

Board activities

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

Strategy and planning

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

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

Performance and monitoring

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

Significant transactions, investments and expenditures

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

Risk management and internal controls

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

Shareholders, stakeholders and governance

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

Board information and training

In general, all Board and committee meeting documents are available to all directors ahead of meetings, including the minutes of each meeting, through an online platform which facilitates an efficient and secure access to all materials. All directors have access to the advice of the Board Secretary and the Group General Counsel. Directors may take independent legal, accounting, technical, financial, commercial, or other expert advice at the Company's expense when it is judged necessary in order to discharge their responsibilities effectively. No such independent advice was sought in the 2023 financial year.

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

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

Induction of directors

According to the induction guidelines, approved by the Nominations Committee, on joining the Board every newly appointed director has a thorough and appropriate induction. Each programme is based on the individual director's needs and includes meetings with other directors, senior management and key external advisers as appropriate. The induction is designed to provide a wide overview of the industry and the sector, including details of each of the markets in which the Group operates, as well as an understanding of the Group business model and its different businesses. The programme is also a useful tool to introduce new directors to the IAG Management Committee as well as to the different operating companies' teams.

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

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

Board and committee evaluation

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

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

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

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

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

Actions agreed for 2024 include:

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

Other statutory information

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

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

According to article 21 of the Board Regulations, directors have an obligation to adopt the measures necessary to avoid conflict of interest situations. These include any situation where the interest of the director, either directly or through third parties, may conflict with the corporate interest or with their duties to the Company. In the event of conflict, the affected director must inform the Company and abstain from participating in the discussion of the transaction referred to by the conflict. For the purposes of calculating the quorum and voting majorities, the affected director would be excluded from the number of members in attendance.

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

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

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

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

The execution of these type of transactions needs to be reported to the Audit and Compliance Committee to ensure that they are carried out at arm's length and with due observance of the principle of equal treatment of shareholders. IAG's internal regulations on related party transactions establish that the Audit and Compliance Committee needs to issue a report to the Board assessing whether the transaction is fair and reasonable from the standpoint of the Company and, where applicable, of the shareholders other than the related party, and report on this assessment, including the assumptions and methods used. Where appropriate, the directors related to the transaction shall not participate in the preparation of such report.

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

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

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

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

- increase the share capital pursuant to Article 297.1.b) of the Spanish Companies Law, by up to 50% of the aggregate nominal amount of the Company's issued share capital as at 15 June 2023 (such amount to be reduced by the maximum amount that the share capital may be increased by on the conversion or exchange of any securities issued as authorised below), through the issue and placement of new shares (with or without a premium) for cash consideration;
- issue securities (including warrants) convertible into and/or exchangeable for shares of the Company, up to a maximum limit of 1,500,000,000 euros or the equivalent thereof in another currency, provided that the aggregate share capital that may be increased on the conversion or exchange of all such securities may not be higher than 50% of the aggregate nominal amount of the Company's issued share capital as at 15 June 2023 (such amount to be reduced by the amount that the share capital has been increased under the relevant authorisation);
- exclude pre-emptive rights in connection with the capital increases and the issuance of convertible or exchangeable securities that the Board may approve, under the previous authorities, for the purposes of allotting shares or convertible or exchangeable securities, in connection

with a rights issue or in any other circumstances subject to an aggregate maximum nominal amount of the shares so allotted or that may be allotted on conversion or exchange of such securities of:

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

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

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

transaction is carried out at the relevant time; exclusive of expenses.

The shares acquired pursuant to this authorisation may be delivered directly to the employees or directors of the Company or its subsidiaries or as a result of the exercise of option rights held thereby. For further details see note 31 to the Group financial statements. The IAG Securities Code of Conduct regulates the Company's dealings in its treasury shares. This can be accessed on the Company's website.

Capital structure and shareholder rights

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

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

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

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

Company's share capital

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

The significant shareholders of the Company as at 31 December 2023, calculated according to the Company's share capital as at the date of this report and excluding positions in financial instruments, were:

Name of shareholder	Number of direct shares	Number of indirect shares	Name of direct holder	Total shares	Percentage of capital
Qatar Airways (Q.C.S.C.)	1,249,999,997	-		1,249,999,997	25.14%
Capital Research and Management Company		248,648,015	Collective investment institutions managed by Capital Research and Management Company	248,648,015	5.001%

Shareholders' meeting

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

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

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

Disclosure obligations

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

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

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

In the event of a breach of these obligations by a shareholder or any other person with a confirmed or apparent interest in the Company's shares, the Board may suspend the voting or other political rights of the relevant person. If the shares associated with the breach represent at least 0.25% of the Company's share capital in nominal value, the Board may also direct that the transfer of any such shares is not registered.

