

**DOCUMENT IN RELATION TO THE AMENDMENTS TO THE BOARD OF DIRECTORS' REGULATIONS REPORTED TO THE SHAREHOLDERS' MEETING CALLED FOR JUNE 17, 2014, ON FIRST CALL, AND FOR JUNE 18, 2014, ON SECOND CALL**

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This document reflects the amendments to the Board of Directors Regulations of International Consolidated Airlines Group, S.A. (the “**Company**”) that have been made since the holding of the last Shareholders’ Meeting i.e. since September 26, 2013 and that are reported to the Shareholders’ Meeting of the Company called for June 17, 2014, on first call, and for June 18, 2014, on second call.

The articles of the Board of Directors Regulations that have been amended (pursuant to resolutions of the Board of Directors of November 7, 2013 and of December 19, 2013) are the following: Article 23.2 (*Audit and Compliance Committee*) and Article 24.1 (*Nominations Committee*).

This document also includes the restated text of the Board of Directors Regulations currently in force.

**1. APPROVED AMENDMENTS**

The text of each of the above-mentioned articles is reproduced here with track changes to show the amendments made:

**Article 23. Audit and Compliance Committee**

1. *The Audit and Compliance Committee shall be made up of no less than three (3) and no more than five (5) non-executive directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out its function. At least two (2) of the members of the Audit and Compliance Committee shall be independent directors. At least one (1) member shall have recent and relevant financial experience. The Board shall designate an Audit and Compliance Committee Chairman from among the independent directors of the Audit and Compliance Committee who must be replaced at least every four (4) years and may stand for re-election one (1) year after vacating office. The Company Secretary or his nominee shall act as secretary to the Audit and Compliance Committee.*
2. *Without prejudice to the other tasks assigned to it by applicable law, the Corporate Bylaws or the Board of Directors, the Audit and Compliance Committee shall have the following powers to report, advise and propose:*
  - a) *To inform the Shareholders’ Meeting on questions raised by shareholders regarding matters under its competence.*

- b) *To supervise the effectiveness of the internal control of the Company, the internal auditing, as the case may be, and the risk management systems, and to discuss with the auditors or audit firms any significant weaknesses in the internal control systems detected in the course of the audit.*
- c) *To supervise the process for the preparation and presentation of regulated financial information.*
- d) *To propose to the Board of Directors, for submission to the Shareholders' Meeting, the designation of the auditor or audit firms, as envisaged by applicable law, and, as the case may be, the terms of its engagement, its remuneration, the scope of its professional mandate and the revocation or renewal of its appointment. To oversee compliance with the audit agreement, ensuring that opinions concerning the annual accounts and principal content of the audit report are drafted in a clear and precise manner.*
- e) *To serve as a channel for communication between the Board of Directors and the auditors, to assess the results of each audit and the response by the management team to their recommendations, and to mediate in the event of disputes between the auditors and the management team in relation to the principles and methods used in preparing the annual accounts.*
- f) *To review the Company's accounts, monitor compliance with legal requirements and the correct application of generally accepted accounting principles. To review significant financial reporting judgements in the Company's accounts. To monitor the functioning of the internal financial control manuals and procedures adopted by the Company, to verify compliance with them and review the designation and replacement of the persons responsible for them.*
- g) *To assess the level of compliance with the Corporate Bylaws, these Board of Directors Regulations and the Internal Code of Conduct in matters relating to the securities market and, in general, with the Company's rules on governance and to make the necessary proposals for improvement. In particular, the Audit and Compliance Committee shall be responsible for receiving information and, as the case may be, issuing reports on the disciplinary measures to be applied to senior executives of the Company.*
- h) *To ensure the independence and efficiency of the internal audit function; to propose the selection, appointment, reappointment and removal of the head of the internal audit service; to propose the department's budget; to receive periodic information on its activities; and to check that senior management takes the conclusions and recommendations contained in its reports into account.*
- i) *To periodically review the internal control and risk management systems to ensure that the principal risks are adequately identified, managed and made known.*

- j) *To consider suggestions from the Audit and Compliance Committee Chairman, Board members, senior executives or shareholders and to report and make proposals to the Board of Directors on the measures it deems appropriate in the audit activity and any others assigned to it, as well as with regard to compliance with legislation on market reporting and transparency and accuracy of the same.*
- k) *To develop and implement a policy on the engagement of the external auditors to supply additional non-audit services pursuant to the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council.*
- l) *To establish the appropriate relationships with the auditors or audit firms in order to receive information on matters which may jeopardize the independence of the auditors, for its examination by the Audit and Compliance Committee, and on any other matters relating to the audit process, as well as any other communications provided for in the audit legislation and audit regulations. In all cases, written confirmation of their independence vis-à-vis the entity or entities directly or indirectly related thereto must be received annually from the auditors or audit firms, as well as information on the additional services of any kind provided to these entities by the aforementioned auditors or audit firms, or by persons or entities related to them pursuant to the provisions of Spanish Audit Law 19/1988, of July 12, 1988.*
- m) *To issue on annual basis, prior to the issue of the auditor's report, a report expressing an opinion on the independence of the auditors or audit firms. This report must also give an opinion regarding the provision of the additional services referred to in the preceding paragraph.*
- n) *To report on related transactions or transactions that entail or may entail a conflict of interest.*
- o) *To review the effectiveness of the external audit process.*
- p) *To review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit and Compliance Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.*
- q) *To report to the Board of Directors, prior to the adoption by it of the corresponding decision, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the Group.*
- r) *To report to the Board on the steps taken by management to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and*

*understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.*

*The function of the Audit and Compliance Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements.*

- 3. The Audit and Compliance Committee shall meet whenever convened by its Chairman, at his own initiative, or at the request of two (2) or more of its members and at least once every three (3) months and, in all cases, where the Board requests the issue of reports, the presentation of proposals or the adoption of resolutions within the scope of its functions.*
- 4. The Chairman of the Audit and Compliance Committee shall have the power to call Audit and Compliance Committee meetings and to establish the agenda. The Audit and Compliance Committee shall be validly convened without prior call when all of its members are present and unanimously agree to hold a meeting. The call notice for ordinary meetings shall include the agenda, shall be served in writing at least seventy-two (72) hours in advance of the meeting and shall be authorised by the signature of the Chairman of the Audit and Compliance Committee or the Company Secretary or whomsoever acts as such. Extraordinary meetings may be called by telephone and the above requirements shall not apply where the Chairman of the Audit and Compliance Committee deems that the circumstances justify it.*
- 5. The Audit and Compliance Committee shall be validly convened where more than half of its members are present, in person or by proxy, and decisions shall be adopted by an absolute majority of the members present, in person or by proxy.*

#### **Article 24. Nominations Committee**

- 1. The Nominations Committee shall be made up of no less than three (3) and no more than five (5) non-executive directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out its function. At least two (2) of the members of the Nominations Committee shall be independent directors. The Board shall designate a Nominations Committee Chairman from among the ~~independent~~ directors of the Nominations Committee. The Company Secretary or his or her nominee shall act as secretary to the Nominations Committee.*
- 2. Without prejudice to the other tasks assigned to it by applicable law or the Board of Directors, the Nominations Committee shall have the following duties to report, advise and propose:
  - a) To report on and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, defining the necessary functions and skills and evaluating the time and dedication required to correctly perform its remit.**

