

ANNUAL REPORT ON REMUNERATION OF DIRECTORS

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-rata 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.

| Director ('000) | Salary | | Benefits | | Pension | | Total Fixed | | Annual incentive | | Long-term incentive | | Total Variable | | Total | |
|------------------------------------|--------------|-------|------------|------|------------|------|--------------|-------|------------------|-------|---------------------|-------|----------------|-------|--------------|-------|
| | 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

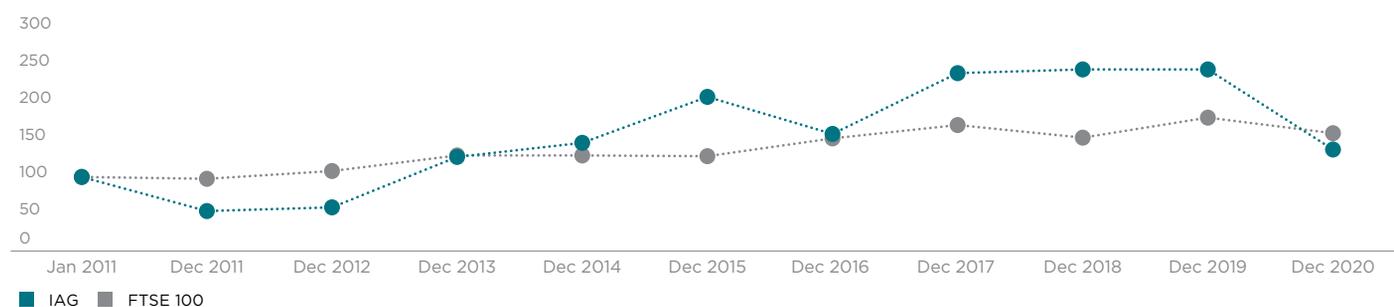
The Investment Association sets guidelines that restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10 per cent of the issued ordinary share capital and restrict the issues under the Company's discretionary schemes to 5 per cent in any ten-year period. At 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 |
|-----------------------------------|------------------------------|------------------------------|----------------------------|-------------------------------------|
| 25 th (Lower Quartile) | 109:1 | 34:1 | £17,173 | £28,383 |
| 50 th (Median) | 72:1 | 22:1 | £28,551 | £42,823 |
| 75 th (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 |

| Director | 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.

**ANNEX III – STATISTICS ON ANNUAL REPORT ON REMUNERATION
OF DIRECTORS OF LISTED COMPANIES**

THE ISSUER'S IDENTIFYING DATA

DATE OF END OF REFERENCE FINANCIAL YEAR

2020/12/31

TAX IDENTIFICATION NO.

A-85845535

Corporate 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

**STATISTICAL ANNEX OF THE ANNUAL REPORT ON
REMUNERATION OF DIRECTORS OF LISTED COMPANIES**

**B OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS
APPLIED DURING THE YEAR ENDED**

B.4 Report on result of consultative vote at General Shareholders' Meeting on annual report on remuneration from previous year, indicating number of votes against, as the case may be.

| | Number | % of total |
|-------------------|-------------|------------|
| Votes cast | 871,102,122 | 99.34 |

| | Number | % of votes cast |
|------------------------|-------------|-----------------|
| Votes against | 179,093,920 | 20.56 |
| Votes in favour | 623,709,500 | 71.60 |
| Abstentions | 68,298,702 | 7.84 |

**C ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH
DIRECTOR**

| Name | Type | Period of accrual in year t |
|------------------------|-------------|-------------------------------|
| Antonio Vázquez | Independent | From 01.01.2020 to 12.31.2020 |
| Luis Gallego | Executive | From 09.08.2020 to 12.31.2020 |
| Willie Walsh | Executive | From 01.01.2020 to 09.08.2020 |
| Giles Agutter | Proprietary | From 09.08.2020 to 12.31.2020 |
| Marc Bolland | Independent | From 01.01.2020 to 09.08.2020 |
| Peggy Bertha Bruzelius | Independent | From 12.31.2020 to 12.31.2020 |
| Eva Castillo | Independent | From 12.31.2020 to 12.31.2020 |
| Margaret Ewing | Independent | From 01.01.2020 to 12.31.2020 |
| Javier Ferrán | Independent | From 01.01.2020 to 12.31.2020 |
| Steve Gunning | Executive | From 01.01.2020 to 12.31.2020 |
| Deborah Kerr | Independent | From 01.01.2020 to 12.31.2020 |
| Heather Ann McSharry | Independent | From 12.31.2020 to 12.31.2020 |
| María Fernanda Mejía | Independent | From 01.01.2020 to 12.31.2020 |
| Robin Phillips | Proprietary | From 09.08.2020 to 12.31.2020 |
| Kieran Poynter | Independent | From 01.01.2020 to 09.08.2020 |
| Emilio Saracho | Independent | From 01.01.2020 to 12.31.2020 |
| Nicola Shaw | Independent | From 01.01.2020 to 12.31.2020 |
| Alberto Terol | Independent | From 01.01.2020 to 12.31.2020 |