Limitations on ownership of shares

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

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

Impact of change of control

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

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

In addition, the Company's share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plans.

Directors' and Officers' liability insurance

The Company has purchased insurance against Directors' and Officers' liability for the benefit of the directors and officers of the Company and its subsidiaries. The Board receives an annual update on the Group's Directors' and Officers' liability insurance.

Report of the Nominations Committee



Javier Ferrán
Nominations Committee Chair

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

Dear Shareholder

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

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

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

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

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

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

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

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

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

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

Javier Ferrán
Nominations Committee Chair

The Nominations Committee

The composition, competencies and operating rules of the Nominations Committee are regulated by article 31 of the Board Regulations and by the Nominations Committee Regulations as approved by the Board on 25 February 2021. A copy of the Board and the Nominations Committee Regulations can be found on the Company's website.

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

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

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

The Committee's responsibilities

The Nominations Committee's responsibilities can be summarised as:

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

The Committee's activities in 2023

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

The Committee focused on the following activities during the year:

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

Board succession

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

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

Directors' independence, performance and re-election

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

In May 2023 the Nominations Committee considered the proposal for the re-election of directors ahead of the Annual General Meeting.

In accordance with the Board Regulations, all proposals for the appointment or re-election of directors presented to the 2023 Annual General Meeting were accompanied by an explanatory report issued by the Board of Directors with the support of the Nominations Committee assessing the competence, experience, and merits of each candidate. As part of its assessment, the Committee also reviews the time commitment and availability of each non-executive director.

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

Each director is required to advise the Committee and seek its authorisation before accepting any external directorship or other significant appointment that might affect the time they are able to devote to the role as a director of the Company.

Management appointments and succession planning

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

Diversity

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

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

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

Gender diversity principles are followed throughout the director appointment process, while preserving the general diversity and merit-based appointment principles established in the Policy. The Board's policy is to consider candidates from a wide variety of backgrounds, without discrimination based on gender, race, colour, age, social class, beliefs, religion, sexual orientation, disability, or other factors. When conducting a search, the Company will only engage search firms that have signed up to the latest UK Voluntary Code of Conduct for Executive Search Firms (or its international equivalent). Additionally, the Nominations Committee ensures that the Board appointment 'long' and 'short' lists provided in the search process are inclusive according to the widest definition of diversity.

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

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

Gender identity

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

Ethnic background

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

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

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

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

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

The Committee annual evaluation

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

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

Report of the Safety, Environment and Corporate Responsibility Committee



Nicola Shaw
Safety, Environment and Corporate
Responsibility Committee Chair

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

Dear Shareholder

I am pleased to present the Safety, Environment and Corporate Responsibility ('SECR') Committee report for the year ended 31 December 2023. This report highlights some of our work and activities during the year.

This Committee assists the Board in a dual role. Firstly, by providing high-level oversight of the Group's safety activities and resources, and promoting the sharing of knowledge and best practices within the Group. Secondly, the Committee provides guidance and direction on IAG's sustainability

programmes and corporate responsibility ambitions, ensuring alignment to the Group's sustainability strategic priorities.

Based on the conclusions of the evaluation of the Committee's performance in 2022, we decided to restructure the Committee's work so that it is more focused, devoting two of its four ordinary meetings mainly to safety issues and the other two to environmental and corporate responsibility matters.

As we did last year, the Committee reviewed the information on the

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

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

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

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

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

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

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

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

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

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

Nicola Shaw

Safety, Environment and Corporate Responsibility Committee Chair

The Safety, Environment, and Corporate Responsibility Committee

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

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

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

The Committee's role and responsibilities

The Committee's role is to support and advise the Board in matters relating to safety, environment and corporate responsibility. Responsibility for safety matters belongs to the Group's airlines. IAG, through this Committee, has an overall view of each airline's safety performance and of any important issues that may affect the industry. The Committee also has visibility of the Group airlines' resources and procedures. Responsibility for performing detailed and technical assessments remains with each airline. In the areas of environment and corporate responsibility, the SECR Committee provides a governance forum for non-executive directors to exercise specific oversight, challenge and support to senior management in shaping the Group's sustainability strategy, policies and targets, buttressing IAG's vision to be a world's leading airline group on sustainability.