- b) *To submit to the Board of Directors the proposed appointments of independent Board members for their designation by cooption or, as the case may be, to submit the decision to the Shareholders' Meeting, as well as proposals for the re-appointment or removal of such Board members by the Shareholders' Meeting.*
  - c) *To report on the proposals of the Board of Directors for the appointment of the remaining Board members for their designation by cooption or, as the case may be, to submit the decision to the Shareholders' Meeting, as well as proposals for the re-appointment or removal of such Board members by the Shareholders' Meeting.*
  - d) *To report on the proposed designation or removal from offices on the Board of Directors (including the Secretary and the Deputy Secretary) and propose to the Board of Directors the members that are to form each of the Board Committees.*
  - e) *To put in place plans for the succession of Board members, in particular, the succession of the Chairman and the Chief Executive.*
  - f) *To oversee and establish guidelines relating to the appointment, recruitment, career, promotion and dismissal of senior executives in order to ensure that the Company has the highly-skilled personnel required for its management.*
  - g) *To report to the Board of Directors on the appointment and/or removal of the senior executives of the Company.*
  - h) *To ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.*
  - i) *To identify Board members qualified to fill vacancies on any committee of the Board (including the Nominations Committee).*
  - j) *Any other powers attributed to it by the Corporate Bylaws, these Board of Directors Regulations or the Board of Directors itself.*
3. *In identifying suitable candidates, the Nominations Committee shall use open advertising or the services of external advisers to facilitate the search, consider candidates from a wide range of backgrounds, and consider candidates on merit and against objective criteria, taking care that appointees have sufficient time available to devote to the position.*
4. *The Nominations Committee shall meet whenever convened by its Chairman, at his own initiative, or at the request of two (2) or more of its members and at least once every year and, in all cases, where the Board requests the issue of reports, the presentation of proposals or the adoption of resolutions within the scope of its functions.*

5. *The provisions of sub-Articles 23.4 and 23.5 in relation to the Audit and Compliance Committee shall apply, mutatis mutandis, to the Nominations Committee.*

2. **RESTATED TEXT**

There follows a transcription of the restated text of the Regulations of the Board of Directors currently in force in which the above amendments are included.

**Restated text of the Board of Directors Regulations currently in force**

**BOARD OF DIRECTORS REGULATIONS OF INTERNATIONAL  
CONSOLIDATED AIRLINES GROUP, S.A.**

**TITLE I  
GENERAL PROVISIONS**

**Article 1. Purpose and scope. Dissemination**

1. The purpose of these Board of Directors Regulations is to lay down the principles that are to govern all action taken by the Board of Directors of INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. (the “**Company**”), the basic rules for the organisation and operation thereof, and the rules of behaviour to be observed by its members, in order to achieve the greatest degree of transparency, effectiveness and dynamism, supervision and control of its management duties and representation of the Company’s interests.

The capitalized terms used but not defined herein shall have the same meaning as ascribed to them in the Bylaws of the Company (the “**Corporate Bylaws**”).

2. The directors and, as appropriate, senior officers of the Company shall be obliged to be acquainted with the provisions hereof and to enforce and comply with the contents hereof.
3. The directors shall take such steps as may from time to time be necessary to ensure that the provisions hereof are made known to the shareholders and investors of the Company.
4. These Board of Directors Regulations shall take effect as of the date of its adoption by the Board of Directors.
5. These Board of Directors Regulations shall be communicated to the Spanish National Securities Market Commission and registered with the Spanish Mercantile Registry pursuant to applicable rules and regulations. The current text of these Board of Directors Regulations shall also be made available on the website of the Company.

**Article 2. Interpretation and amendment**

1. These Board of Directors Regulations shall be construed in accordance with the statutory and regulatory provisions to which the Company may be subject at any time and the Corporate Bylaws. Any doubts which may arise in connection with the interpretation of these Board of Directors Regulations shall be settled by the Board of Directors which shall propose such amendments, if any, as it deems appropriate.
2. When necessary or convenient and based on a report issued by the Audit and Compliance Committee, the Board of Directors shall also modify these Board of

Directors Regulations so that they are adapted to any amendment or to the Company interests.

## **TITLE II MISSION OF THE BOARD OF DIRECTORS**

### **Article 3. Powers of the Board of Directors**

1. The Board of Directors has the power to adopt resolutions regarding all matters not assigned by the Corporate Bylaws or the applicable law to the shareholders.
2. As a general rule, the Board of Directors, which has the widest powers and authority to manage, direct, administer and represent the Company, shall entrust the day-to-day management of the Company to its representative decision-making bodies and shall focus its activity on the general duty of supervision and on consideration of those matters which are of particular importance to the Company.
3. Those powers reserved by applicable law, the Corporate Bylaws or these Board Regulations for direct exercise by the Board of Directors may not be delegated.
4. Without prejudice to Article 2 of these Board Regulations or to the legal powers, if any, of delegation and proxy-granting for the implementation of any particular resolutions adopted, the Board of Directors shall directly exercise the following powers, acting upon its own initiative or at the proposal of the corresponding internal decision-making body:
  - a) Preparation of the Company's annual accounts, management report and proposed allocation of profit/loss, as well as the consolidated annual accounts, management report and the financial information which, due to its status as a listed company, the Company is periodically required to disclose.
  - b) Appointment of Board members by co-option and submission of proposals to the Shareholders' Meeting for the appointment, ratification, re-election or removal of Board members following the requirements described in Article 13.3 below.
  - c) Appointment and removal of the secretary of the Board of Directors of the Company (the "**Company Secretary**").
  - d) Designation and renewal of internal offices on the Board of Directors and of the members and offices of the Board Committees.
  - e) Establishment, pursuant to the Corporate Bylaws, of the remuneration policy and remuneration of Board members.

- f) Decisions concerning the appointment and removal of the Company's senior executives, as well as establishment of any indemnification in the event of their removal and the basic terms of their contracts.
- g) Determination of the policy on dividends and submission of proposed resolutions to the Shareholders' Meeting concerning the allocation of profit/loss, as well as decisions regarding interim dividends.
- h) Submission of proposals to the Shareholders' Meeting regarding any amendments to the Corporate Bylaws or the Shareholders' Meeting Regulations.
- i) Approval and amendment of these Board of Directors Regulations in accordance with Article 2.2 above.
- j) Preparation of the annual corporate governance report, which forms part of the Company's annual report.
- k) Calls to the Shareholders' Meeting and preparation of proposed resolutions, including the proposed appointment of the auditor of the Company and its Group.
- l) Implementation of the resolutions approved by the Shareholders' Meeting and exercise of any functions entrusted to it by the Shareholders' Meeting.
- m) Definition of the structure of the general powers of the Company to be granted by the Board of Directors or by its delegate governing bodies.
- n) Approval of the strategy and general policy lines of the Company and its Group, preparation of the programs and establishment of objectives for the performance of the corporate purpose, as well as promotion and supervision of Company management and compliance with the established objectives. In particular, approval of: (i) the annual budget and business plan; (ii) financing policy and structure; (iii) risk management and control policy and periodic monitoring of internal information and control systems; (iv) corporate social responsibility policy.
- o) Approval of contractual or quasi-contractual commitments entered into by any member of the Group of more than five (5) years in duration with an aggregate value, expenditure or potential liability exceeding €20 million except where a specific delegation has been given by the Board.
- p) Approval of any asset acquisition, including option exercise and leases by capital value or investment by the Company or any other member of the Group of a value of more than €20 million and operating leases with an aggregate rental exceeding €20 million.
- q) Approval of any disposal of assets including leases by capital value by any member of the Group where the greater of book value or gross sales proceeds

exceeds €20 million, or disposal of assets including leases by capital value by any member of the Group where, as a result of any disposal the Group would be forced to consider a write-off to the profit and loss account in excess of €20 million.