C.1. Complete the following tables on individual remuneration of each director (including the remuneration for exercising executive functions) accrued during the year.

a) **Remuneration from the reporting company:**

i) **Remuneration in cash (thousand euros)**

| Name | Fixed remuneration | Per diem allowances | Remuneration for membership of Board's committees | Salary | Short-term variable remuneration | Long-term variable remuneration | Severance Pay | Other grounds | Total in year t | Total in year t-1 |
|------------------------|--------------------|---------------------|---|--------|----------------------------------|---------------------------------|---------------|---------------|-----------------|-------------------|
| Antonio Vázquez | 548 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 548 | 650 |
| Luis Gallego | 0 | 0 | 0 | 232 | 0 | 0 | 0 | 107 | 339 | - |
| Willie Walsh | 0 | 0 | 0 | 576 | 0 | 0 | 0 | 170 | 746 | 1,745 |
| Giles Agutter | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30 | - |
| Marc Bolland | 84 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 87 | 157 |
| Peggy Bertha Bruzelius | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Eva Castillo | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Margaret Ewing | 107 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 111 | 65 |
| Javier Ferrán | 107 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 111 | 66 |
| Steve Gunning | 0 | 0 | 0 | 585 | 0 | 0 | 0 | 93 | 678 | 573 |
| Deborah Kerr | 107 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 107 | 131 |
| Heather Ann McSharry | | | | | | | | | | |
| Maria Fernanda Mejia | 102 | 0 | 0 | 0 | 0 | 0 | 0 | 15 | 117 | 134 |
| Robin Phillips | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30 | - |
| Kieran Poynter | 84 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 86 | 164 |
| Emilio Saracho | 102 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 108 | 138 |
| Nicola Shaw | 102 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 103 | 136 |
| Alberto Terol | 128 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 138 | 162 |

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

| Name | Name of plan | Financial instruments at start of year t | | Financial instruments granted during year t | | Financial instruments consolidated during the year | | | | Instruments matured but not exercised | Financial instruments at end of year t | |
|---------------|---|--|--------------------------|---|--------------------------|--|--|----------------------------------|---|---------------------------------------|--|--------------------------|
| | | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent shares / handed over | Price of the consolidated shares | Net profit from shares handed over or consolidated financial instrument (thousand of euros) | No. of instruments | No. of instruments | No. of equivalent shares |
| Luis Gallego | Share performance plan – PSP 2015 | 87,031 | 87,031 | 44,211 | 44,211 | 0 | 0 | 0 | 0 | 0 | 131,242 | 131,242 |
| | Share performance plan – PSP 2016 | 64,988 | 64,988 | 33,013 | 33,013 | 0 | 0 | 0 | 0 | | 98,001 | 98,001 |
| | Share performance plan – PSP 2017 | 160,476 | 160,476 | 58,785 | 58,785 | 0 | 0 | 0 | 0 | 44,757 | 174,504 | 174,504 |
| | Share performance plan – PSP 2018 | 128,826 | 128,826 | 65,443 | 65,443 | 0 | 0 | 0 | 0 | 0 | 194,269 | 194,269 |
| | Share performance plan – PSP 2019 | 162,543 | 162,543 | 82,571 | 82,571 | 0 | 0 | 0 | 0 | 0 | 245,114 | 245,114 |
| | Share performance plan – PSP 2020 | 357,298 | 357,298 | 181,507 | 181,507 | 0 | 0 | 0 | 0 | 0 | 538,805 | 538,805 |
| | Incentive award deferral plan – IADP 2017 | 26,746 | 26,746 | 0 | 0 | 26,746 | 26,746 | 4.87 | 130 | 0 | 0 | 0 |
| | Incentive award deferral plan – IADP 2018 | 59,850 | 59,850 | 30,403 | 30,403 | 0 | 0 | 0 | 0 | 0 | 90,253 | 90,253 |
| | Incentive award deferral plan – IADP 2019 | 49,454 | 49,454 | 25,122 | 25,122 | 0 | 0 | 0 | 0 | 0 | 74,576 | 74,576 |
| | Incentive award deferral plan – IADP 2020 | 54,059 | 54,059 | 27,461 | 27,461 | 0 | 0 | 0 | 0 | 0 | 81,520 | 81,520 |
| Steve Gunning | Share performance plan – PSP 2015 | 52,363 | 52,363 | 0 | 0 | 52,363 | 52,363 | 4.89 | 256 | 0 | 0 | 0 |
| | Share performance plan – PSP 2016 | 37,621 | 37,621 | 19,111 | 19,111 | 0 | 0 | 0 | 0 | 0 | 56,732 | 56,732 |
| | Share performance | 96,703 | 96,703 | 35,424 | 35,424 | 0 | 0 | 0 | 0 | 26,970 | 105,157 | 105,157 |