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

- to receive significant safety information about IAG's subsidiaries, franchise, codeshare or wet-lease providers used by any member of the Group
- to exercise a high-level overview of safety activities and resources
- to review the Group's strategy and policies on social and environmental sustainability
- to evaluate that the Company's environment and social practices are in accordance with the established strategy and policies

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

The Committee's activities during the year

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

The Committee's activities during the year included:

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

Safety

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

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

Market trends and EU and national ESG consultations

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

Benchmarking

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

Waste strategy, performance indicators and benchmarking

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

Stakeholder Engagement review

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

Modern slavery review

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

Sustainability risk

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

The Committee annual evaluation and priorities for 2024

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

Internal Control over Financial Reporting

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

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

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

Internal audit

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

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

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

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

External audit

External auditor key information

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

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

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

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

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

External audit scope, materiality and execution

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

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

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

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

External auditor quality and effectiveness

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

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

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

- the Committee oversaw formal terms of engagement with the auditor and, after significant challenge by management as to the composition and quantum of the proposed fee increase, agreed the audit fee. KPMG assured the Committee that despite a significant increase compared with the 2020, 2021 and 2022 fee, the approved 2023 fee was at a level that was appropriate for the scope of the audit, to enable a quality audit to be undertaken;
- reports from the external auditor were reviewed during all Committee meetings in 2023 and again in the February 2024 Committee meeting, covering: the conclusions of the review of the Group's results for the half year; audit planning updates; interim audit findings (including those of the review of the relevant key IT general controls); progress update for year end matters; and final report for year end matters;

- KPMG attended all five of the planned Committee meetings during the year to answer any questions the Committee had outside these formal updates; and
- consideration of the FRC's most recent Audit Quality Review conclusions relating to KPMG as a firm and any specific findings relating to audits led by the lead audit partners to IAG.

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

External audit tender and transition

2021

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

2024

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

2025

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

2030

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

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

External auditor non-audit services and independence

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

IAG non-audit services policy, key features

Pre-approval	All non-audit services require pre-approval in accordance with the table below to ensure services approved are consistent with the IAG non-audit services policy for permitted services. This process ensures all services fall within the scope of services permitted and pre-approved by the Committee and does not represent a delegation of authority for pre-approval.	
	Value	Pre-approver
	More than €100,000	Audit and Compliance Committee Chair and Chief Financial Officer
	Between €30,000 and €100,000	Chief Financial Officer and Head of Group Audit
	Less than €30,000	Head of Group Audit
Fee cap	The guideline amount is set to ensure the total fee payable for non-audit services should not exceed 70% of the annual audit fee.	
	The overall value of fees for work is addressed by a target annual maximum for 2023 of €2.4 million with an additional allowance of up to €1.5 million for large projects where the external auditor is uniquely placed to carry out the work.	
	The Committee reviews the nature and volume of the non-audit services undertaken by the external auditor on a quarterly basis.	
Prohibitions	IAG's policy includes a list of permitted non-audit services in line with the list of permitted services in the FRC's Revised Ethical Standard 2019. Any service not on this list is prohibited.	
	All non-audit services over €100,000 are put to competitive tender with other providers, in line with the Group's procurement policy, unless the skills and experience of the external auditor make it the only suitable supplier.	

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

Report of the Remuneration Committee



Heather Ann McSharry
Remuneration Committee Chair

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

Dear Shareholder

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

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

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

Performance delivered in 2023

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

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

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

Workforce experience

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

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

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

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

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

2023 annual incentive outcome

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

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

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

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

Vesting of the 2021 restricted share plan (RSP)

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

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

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

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

Remuneration Policy review

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

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

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

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

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

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

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

Shareholder engagement

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

Implementation of the Policy in 2024

Base salary

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

Annual incentive

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

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

Restricted share plan

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

Looking forward

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

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

Approved by the Board and signed on its behalf by

Heather Ann McSharry
Remuneration Committee Chair

Remuneration at a glance

IAG Chief Executive Officer

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

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

2023 performance and pay outcomes summary

Business performance

Key strategic highlights

- Strong operating profit and financial performance
- Strengthen our balance sheet and reinvested in the business
- Capacity in the fourth quarter at 98.6% of 2019 levels across the Group
- Continued to build a sustainable business (as we continue to renew our fleet and to invest in SAF)