- r) Approval of any disposal of slots at Heathrow Airport or Madrid Barajas Airport which have the benefit of grandfather rights.
- s) Approval of capital expenditure projects costing any member of the Group more than €20 million and the delegation of authority to approve capital expenditure projects of €20 million or below. In addition, the Board of Directors shall approve any further capital expenditure in relation to any project previously approved where it is anticipated that the capital expenditure in relation to such project will exceed 25% of the expenditure so approved by the Board of Directors or, if less, by €10 million.
- t) Approval of any termination, replacement or significant changes to the treasury governance policy of the Group or the Company, including the maximum limits for foreign currency transactions involving forward purchase of currencies.
- u) Approval of (i) any banking arrangements for the Group, bank borrowing or other loan facilities exceeding €20 million, (ii) any loan other than to a member of the Group, (iii) open ended funding commitments for any purpose, and (iv) uncapped guarantees other than in relation to obligations of members of the Group and any guarantee of the obligations of any entity or person (other than a member of the Group) where the aggregate liability of the Group may exceed €20 million.
- v) Approval of any recommendation to the Shareholders' Meeting of a change to the Company's auditors.
- w) Approval to initiate or settle any litigation where the value in question or risk to the Company exceeds or may exceed €20 million except, in the case of settlement, where the risk is insured or, in case of urgency, in which case approval may be sought from the Chairman together with the Chief Executive or the Chief Financial Officer.
- x) Approval of any equity investment or divestment other than pursuant to an arrangement already approved by the Board of Directors or an appropriate committee of the Board of Directors, if applicable.
- y) Approval of the formation and disposal of companies forming part of the Group.
- z) Establishment or dissolution of joint ventures and/or consortium companies including fuel consortia or e-ventures.

- aa) Approval of the introduction or termination of major alliance partnership or the introduction or termination or material variation of any significant revenue or profit sharing arrangement including intra-group.
  - bb) Approval of any new franchisee or code-share partner or material extension to the scope of any such relationship.
  - cc) Approval of the introduction of and any major changes to any employee share schemes affecting any member of the Group.
  - dd) Approval of the allocation of shares in a member of the Group for the purposes of a long term incentive plan or share option plan in relation to such member (unless already approved by the Remuneration Committee) to the extent legally possible.
  - ee) Approval of any political donations and the Company's policy on charitable donations.
  - ff) Approval of the appointment of individuals to, or the removal of individuals from, the boards of the principal subsidiaries and/or investee companies of the Group (as determined by the Board from time to time) and the appointment of their Chairmen and Chief Executives.
  - gg) Definition of the policy regarding information given to shareholders and to the markets in general.
  - hh) Decisions on any matters which, falling within its competencies, are considered in the opinion of the Board of Directors to be in the Company's interests or which are reserved pursuant to these Board of Directors Regulations to the plenary session of the Board of Directors.
5. The Board of Directors has the power to represent the Company, in and out of court. This representative authority shall extend to all acts falling within the corporate purpose established in the Corporate Bylaws.
  6. The directors' action shall at all times be guided by the short and long-term maximisation of the Company's worth, as an interest common to all shareholders, by supervising the corporate activity and ensuring the Company's future feasibility and competitiveness.

### **TITLE III COMPOSITION OF THE BOARD OF DIRECTORS**

#### **Article 4. Composition of the Board of Directors**

1. The Board of Directors shall be composed of a minimum of nine (9) directors and a maximum of fourteen (14) directors, who shall be appointed or ratified at the Shareholders' Meeting, subject to applicable legal and Corporate Bylaw provisions.

2. Board members shall be appointed or ratified by the Shareholders' Meeting subject to the legal provisions in force. The Shareholders' Meeting shall be responsible for determining the number of Board members, for which purpose it may establish such number by way of an express resolution or indirectly by way of the provision or otherwise of vacancies or the appointment or otherwise of new Board members within the minimum and maximum numbers stipulated.

#### **TITLE IV STRUCTURE OF THE BOARD OF DIRECTORS**

##### **Article 5. Chairman and Deputy Chairman**

1. The Chairman of the Board of Directors shall be deemed the Chairman of the Company (the "**Chairman**").
2. The office of Chairman, who is the ultimate representative of the Company, shall be deemed fundamental in order to reach, maintain and promote the efficient performance by the Board of Directors and its members of their tasks and responsibilities, and to ensure that the necessary conditions to do so exist, the Chairman being responsible for leading the Board of Directors and playing a key role in the development of the Company's strategy (whilst respecting executive responsibility). In addition to the powers corresponding to him pursuant to the Corporate Bylaws, the Shareholders' Meeting Regulations, these Board of Directors Regulations and applicable law, the Chairman shall exercise the following powers:
  - a) To call and chair meetings of the Board of Directors in the manner established in the Corporate Bylaws and these Board of Directors Regulations, establishing the meeting agenda and directing discussions and deliberations.
  - b) To chair Shareholders' Meetings and direct the discussions and deliberations of same.
  - c) To submit to the Board of Directors the proposals that he deems appropriate for the sound running of the Company and, in particular, proposals corresponding to the functioning of the Board of Directors and other corporate bodies, and to propose the designation of the offices on the Board of Directors.
  - d) To run the Board of Directors and to set its agenda, taking full account of the issues and the concerns of all Board members.
  - e) To ensure that the members of the Board receive accurate, timely and clear information, in particular about the Company's performance, its strategy, challenges and opportunities in order to enable the Board of Directors to take sound decisions and monitor effectively the Company's performance.

- f) To ensure effective communication with shareholders and ensure that the members of the Board and Company executives understand and address the concerns of investors.
  - g) To ensure that the Board allocates sufficient and adequate time for the discussion of complex, sensitive or contentious issues, arranging, where appropriate, informal meetings beforehand with Board members, executives and advisers to enable thorough preparation for Board meetings and discussions.
  - h) To lead an induction program for new Board members that is comprehensive and tailored.
  - i) To identify and address the development needs of individual Board members and the development needs of the Board of Directors as a whole, with a view to enhancing its overall effectiveness as a team.
  - j) To ensure that the performance of individual Board members, the Board as a whole and Board Committees is evaluated at least once a year.
  - k) To encourage the active commitment by all members of the Board of Directors to the responsible, diligent and loyal performance of their functions.
  - l) To lead Board discussions with a view to encouraging effective decision-making and a constructive debate on the performance of the Company, its growth strategy and commercial objectives.
  - m) To offer support and advice to the Chief Executive in relation to the strategy and operations of the Company, including in preparation for any Board discussion regarding matters of Company strategy.
  - n) To monitor the correct implementation of the decisions adopted by the Board of Directors.
  - o) Where appropriate, to act as the top representative of the Company before public agencies and external bodies.
  - p) To approve the corporate communications strategy for the Company.
  - q) In general, to promote the highest standards of corporate governance and ensure compliance by the Board of Directors.
3. The directors may appoint a Deputy Chairman, subject to a report being issued by the Nominations Committee.
4. The Chairman shall be replaced in his functions as chairman of the Board of Directors pursuant to applicable law, in the event of absence, illness or inability by the Deputy Chairman, if any. Where there is no Deputy Chairman, the Chairman shall be replaced in his functions as chairman of the Board of Directors pursuant to applicable law, with

the longest-serving Board member or, where two or more Board members have served for the same length of time, the eldest of them.

