent

% of proprietary directors	–
% of external independent directors	100
% of other non-executive directors	–

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

NOMINATIONS COMMITTEE

Name	Position	Type
Javier Ferrán	Chairman	Independent
Giles Agutter	Member	Proprietary
Heather Ann McSharry	Member	Independent
Alberto Terol	Member	Independent
Antonio Vázquez	Member	Independent

% of proprietary directors	20
% of external independent directors	80
% of other non-executive directors	–

REMUNERATION COMMITTEE

Name	Position	Type
Alberto Terol	Chairman	Independent
Eva Castillo	Member	Independent
Heather Ann McSharry	Member	Independent
Emilio Saracho	Member	Independent
Nicola Shaw	Member	Independent

% of proprietary directors	–
% of external independent directors	100
% of other non-executive directors	–

SAFETY COMMITTEE

Name	Position	Type
Luis Gallego	Chairman	Executive
Giles Agutter	Member	Proprietary
Nicola Shaw	Member	Independent
Antonio Vázquez	Member	Independent

% of executive directors	25
% of proprietary directors	25
% of external independent directors	50
% of other non-executive directors	–

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:

	Year n		Year n-1		Year n-2		Year n-3	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Audit and Compliance Committee	3	75	3	60	2	40	1	25
Nominations Committee	1	20	1	20	1	25	1	25
Remuneration Committee	3	60	2	40	3	60	2	50
Safety Committee	1	25	1	20	1	20	0	0

D RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.2 Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
Qatar Airways (Q.C.S.C.)	British Airways	Contractual	Interline sales	11,469
Qatar Airways (Q.C.S.C.)	Iberia	Contractual	Interline sales	10,358
Qatar Airways (Q.C.S.C.)	Vueling	Contractual	Interline sales	663
Qatar Airways (Q.C.S.C.)	Aer Lingus	Contractual	Interline sales	201
Qatar Airways (Q.C.S.C.)	British Airways	Contractual	Interline purchases	77,458
Qatar Airways (Q.C.S.C.)	Iberia	Contractual	Interline purchases	1,208
Qatar Airways (Q.C.S.C.)	Vueling	Contractual	Interline purchases	26
Qatar Airways (Q.C.S.C.)	Aer Lingus	Contractual	Interline purchases	843

D.3 Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name or company name of director(s) or manager(s)	Name or company name of the company or entity within its group	Relationship	Nature of the transaction	Amount (thousands of euros)
None				

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

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

Company name of the entity within the group	Brief description of the transaction	Amount (thousands of euros)

D.5 Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.

Corporate name of the group company	Brief description of the transaction	Amount (in thousands of euros)
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC S.A.	Sales to associates (income)	300
Multiservicios Aeroportuarios S.A.	Sales to associates (income)	514
Serpista	Sales to associates (income)	662
Viajes Ame	Sales to associates (income)	913
Dunwoody	Sales to associates (income)	9,324
Multiservicios Aeroportuarios S.A	Purchases from associates (expenses):	25,266
Serpista	Purchases from associates (expenses):	7,239
AEROHANDLING LTD	Purchases from associates (expenses):	7
Perez Llorca	Purchases from associates (expenses):	11
Dunwoody	Purchases from associates (expenses):	9,106
Ibeca	Sales to associates (income)	12
TOTAL		53,354

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 partially

IAG considers that, as of December 31, 2020, it partially complies with this recommendation because the Company has a policy regarding communication and contact with shareholders, institutional investors and proxy advisors, but an update to this policy to conform to this revised recommendation -including provisions regarding disclosure of corporate information- will only be presented to the Board for approval in the first quarter of 2021.

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 that opinion available to the shareholders, together with all other proposals and reports by the Board, upon publication of the call to the meeting.

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 partially

IAG considers that, as of December 31, 2020, it partially complies with this recommendation as far as it is required to adjust the wording of a number of provisions of the Board of Directors Regulations, which will only be presented to the Board for approval in the first quarter of 2021.

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 partially

IAG considers that, as of December 31, 2020, it partially complies with this recommendation as far as it is required to adjust the wording of a number of provisions of the Board of Directors Regulations, which will only be presented to the Board for approval in the first quarter of 2021.

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 partially

The Board of Directors of IAG, under its powers of self-organisation, considers it appropriate to have a Safety Committee in order to exercise a high level overview of each airline's safety performance and of any important issues that may affect the industry, although responsibility for safety matters belongs to each of the Group's airlines. This Committee is governed by the same principles as all Board Committees and has a clear majority of non-executive directors. However, the Committee's composition, as of December 31, 2020, was not compliant with the Code's recommendation as an executive director, the Group Chief Executive, was a member of this Committee, being also its Chair.

In this respect on February 25, 2021, the Board reviewed its Regulations as well as the terms of reference of the different Board advisory committees. As part of this review, it was decided to combine the support provided to the Board over safety matters with those related to the environment and corporate responsibility under a new Safety, Environment and Corporate Responsibility Committee. The new membership and terms of reference of this new committee are fully compliant with this recommendation.

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 partially

IAG considers that, as of December 31, 2020, it partially complies with this recommendation as far as it is required to adjust the wording of a number of provisions of the Board of Directors Regulations, which will only be presented to the Board for approval in the first quarter of 2021.

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.

No

Name or company name of the member of the Board of Directors who has not voted for the approval of this report	Reasons (against, abstention, non attendance)	Explain the reasons

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.