Key statistics

How we performed in 2023

- Operating profit before exceptional items €3,507 million (+€2,260 million vly)
- Net debt €9,245 million and Total liquidity €11,624 million (-€1,140 million and -€2,375 million vly)
- Net Promoter Score (NPS) 16.6 (+0.9 vly)
- Carbon intensity 80.5 gCO₂/pkm (-3.6% vly)
- SAF use (tonnes CO₂ saved) 157,100 tonnes

Performance outcomes

Annual Incentive Plan

	Threshold	Target	Stretch
Financial (60%)			
Customer (20%)			
Carbon (10%)			
Strategic and personal (10%)			

Long-Term Incentive Plan

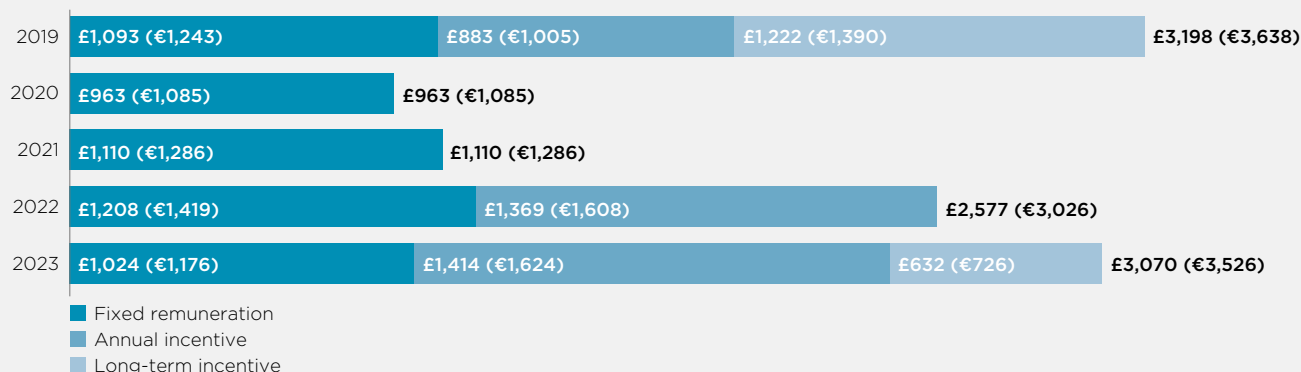
In 2021 the existing performance share plan was replaced with a Restricted Share Plan (RSP).

Awards vest after three years subject to the satisfaction of the discretionary performance underpin and are also subject to a holding period of two years post vesting.

The first restricted share award was made in June 2021 and is due to vest in June 2024.

82.9%	-	82.9%	The Committee undertook an assessment of the performance underpin attached to the restricted share awards made in 2021 and agreed that, based on this assessment, the conditions set out in the underpin had been satisfied. As a result it is expected that the award will vest in full in June 2024.
Formulaic outcome (% of maximum)	Committee judgement – no adjustments	Final outcome (% of maximum)	

IAG Chief Executive Officer remuneration history (£'000)



2020: current IAG CEO appointed in September 2020.

2023: the value shown for Long-term incentive represents the estimated value of the 2021 RSP award. The estimate is based on the award vesting in full in June 2024 and on a three-month average share price from 1 October 2023 to 31 December 2023.

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

UK Corporate Governance Code – Provision 40

How we have achieved alignment

Clarity

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

Simplicity

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

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

Risk

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

Predictability

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

Proportionality

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

Alignment to culture

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

Remuneration Report

Introduction

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

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

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

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

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

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

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

Annual Remuneration Report

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

The Remuneration Committee

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

Beyond executive directors, the Committee oversees the general application of the Remuneration Policy for the members of the IAG Management Committee (and considers remuneration matters related to other senior managers and the broader workforce across the Group).

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

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

Statement of voting

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

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

The Committee's activities during the year

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

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

Advisers to the Committee

The Committee appointed Deloitte as its external adviser in September 2016. Deloitte reports directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2023 were £111,574 (€128,154), charged on a time and materials basis. Deloitte is a member of the Remuneration Consultants Group and a signatory to the voluntary UK Code of Conduct. As well as advising the Remuneration Committee, other Deloitte teams provided advisory services to other parts of the Group in 2023. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent.

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

Single total figure of remuneration for the Executive Director

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

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

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

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

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

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

Base salary

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

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

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

Taxable benefits

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

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

Pension-related benefits

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

Annual Incentive Plan

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

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

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

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

Long-term incentive vesting

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

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

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

Share price appreciation and depreciation

There is no value attributable to share price appreciation.