#### **Article 6. Chief Executive**

1. The Board of Directors shall designate a Chief Executive from among its members to whom it shall delegate some or all of its functions, save for those that cannot be delegated pursuant to these Board of Directors Regulations, the Corporate Bylaws or the applicable law.
2. In order for the permanent delegation of powers of the Board of Directors to the Chief Executive and the designation of the Board member who is to hold such office to be valid, the affirmative vote of at least two-thirds (2/3) of the total number of Board members shall be required and such delegation shall not be effective until its registration at the Spanish Mercantile Registry.
3. The Chief Executive is the Company's top executive and, as such, shall take overall responsibility for the supervision and safe conduct of the Company's business and profitable operation in accordance with the policies, strategies and objectives established by the Board of Directors. In doing so, the Chief Executive must:
  - a) Report to and be responsible and accountable to the Board of Directors for the management and profitable operation of the Company.
  - b) Head the Company's management team, formulating clear business and financial strategies and policies, within the guidelines established by the Board of Directors, to promote growth, improve profitability and increase the value of the Company.
  - c) Oversee the preparation of operational and commercial plans that ensure the highest standards of operational safety and security and which underpin the business policies and strategies of the Company.
  - d) Develop an effective management strategy and put in place effective controls to ensure that proper business, financial safety and security practices exist which enable the Company to remain competent to secure the safe operation of the fleet.
  - e) Formulate clear environmental and social responsibility policies, develop an effective management strategy and put in place effective controls to ensure that the Company is aware of and discharges its social and environmental responsibilities.
  - f) Adopt the necessary measures in order to achieve the objectives, strategies and policies of the Company.
  - g) Co-ordinate the activities of all elements of the business so that together they achieve the corporate objectives.

- h) Report regularly to the Board of Directors on the running of the business so that the Board of Directors can measure performance against the policies, strategies and objectives established by the Board of Directors.
- i) Keep the Chairman informed on all matters of importance concerning the running of the Company and to consult with the Chairman in advance of each Board meeting regarding matters of Company strategy which are to be discussed at such Board meeting.
- j) Respond effectively to Board requests for assistance in matters relating to the Company's business
- k) Recommend and seek approval of the Remuneration Committee of the Board for executive management remuneration and incentive programmes.
- l) Provide leadership advice and counsel to senior managers and supervise development programmes so as to achieve a superior performing Company.
- m) Where appropriate, to act as the senior executive representative of the Company before public agencies and external bodies.
- n) To formulate the corporate communications strategy for the Company.

**Article 7. The Company Secretary. Duties and appointment**

1. The directors shall at the proposal of the Chairman, appoint a Company Secretary who may or may not be a director. The functions assigned to the Company Secretary shall be as follows in addition to the functions assigned to him under the provisions of applicable law and the Corporate Bylaws:
  - a) Keep custody of the corporate documents, duly record the proceedings of meetings in the minute books, and attest to the resolutions adopted by the collective management decision-making bodies.
  - b) Ensure the formal and substantive legality of all action taken by the Board of Directors and its representative decision-making bodies as well as compliance with regulations and Corporate Bylaws' provisions, and ensure observance of the principles or standards of corporate governance of the Company and the provisions of these Board of Directors Regulations.
  - c) Verify compliance with orders of regulatory entities, and that the recommendations thereof, if any, are taken into consideration.
  - d) Generally act as a channel in relations between the Company and the directors in connection with all matters relating to the operation of the Board of Directors, in compliance with the Chairman's instructions.

- e) Process all requests from the directors regarding the information and documentation of those matters that fall within the purview of the Board of Directors.
  - f) Act as Secretary for the Shareholders' Meeting.
2. Without prejudice to the Company Secretary's reporting to and assisting the Chairman of the Board, the Company Secretary shall act in an independent manner in the professional performance of the duties provided by the applicable law, the Corporate Bylaws and these Board of Directors Regulations.
  3. The Company Secretary or the deputy secretary of the Board of Directors (the "**Company Deputy Secretary**"), if any, may also serve as General Secretary of the Company, if so resolved by the Board of Directors, in which latter capacity the Company Secretary or Company Deputy Secretary shall be accountable to the Chief Executive and shall contribute to the integration, coordination and consolidation between the Company and the companies forming part of the Group.

#### **Article 8. The Company Deputy Secretary**

The directors may appoint a Company Deputy Secretary who shall not necessarily be a director. Such Company Deputy Secretary shall assist the Company Secretary to perform his duties or replace the Company Secretary in the event that he is absent. Unless otherwise decided by the directors, the Company Deputy Secretary may attend the meetings of the Board of Directors and assist the Company Secretary in drawing up the minutes of such meetings.

### **TITLE V FUNCTIONING OF THE BOARD OF DIRECTORS**

#### **Article 9. Meetings of the Board of Directors**

1. The Board of Directors shall meet as often as is deemed appropriate but at least, eight (8) times per year, unless the Chairman, freely and in his opinion, sees fit to suspend any of the sessions.
2. Prior to the commencement of each fiscal year, the Board of Directors shall set a schedule for its ordinary meetings. Such schedule may be modified by a resolution adopted by the Board of Directors or upon a decision made by the Chairman, who shall report the modification to the directors not less than five (5) days in advance of the date originally set for the meeting or of the new date set in lieu thereof, if the latter date occurs earlier.
3. The Board of Directors shall also meet when the Chairman resolves to call an extraordinary meeting thereof or when such extraordinary meeting is requested by, at least, four (4) Board members. In the latter case, the meeting shall be held within ten (10) days of the request.

4. Calls to Board meetings shall be made by letter, fax, e-mail or any other means and shall be authorised with the signature of the Chairman, or of the Company Secretary or Company Deputy Secretary, on the orders of the Chairman. Call notices shall be sent sufficiently in advance to ensure that Board members receive them no later than seven (7) days before the date of the meeting, except in the case of meetings deemed urgent by the Chairman (or by the Deputy Chairman, in the event of absence, illness or inability of the Chairman). This notice period shall not apply to cases in which these Board of Directors Regulations require a specific call period. The call notice shall always include, save for justified cause, the meeting agenda and shall be accompanied, as the case may be, with the information deemed necessary. Any director may submit a request to the Chairman of the Board of Directors for the inclusion of matters in the agenda and the latter shall be required to include them when such request has been made not less than three days in advance of the date set for the meeting.
5. Without prejudice to the foregoing, extraordinary meetings of the Board of Directors may be called when the Chairman (or, in the event of absence, illness or inability of the Chairman, the Deputy Chairman) deems it justified in the circumstances, by telephone, fax, email or any other means, in which case the requirements and formalities for a call to meeting mentioned in the foregoing paragraphs of this Article shall not apply.
6. Notwithstanding the foregoing, the Board of Directors shall be deemed validly convened without the need for a call if all Board members present, in person or by proxy, unanimously agree to hold a meeting on consent and accept the items on the agenda.
7. Board meetings shall be held at the registered office or the venue, in Spain or abroad, stipulated in the call notice.
8. Directors may attend Board meetings via telephone multi-conference, videoconference or any other analogous system provided that such systems permit the recognition and identification of the attendees, permanent communication between the attendees regardless of their location, and real-time participation and voting.
9. If no Board member objects, votes may be cast in writing without holding a meeting. In this case, Board members may send their votes and comments they wish to have recorded in the minutes to the Chairman (or to the Company Secretary or Company Deputy Secretary acting on his behalf) using the same means mentioned in sub-Article 9.4 above. A record will be kept of resolutions adopted following this procedure in the minutes drawn up in accordance with applicable law.
10. Technical experts, whether the Company's own in-house experts or external, may attend Board meetings as invitees in order to provide assistance to the directors when so deemed necessary by the Chairman.