| Name | Name of plan | Financial instruments at start of year t | | Financial instruments granted during year t | | Financial instruments consolidated during the year | | | | Instruments matured but not exercised | Financial instruments at end of year t | |
|------|---|--|--------------------------|---|--------------------------|--|--|----------------------------------|---|---------------------------------------|--|--------------------------|
| | | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent shares / handed over | Price of the consolidated shares | Net profit from shares handed over or consolidated financial instrument (thousand of euros) | No. of instruments | No. of instruments | No. of equivalent shares |
| | plan – PSP 2017 | | | | | | | | | | | |
| | Share performance plan – PSP 2018 | 77,800 | 77,800 | 39,522 | 39,522 | 0 | 0 | 0 | 0 | 0 | 117,322 | 117,322 |
| | Share performance plan – PSP 2019 | 101,587 | 101,587 | 51,606 | 51,606 | 0 | 0 | 0 | 0 | 0 | 153,193 | 153,193 |
| | Share performance plan – PSP 2020 | | | 342,092 | 342,092 | 0 | 0 | 0 | 0 | 0 | 342,092 | 342,092 |
| | Incentive award deferral plan – IADP 2017 | 16,117 | 16,117 | 0 | 0 | 16,117 | 16,117 | 4,87 | 78 | 0 | 0 | 0 |
| | Incentive award deferral plan – IADP 2018 | 37,603 | 37,603 | 19,102 | 19,102 | 0 | 0 | 0 | 0 | 0 | 56,705 | 56,705 |
| | Incentive award deferral plan – IADP 2019 | 32,813 | 32,813 | 16,669 | 16,669 | 0 | 0 | 0 | 0 | 0 | 49,482 | 49,482 |
| | Incentive award deferral plan – IADP 2020 | | | 69,634 | 69,634 | | | | | | 69,634 | 69,634 |

iii) Long-term saving systems

| | Remuneration from consolidation of rights to savings system |
|-------------------|---|
| Director 1 | |

| Name | Contribution over the year from the company (thousand €) | | | | Amount of accumulated funds (thousand €) | | | |
|---------------|--|----------|---|----------|---|---|---|---|
| | Savings systems with consolidated economic rights | | Savings systems with unconsolidated economic rights | | Year t | | Year t-1 | |
| | Year t | Year t-1 | Year t | Year t-1 | Systems with consolidated economic rights | Systems with unconsolidated economic rights | Systems with consolidated economic rights | Systems with unconsolidated economic rights |
| | Luis Gallego | 0 | 0 | - | - | 0 | - | 0 |
| Steve Gunning | 0 | 0 | - | - | 0 | - | 0 | - |
| Willie Walsh | 0 | 0 | - | - | 289 | - | 289 | - |

iv) Details of other items

| Name | Item | Amount remunerated |
|---------------|-------------------------|--------------------|
| Luis Gallego | Life Insurance Premiums | 1 |
| Steve Gunning | Life Insurance Premiums | 4 |
| Willie Walsh | Life Insurance Premiums | 11 |

b) Remuneration of the company directors for seats on the boards of other group companies:

i) Remuneration in cash (thousand euros)

| Name | Fixed remuneration | Per diem allowances | Remuneration for membership of Board's committees | Salary | Short-term variable remuneration | Long-term variable remuneration | Severance pay | Other grounds | Total in year t | Total In year t-1 |
|----------------------------------|--------------------|---------------------|---|--------|----------------------------------|---------------------------------|---------------|---------------|-----------------|-------------------|
| Not applicable for all directors | | | | | | | | | | |