The Committee has not exercised any discretion as a result of share price appreciation or depreciation for any of the remuneration in the above table.

Life insurance

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

Exchange rate for 2023

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


Variable pay outcomes**2023 Annual Incentive Plan**

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

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

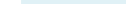
IAG CEO annual incentive plan – performance against targets

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

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

Description of performance


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

			16.0	24.0	30.0					
Customer	2023	NPS ¹	20%			16.57	22%	4.4%	£75	

Description of performance

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


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

				83.5	82.0	80.5				
Carbon	2023	gCO ₂ /pKkm	10%				80.5	100%	10%	£171

Description of performance

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

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

			Low (0% to 40%)	Good to high (45% to 65%)	Exceptional (70% to 100%)				
Strategic and personal objectives	As described in the table in the previous page	10%				Exceptional	85%	8.5%	£145

Description of performance

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

Total		100%						82.9%	£1,414
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Half of the overall outcome of the annual incentive detailed above is payable in deferred shares in the Company vesting after three years (under the Executive Share Plan).

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

2023 CEO performance annual incentive award outcome

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

IAG Restricted Share Plan (RSP) awards

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

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

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

2021 Restricted Share Plan (RSP) award vesting

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

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

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

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

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

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

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

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

Total pension entitlements

Luis Gallego is not a member of the Company's pension scheme and the Company, therefore, did not pay any contributions in his time as an executive director during the reporting period (1 January 2023 to 31 December 2023). He received cash in lieu of contributions of £106,600. This value is equivalent to 12.5% of base salary paid during the financial year and is comparable to the rate for the majority of the UK workforce.

Statement of directors' shareholding and share interests

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

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

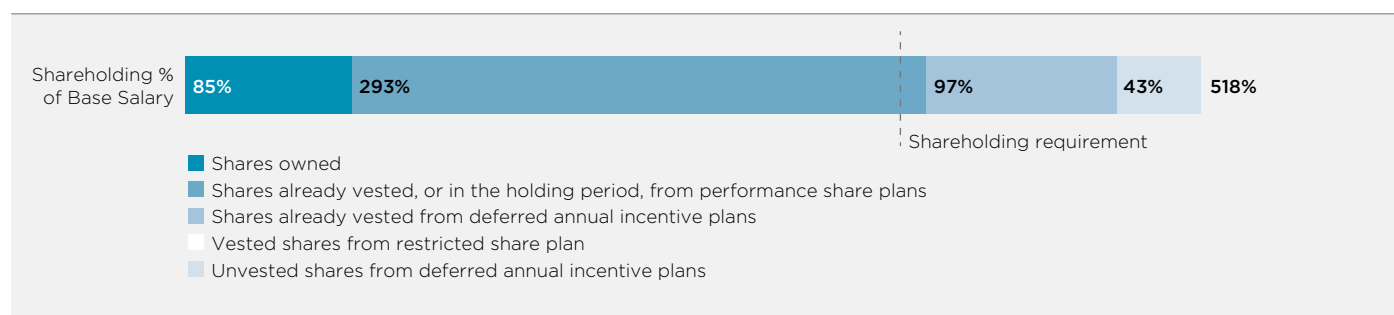
In addition, executive directors are required to retain all shares received via incentive plans until 100% of their shareholding requirement is attained.

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

CEO, Luis Gallego	Policy requirement	<div style="width: 350%;"></div>	3.5 times salary
	Actual	<div style="width: 518%;"></div>	5.18 times salary (1,475,751 shares)

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

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



Executive Director	Shareholding requirement	Shares owned	Shares already vested, or in the holding period, from performance share plans	Shares already vested from deferred annual incentive plans	Vested shares from restricted share plan	Unvested shares from deferred annual incentive plans	Total qualifying shares held ¹	Consequence of a +/- €0.5 share price change (€)
Luis Gallego	350% of salary	403,834	557,207	277,619	0	237,091	1,475,751 (518% of salary)	737,875

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

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

External non-executive directorship

The Company's consent is required before an executive director can accept an external non-executive appointment and permission is only given in appropriate circumstances. The current executive director has no external non-executive appointments.

IAG CEO remuneration history

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

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

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

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

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

The chart below shows the value by 31 December 2023 of a hypothetical £100 invested in IAG shares on listing compared with the value of £100 invested in the FTSE 100 index over the same period. The other points plotted are the values at intervening financial year ends. A spot share price has been taken on the date of listing, and a three-month average has been taken prior to the year ends.

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