#### **Article 10. Quorum at meetings and representation**

1. The directors shall meet formally as a body and validly transact business at a meeting if more than half of the Board members are present, in person or by proxy. Notwithstanding the foregoing, the Board of Directors shall be deemed validly convened without the need for a call if all Board members are present, in person or by proxy, and unanimously agree to hold a meeting on consent and accept the items on the agenda. In the event of an odd number of directors, it shall be understood that there is a sufficient quorum if the number of directors present at the meeting is the whole number immediately above one half (1/2).
2. The directors shall make every effort to attend the Board meetings. Notwithstanding the above, all Board members may cast their vote through and grant a proxy to another Board member. Proxies must be granted in writing, addressed to the Chairman or to the Company Secretary and must be granted specifically for each meeting. For such purposes, a message addressed to the Chairman or the Company Secretary by letter, fax, telegram, e-mail shall be valid.

No Board member may hold more than three (3) proxies, with the exception of the Chairman, who shall not be subject to such limit but may not represent the majority of the Board. The Board member granting the proxy shall endeavour, where possible, to include voting instructions in the proxy letter.

3. By way of a decision by the Chairman or the Board of Directors, the general managers, managers of the Company as well as technical experts or any other persons that the Chairman or the Board of Directors determine may attend Board meetings.

#### **Article 11. Deliberation and adoption of resolutions**

1. The Chairman shall organize the debate, encouraging the participation of all Board members in the deliberations.
2. Resolutions shall be adopted by an absolute majority (i.e., more than half) of the votes present, in person or by proxy, except where they refer to the permanent delegation of powers and the designation of the Board members that are to exercise such powers, in which case the affirmative vote of at least two-thirds (2/3) of the total number of Board members shall be required. Cases in which the Corporate Bylaws, these Board of Directors Regulations or the applicable law provide for a greater majority are excluded from the provisions of this sub-Article.

#### **Article 12. Formalization of resolutions**

1. The resolutions of the Board of Directors shall be recorded in minutes, which shall be drawn up in, or transcribed into, the relevant minutes book, stating the circumstances provided for by legislation in force.
2. The minutes shall be approved by the Board of Directors itself, at the end of the meeting or at the next meeting. Resolutions shall also be deemed approved where no

Board member raises any objections within five (5) days of receipt of the draft minutes. The Board may empower the Chairman and a Board member, acting jointly, to approve the minutes of the meeting.

3. Once approved, the minutes shall be signed by the Secretary of the meeting and countersigned by the party acting as meeting Chairman.
4. Any certificates, in whole or in part, necessary to substantiate the Board of Directors resolutions shall be issued and signed by the Company Secretary or Deputy Company Secretary, with the countersignature of the Chairman or, as the case may be, the Deputy Chairman.

### **Article 13. Appointment of directors**

1. The Shareholders' Meeting or if, applicable, the Company's Board of Directors itself shall be entitled to designate the members of the Board of Directors pursuant to the provisions of the Spanish Companies Law and the Corporate Bylaws.
2. Any proposals for the appointment of any directors put by the Board of Directors to a Shareholders' Meeting for consideration and any decisions adopted by the Board of Directors in respect of any such nominations under the powers of co-optation legally vested in it, shall go to such persons as shall satisfy the legal and statutory conditions required to hold office as a director, enjoy a high prestige and have professional knowledge, experience and skills appropriate to the exercise of the functions and duties of such an office.
3. The proposal for the appointment or renewal of directors which the Board of Directors submits to the Shareholders' Meeting, as well as provisional appointments by the method of cooption, must be approved by the Board of Directors following a recommendation by the Nominations Committee and, in any event, (i) on the proposal of the Nominations Committee, in the case of independent Board of Directors members, and (ii) subject to a report from the Nominations Committee in all other cases.

### **Article 14. Term of office and co-optation**

1. Board members shall hold office for the period set forth in the Corporate Bylaws unless the Shareholders' Meeting resolves on their removal from office or dismissal or they stand down from office. In particular, Board members must tender their resignation from office and formalise their resignation from the Company when they are subject, on a supervening basis, to any of the grounds for incompatibility, unsuitability or disqualification from holding office as a Board member provided for in applicable law, the Corporate Bylaws, or these Board of Directors Regulations.
2. Once a director's term of office has expired, his appointment as a director shall end when, following such expiry, the next Shareholders' Meeting has been held or the

legal term to hold the Shareholders' Meeting to approve the accounts of the Company for the previous year has expired.

3. Any vacancies may be covered by the Board of Directors by means of cooption, pursuant to applicable law, on an interim basis until the next Shareholders' Meeting is held, which shall confirm the appointments, appoint the persons that are to replace any Board members not ratified, or eliminate any vacant positions.
4. The directors affected by proposals for appointment or re-election to or dismissal from office shall abstain from participating in the debate and voting on such matters.

#### **Article 15. Re-election of directors**

1. At the end of their appointment's term, Board members may be re-elected one or more times for periods of equal duration to that indicated in Article 14.1 above.
2. The proposals for re-election of directors that the Board of Directors resolves to submit to the decision of the shareholders at the Shareholders' Meeting shall be subject to a formal process of preparation, which shall include a proposal issued by the Nominations Committee containing an analysis of the quality of the work performed and the dedication to the position shown by the proposed directors during the preceding term of office.
3. The directors sitting on the Nominations Committee shall be evaluated by the Nominations Committee itself for such purpose, and each of them shall abstain from participating in the debate and voting that may affect them.
4. The Chairman, Deputy Chairman and, if applicable, the Company Secretary and Company Deputy Secretary who are re-elected as members of the Board by the shareholders acting at a Shareholders' Meeting shall continue to perform the duties that they previously held within the Board, without the need for a new election and without prejudice to the Board of Directors' power of revocation with respect to such positions.

#### **Article 16. Resignation and dismissal of directors**

1. The directors shall cease to hold office upon the expiration of the term of office for which they have been appointed when it is so resolved by the shareholders at a Shareholders' Meeting in the exercise of the powers granted to them by applicable law, the Corporate Bylaws and these Board of Directors Regulations.
2. A director shall tender his resignation to the Board of Directors and formally resign from his position in the following cases:
  - a) When he ceases to hold the executive positions to which his appointment as director is linked, or when the reasons for which he was appointed no longer exist;

- b) When he shall become prohibited by law from acting as a director;
  - c) If requested to do so by the Board of Directors as a result of a determination having been made under Article 11.7 of the Corporate Bylaws to the extent that such determination is due to the fact that such director is a Board member;
  - d) When his remaining on the Board might affect the Company's credit or reputation in the market or otherwise jeopardizes its interests, or
  - e) Pursuant to the Sole Transitional Provision of these Board of Directors Regulations.
3. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board of Directors. Irrespective of whether such resignation is filed as a significant event, the reasons for the same must be explained in the annual corporate governance report.