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

| Name | Name of plan | Financial instruments at start of year t | | Financial instruments granted at start of year t | | Financial instruments consolidated during the year | | | | Instruments matured but not exercised | Financial instruments at end of year t | | |
|----------------------------------|--------------|--|--------------------------|--|--------------------------|--|--|----------------------------------|---|---------------------------------------|--|--------------------|--------------------------|
| | | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent shares / handed over | Price of the consolidated shares | Net profit from shares handed over or consolidated financial instruments (thousand €) | | No. of instruments | No. of instruments | No. of equivalent shares |
| Not applicable for all directors | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |

iii) Long-term saving systems

| | |
|--|---|
| | Remuneration from consolidation of rights to savings system |
|--|---|

| | |
|-------------------|--|
| Director 1 | |
|-------------------|--|

| | Contribution over the year from the Company (thousand €) | | | | Amount of accumulated funds (thousand €) | | | |
|----------------------------------|--|----------|---|----------|---|---|---|---|
| | Savings systems with consolidated economic rights | | Savings systems with unconsolidated economic rights | | | | | |
| Name | Year t | Year t-1 | Year t | Year t-1 | Year t | | Year t-1 | |
| | | | | | Systems with consolidated economic rights | Systems with unconsolidated economic rights | Systems with consolidated economic rights | Systems with unconsolidated economic rights |
| Not applicable for all directors | | | | | | | | |

iv) Details of other items

| Name | Item | Amount remunerated |
|----------------------------------|------|--------------------|
| Not applicable for all directors | | |

c) Summary of remuneration (thousand €):

The summary should include the amounts corresponding to all the items of remuneration included in this report that have been accrued by the director, in thousand euros.

| Name | Remuneration accrued in the company | | | | | Remuneration accrued in group companies | | | | |
|------------------------|-------------------------------------|--|----------------------------------|------------------------------|----------------------|---|--|----------------------------------|------------------------------|--------------------|
| | Total cash remuneration | Gross profit of consolidated shares or financial instruments | Remuneration from saving systems | Remuneration for other items | Total FY2019 company | Total cash remuneration | Gross profit of consolidated shares or financial instruments | Remuneration from saving systems | Remuneration for other items | Total year t group |
| Antonio Vázquez | 548 | 0 | 0 | 0 | 548 | 0 | 0 | 0 | 0 | 0 |
| Luis Gallego | 339 | 130 | 0 | 1 | 470 | 0 | 0 | 0 | 0 | 0 |
| Willie Walsh | 746 | 252 | 0 | 11 | 1,009 | 0 | 0 | 0 | 0 | 0 |
| Giles Agutter | 30 | 0 | 0 | 0 | 30 | 0 | 0 | 0 | 0 | 0 |
| Marc Bolland | 87 | 0 | 0 | 0 | 87 | 0 | 0 | 0 | 0 | 0 |
| Peggy Bertha Bruzelius | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Eva Castillo | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Margaret Ewing | 111 | 0 | 0 | 0 | 111 | 0 | 0 | 0 | 0 | 0 |
| Javier Ferrán | 111 | 0 | 0 | 0 | 111 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | | |
|----------------------|-------|-----|---|----|-------|---|---|---|---|---|
| Steve Gunning | 678 | 334 | 0 | 4 | 1,016 | 0 | 0 | 0 | 0 | 0 |
| Deborah Kerr | 107 | 0 | 0 | 0 | 107 | 0 | 0 | 0 | 0 | 0 |
| Heather Ann McSharry | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| María Fernanda Mejía | 117 | 0 | 0 | 0 | 117 | 0 | 0 | 0 | 0 | 0 |
| Robin Phillips | 30 | 0 | 0 | 0 | 30 | 0 | 0 | 0 | 0 | 0 |
| Kieran Poynter | 86 | 0 | 0 | 0 | 86 | 0 | 0 | 0 | 0 | 0 |
| Emilio Saracho | 108 | 0 | 0 | 0 | 108 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | |
| Nicola Shaw | 103 | 0 | 0 | 0 | 103 | 0 | 0 | 0 | 0 | 0 |
| Alberto Terol | 138 | 0 | 0 | 0 | 138 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 3,339 | 716 | | 16 | 4,071 | | | | | |

This annual report on remuneration has been approved by the Board of Directors of the company, at its meeting on February 25, 2021.

State if any directors have voted against or abstained from approving this report.

Yes 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 |
|---|---|----------------------------|
| | | |