**Article 17. Directors' duties: general provisions**

- 1. In the performance of his duties, a director shall act in good faith and shall comply with the duties prescribed by applicable law, the Corporate Bylaws, and these Board of Directors Regulations, acting in furtherance of the corporate interests of the Company.
- 2. The Board of Directors shall perform its duties in furtherance at all times of the corporate interest of the Company.

In the performance of its duties, the Board of Directors will seek the corporate interest and will act with a unity of purpose and independent judgment, affording equal treatment to all shareholders, which shall not prevent consideration of other lawful public or private interests that converge in the development of any business activity, particularly those of the employees, among other stakeholders. In this context, regard shall be paid to the obligation of the directors set forth in Article 3.6 above.

- 3. Without prejudice to such other duties as may be set forth in these Board of Directors Regulations, a director is specifically required to:
  - a) Properly prepare for the meetings of the Board and, if applicable, the meetings of the Board Committees of which the director is a member, for which purposes the director must diligently inform himself of the running of the Company and the matters to be discussed at such meetings.
  - b) Attend the meetings of the decision-making bodies and Board Committees of which the director is a member and actively participate in the deliberations in order that the director's opinion may be an effective contribution to decision-making. In the event that, due to well-founded reasons, a director is unable to

attend a meeting of which notice has been given, that director shall give instructions to the director who is to represent him.

- c) Fulfil any specific obligation which is entrusted to the director by the Board of Directors, by the Chairman or by the Chief Executive, if any, and which reasonably falls within the director's scope of dedication.
  - d) Inquire into and give notice to the Board of Directors of any irregularities in the management of the Company of which the director may have had notice, and monitor any situation of risk.
  - e) Propose a call to an extraordinary meeting of the Board of Directors or the inclusion of new matters in the agenda of the next meeting to be held, so that deliberations may be conducted on such issues as the director deems advisable.
  - f) Oppose resolutions which are contrary to applicable law, the Corporate Bylaws, these Board of Directors Regulations or the Company's corporate interests, request that such opposition be recorded in the minutes, and seek the challenge or invalidation, if applicable, of such resolutions. Independent directors and other directors who are not affected by a potential conflict of interest shall ensure that the Company's interests prevail in such situations, provided that this does not result in any unlawful damage to any shareholder or third party affected thereby.
4. The Company Secretary, and the Company Deputy Secretary, if any, shall have the duties entrusted to directors in these Board of Directors Regulations which, because of their nature, are applicable thereto.

#### **Article 18. Duties of the directors: Specific Regulations**

##### **1. Duty of confidentiality**

Directors shall at all times keep secret any confidential information available to them in the performance of their duties as directors.

##### **2. Duty of non-competition**

- a) A director may not provide any professional services to any companies whatsoever having an object similar to the Company's object or being competitors of the Group. Additionally, without any such particularities, a director shall consult with the Nominations Committee prior to accepting any directorship or managerial position whatsoever in any other company or entity that may give rise to a conflict of interest or have an effect upon his dedication. Any posts or positions that may be occupied or held in the companies of the Group and such other offices as may from time to time be deemed by Board of Directors upon the appropriate report of the Nominations Committee, not to jeopardise the Company's interests, shall be excepted.

- b) A director may not carry out any professional or business transaction with the Company unless he shall advise the Company in advance and the Board shall authorise any such a transaction upon the favourable report of the Nominations Committee.

### **3. Conflicts of interest and duty of information**

- a) Directors shall refrain from attending any meetings and/or taking part in any discussions concerning any matters whatsoever in which they shall be directly or indirectly interested in a personal manner. Specifically, any directors concerned with proposals for appointment, re-election or dismissal shall refrain from taking part in the discussions and votes in respect of such matters.
- b) Directors shall not use the name of the Company or invoke their status as directors of the Company for the execution of transactions for their own account or for that of their related persons (as defined in the Spanish Companies Law).
- c) Directors may not carry out, for their benefit or for that of their related persons, investments or any operations involving Company property that they have learned of in connection with the performance of their duties, if the investments or transactions had been offered to the Company or if the Company was interested therein, unless the Company has rejected the investment or transaction uninfluenced by the director.
- d) Directors must disclose to the Board of Directors any situation of direct or indirect conflict that they may have with the interests of the Company. In the event of conflict, the affected directors must abstain from participating in the transaction referred to by the conflict.
- e) In all events, situations of conflicts of interest of the Company directors will be disclosed in the annual corporate governance report.
- f) A director shall disclose to the Company his participation in or any interest that a director may hold in the capital of any company pursuing a business that is the same as or similar or complementary to the business performed by the Group, as well as any offices held or duties performed therein and the conduct, for the director's own account or for the account of a third party, of any kind of business that is complementary to the business performed by the Group. Such information shall be included in the notes to the annual financial statements and in the annual corporate governance report, in compliance with legal requirements.

A director shall also disclose to the Company:

- (i) All positions that the director holds in and services the director provides to other companies or entities, as well as his other professional commitments. In particular, before accepting office as director or manager in another company or entity (except for the positions the director is called upon to

hold at companies belonging to the Group or at other companies in which he represents the interests of the Group), the director shall give notice thereof to the Audit and Compliance Committee.

- (ii) Any substantial change in the director's professional status that may affect the condition or capacity by virtue of which the director may have been appointed as director.
- (iii) Any judicial, administrative or other proceedings instituted against the director which, because of their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, in the event that a director becomes subject to an order for further criminal prosecution upon indictment or an order for the commencement of an oral trial is issued against him for the commission of any of the crimes contemplated in Section 213 of the Spanish Companies Law, such director shall give notice thereof to the Company, in the person of its Chairman. In such instance, the Board of Directors shall review the case as soon as practicable and shall adopt the decisions it deems fit taking into account the interests of the Company.
- (iv) In general, any fact or event that may be reasonably relevant to the holding of office as a director of the Company.
- (v) Directors shall provide the Company with an email address as well as a mobile telephone number such that meetings of the Board of Directors may be called by those means, if so desired, and the corresponding information, if any, may so be provided to them.

#### **4. Use of corporate assets**

- a) A director may not use the Company's assets or profit from the director's position in the Company in order to obtain any financial benefit, unless adequate consideration has been paid.
- b) On an exceptional basis, the director may be relieved from the obligation to provide such consideration, but in any such case, the financial benefit obtained by such director shall be deemed indirect compensation for his services to the Company as a director and shall be approved by the Board of Directors following a report of the Audit and Compliance Committee.

#### **5. Business opportunities**

- a) A director may not take a business opportunity of the Company, either for the director's own benefit or for the benefit of his related persons, unless the investment or transaction has previously been offered to the Company, the Company has chosen not to take advantage of it without any pressure from the

director, and the director has been authorised by the Board to profit from the transaction, following a report of the Audit and Compliance Committee.

- b) For the purpose of the preceding paragraph, a business opportunity shall be deemed to be any possibility of making an investment or a business transaction that has arisen or has been discovered in connection with the director's performance of duties as such, or through the use of means and information belonging to the Company, or in circumstances such that it is reasonable to believe that the third party's offer was in fact addressed to the Company.
- c) Likewise, the director shall not use the Company's name and shall not invoke his position as director of the Company in order to carry out transactions for the director's own account or for the account of related persons.

## **6. Indirect transactions**

A director shall act in breach of his duty of fidelity to the Company if he is aware of beforehand and permits, or fails to reveal the existence of transactions with the Company which are carried out by any related persons of such director or by any other person such a director is united with by a bond that may have an effect upon the director's independence or judgment or by any companies in which the director shall hold a managerial position or have a significant stake in its share capital and such transactions shall have not been subjected to the conditions and control contemplated by the foregoing articles hereof.

### **Article 19. Rights of the directors: Information and inspection**

1. A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine its books, records, documents and other records of corporate transactions, to inspect its facilities, and to communicate with the senior managers of the Company.
2. The exercise of the powers of information shall first be channeled through the Chairman or the Company Secretary.

### **Article 20. Right to experts' assistance**

1. In order to be assisted in the performance of his duties, any director may request the hiring of legal, accounting, technical, financial, commercial or other expert advisors, whose services shall be paid for by the Company.
2. The assignment must deal with specific issues of certain significance and complexity arising during the performance of the director's duties.
3. The request for an expert to be hired shall be channelled through the Chairman or the Company Secretary, who may subject it to the prior approval of the Board of

Directors; such approval may be denied in well-founded instances, including the following circumstances:

- a) That it is not necessary for the proper performance of the duties entrusted to the directors.
- b) That the cost thereof is not reasonable in light of the significance of the issues and the assets and income of the Company.
- c) That the technical assistance sought may be adequately provided by the Company's own experts and technical personnel.
- d) That it may entail a risk to the confidentiality of the information that must be made available to the expert.

#### **Article 21. Remuneration of Directors**

1. Any director shall be entitled to receive such remuneration as may from time to time be fixed by the Board of Directors pursuant to the provisions of the Corporate Bylaws and the instructions of the Remunerations Committee. Board members may not be paid twice as directors if they belong to the board of other companies of the Group.
2. The Board of Directors shall ensure that the amount of the compensation of independent directors is such that it provides incentives to their dedication while not risking their independence.
3. The Board of Directors shall ensure the transparency of directors' compensation, and for such purpose, it shall include in the Company's report an itemised and detailed account of all compensation received by the directors, whether in their capacity as such or in their capacity as managers, as the case may be, or in any other capacity, and whether it has been paid by the Company or by the other companies of the Group.
4. In addition, the Board of Directors will ensure, and take such action as may be reasonably necessary to ensure, that the remuneration of directors of Iberia, Líneas Aéreas de España, Sociedad Anónima Operadora and British Airways plc, in their capacity as directors of such companies, shall be the same.

### **TITLE VII BOARD COMMITTEES**

#### **Article 22. Delegation of Powers and Board Committees**

1. The Board of Directors shall create and maintain, on a permanent basis, the following Board Committees:
  - a) Audit and Compliance Committee.

- b) Nominations Committee.
- c) Remuneration Committee.
- d) Safety Committee.

These Board Committees shall be composed in such manner and shall have such duties as are described below.

2. The Board of Directors may also create other committees or commissions of purely internal scope, with such powers as determined by the Board of Directors. The Chairman and the remaining members of such committees and commissions shall be appointed by an absolute majority (i.e., more than half) of the directors present, in person or by proxy.
3. The Chairman of each Board Committee shall inform the Board of Directors of the activities performed and the resolutions adopted by it, and the Board of Directors may make any and all suggestions or recommendations that it deems advisable. Likewise, the Chairman of each Board Committee should attend the annual general shareholders' meeting to answer questions on the Committees' activities, where appropriate.
4. The Board Committees shall be governed by the provisions of the Corporate Bylaws and these Board of Directors Regulations. Where no specific provision is made, the Board Committees shall be governed, by analogy and where applicable, by the provisions applicable to the Board of Directors.
5. The minutes containing the resolutions adopted by the Board Committees will be made available to all the members of the Board of Directors.
6. The Committees shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members. The Committees shall also arrange for periodic reviews of their own performance, externally facilitated at least every three years. At least annually, the Committees shall review their constitution and terms of reference to ensure they are operating at maximum effectiveness and recommend any changes they consider necessary or appropriate to the Board for approval.

### **Article 23. Audit and Compliance Committee**

1. The Audit and Compliance Committee shall be made up of no less than three (3) and no more than five (5) non-executive directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out its function. At least two (2) of the members of the Audit and Compliance Committee shall be independent directors. At least one (1) member shall have recent and relevant financial experience. The Board shall designate an Audit and Compliance Committee Chairman from among the independent directors of the Audit and Compliance Committee who

must be replaced at least every four (4) years and may stand for re-election one (1) year after vacating office. The Company Secretary or his nominee shall act as secretary to the Audit and Compliance Committee.

2. Without prejudice to the other tasks assigned to it by applicable law, the Corporate Bylaws or the Board of Directors, the Audit and Compliance Committee shall have the following powers to report, advise and propose:
  - a) To inform the Shareholders' Meeting on questions raised by shareholders regarding matters under its competence.
  - b) To supervise the effectiveness of the internal control of the Company, the internal auditing, as the case may be, and the risk management systems, and to discuss with the auditors or audit firms any significant weaknesses in the internal control systems detected in the course of the audit.
  - c) To supervise the process for the preparation and presentation of regulated financial information.
  - d) To propose to the Board of Directors, for submission to the Shareholders' Meeting, the designation of the auditor or audit firms, as envisaged by applicable law, and, as the case may be, the terms of its engagement, its remuneration, the scope of its professional mandate and the revocation or renewal of its appointment. To oversee compliance with the audit agreement, ensuring that opinions concerning the annual accounts and principal content of the audit report are drafted in a clear and precise manner.
  - e) To serve as a channel for communication between the Board of Directors and the auditors, to assess the results of each audit and the response by the management team to their recommendations, and to mediate in the event of disputes between the auditors and the management team in relation to the principles and methods used in preparing the annual accounts.
  - f) To review the Company's accounts, monitor compliance with legal requirements and the correct application of generally accepted accounting principles. To review significant financial reporting judgements in the Company's accounts. To monitor the functioning of the internal financial control manuals and procedures adopted by the Company, to verify compliance with them and review the designation and replacement of the persons responsible for them.
  - g) To assess the level of compliance with the Corporate Bylaws, these Board of Directors Regulations and the Internal Code of Conduct in matters relating to the securities market and, in general, with the Company's rules on governance and to make the necessary proposals for improvement. In particular, the Audit and Compliance Committee shall be responsible for receiving information and,

as the case may be, issuing reports on the disciplinary measures to be applied to senior executives of the Company.

- h) To ensure the independence and efficiency of the internal audit function; to propose the selection, appointment, reappointment and removal of the head of the internal audit service; to propose the department's budget; to receive periodic information on its activities; and to check that senior management takes the conclusions and recommendations contained in its reports into account.
- i) To periodically review the internal control and risk management systems to ensure that the principal risks are adequately identified, managed and made known.
- j) To consider suggestions from the Audit and Compliance Committee Chairman, Board members, senior executives or shareholders and to report and make proposals to the Board of Directors on the measures it deems appropriate in the audit activity and any others assigned to it, as well as with regard to compliance with legislation on market reporting and transparency and accuracy of the same.
- k) To develop and implement a policy on the engagement of the external auditors to supply additional non-audit services pursuant to the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council.
- l) To establish the appropriate relationships with the auditors or audit firms in order to receive information on matters which may jeopardize the independence of the auditors, for its examination by the Audit and Compliance Committee, and on any other matters relating to the audit process, as well as any other communications provided for in the audit legislation and audit regulations. In all cases, written confirmation of their independence vis-à-vis the entity or entities directly or indirectly related thereto must be received annually from the auditors or audit firms, as well as information on the additional services of any kind provided to these entities by the aforementioned auditors or audit firms, or by persons or entities related to them pursuant to the provisions of Spanish Audit Law 19/1988, of July 12, 1988.
- m) To issue on annual basis, prior to the issue of the auditor's report, a report expressing an opinion on the independence of the auditors or audit firms. This report must also give an opinion regarding the provision of the additional services referred to in the preceding paragraph.
- n) To report on related transactions or transactions that entail or may entail a conflict of interest.
- o) To review the effectiveness of the external audit process.
- p) To review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other

matters. The Audit and Compliance Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

- q) To report to the Board of Directors, prior to the adoption by it of the corresponding decision, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the Group.
- r) To report to the Board on the steps taken by management to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

The function of the Audit and Compliance Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements.

- 3. The Audit and Compliance Committee shall meet whenever convened by its Chairman, at his own initiative, or at the request of two (2) or more of its members and at least once every three (3) months and, in all cases, where the Board requests the issue of reports, the presentation of proposals or the adoption of resolutions within the scope of its functions.
- 4. The Chairman of the Audit and Compliance Committee shall have the power to call Audit and Compliance Committee meetings and to establish the agenda. The Audit and Compliance Committee shall be validly convened without prior call when all of its members are present and unanimously agree to hold a meeting. The call notice for ordinary meetings shall include the agenda, shall be served in writing at least seventy-two (72) hours in advance of the meeting and shall be authorised by the signature of the Chairman of the Audit and Compliance Committee or the Company Secretary or whomsoever acts as such. Extraordinary meetings may be called by telephone and the above requirements shall not apply where the Chairman of the Audit and Compliance Committee deems that the circumstances justify it.
- 5. The Audit and Compliance Committee shall be validly convened where more than half of its members are present, in person or by proxy, and decisions shall be adopted by an absolute majority of the members present, in person or by proxy.

#### **Article 24. Nominations Committee**

- 1. The Nominations Committee shall be made up of no less than three (3) and no more than five (5) non-executive directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out its function. At least two (2) of the members of the Nominations Committee shall be independent directors. The

Board shall designate a Nominations Committee Chairman from among the directors of the Nominations Committee. The Company Secretary or his or her nominee shall act as secretary to the Nominations Committee.

2. Without prejudice to the other tasks assigned to it by applicable law or the Board of Directors, the Nominations Committee shall have the following duties to report, advise and propose:
  - a) To report on and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, defining the necessary functions and skills and evaluating the time and dedication required to correctly perform its remit.
  - b) To submit to the Board of Directors the proposed appointments of independent Board members for their designation by cooption or, as the case may be, to submit the decision to the Shareholders' Meeting, as well as proposals for the re-appointment or removal of such Board members by the Shareholders' Meeting.
  - c) To report on the proposals of the Board of Directors for the appointment of the remaining Board members for their designation by cooption or, as the case may be, to submit the decision to the Shareholders' Meeting, as well as proposals for the re-appointment or removal of such Board members by the Shareholders' Meeting.
  - d) To report on the proposed designation or removal from offices on the Board of Directors (including the Secretary and the Deputy Secretary) and propose to the Board of Directors the members that are to form each of the Board Committees.
  - e) To put in place plans for the succession of Board members, in particular, the succession of the Chairman and the Chief Executive.
  - f) To oversee and establish guidelines relating to the appointment, recruitment, career, promotion and dismissal of senior executives in order to ensure that the Company has the highly-skilled personnel required for its management.
  - g) To report to the Board of Directors on the appointment and/or removal of the senior executives of the Company.
  - h) To ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.
  - i) To identify Board members qualified to fill vacancies on any committee of the Board (including the Nominations Committee).

- j) Any other powers attributed to it by the Corporate Bylaws, these Board of Directors Regulations or the Board of Directors itself.
- 3. In identifying suitable candidates, the Nominations Committee shall use open advertising or the services of external advisers to facilitate the search, consider candidates from a wide range of backgrounds, and consider candidates on merit and against objective criteria, taking care that appointees have sufficient time available to devote to the position.
- 4. The Nominations Committee shall meet whenever convened by its Chairman, at his own initiative, or at the request of two (2) or more of its members and at least once every year and, in all cases, where the Board requests the issue of reports, the presentation of proposals or the adoption of resolutions within the scope of its functions.
- 5. The provisions of sub-Articles 23.4 and 23.5 in relation to the Audit and Compliance Committee shall apply, mutatis mutandis, to the Nominations Committee.

#### **Article 25. Remuneration Committee**

- 1. The Remuneration Committee shall be made up of no less than three (3) and no more than five (5) non-executive directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out its function. At least three (3) of the members of the Remuneration Committee shall be independent directors. The Board shall designate a Remuneration Committee Chairman from among the independent directors of the Remuneration Committee. The Chairman of the Board shall not be eligible to be appointed as Remuneration Committee Chairman. The Company Secretary or his or her nominee shall act as secretary to the Remuneration Committee.
- 2. Without prejudice to the other tasks assigned to it by applicable law or the Board of Directors, the Remuneration Committee shall have the following powers to report, advise and propose:
  - a) To propose to the Board of Directors the system and amount of the annual remuneration for Board members, as well as the individual remuneration of the executive Board members and the other terms of their contracts, pursuant in all cases to the provisions of the Corporate Bylaws.
  - b) To report to the Board of Directors on the contractual terms on termination for the senior executives, including executive directors, and to ensure that any payments made are fair to the individual and the Company, that failure is not rewarded and the duty to mitigate loss is fully recognised.
  - c) To report to the Board of Directors on the senior executive remuneration policy and the basic terms of their contracts.

- d) To report on incentive plans and pension arrangements.
  - e) To periodically review the remuneration programs, taking into account their suitability and performance and how they reflect and support the Company strategy. When considering the remuneration policy, to review and have regard to the remuneration trends and to pay and employees conditions in the Group. And also to obtain reliable, up-to-date information about remuneration in other companies. To help fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary.
  - f) To give due regard to the provisions of applicable good governance codes, applicable law or regulation and requirements imposed by any stock exchange on which the Company's securities are listed when determining any compensation packages and arrangements.
  - g) To ensure that the disclosure requirements of the United Kingdom Listing Rules, any other applicable listing rules, applicable law or regulation and relevant stock exchanges are fulfilled, including the report on directors' remuneration required to be included in the Company's annual report and accounts.
  - h) Any other powers attributed to it by the Corporate Bylaws, these Board of Directors Regulations or the Board of Directors itself.
3. No one other than the members of the Remuneration Committee is entitled to be present at any meeting of such committee. However, the Chairman of the Board and the Chief Executive will normally be invited to attend and speak at meetings of the Remuneration Committee. Others may only attend and speak with the Remuneration Committee's consent.
  4. No attendee shall participate in any discussion or decision on his own remuneration.
  5. The Secretary of the Remuneration Committee shall minute the meetings of the Remuneration Committee and shall circulate the minutes to the Board of Directors, provided that no conflict of interest arises.
  6. The Remuneration Committee shall meet whenever convened by its Chairman, at his own initiative, or at the request of two (2) or more of its members and at least twice every year and, in all cases, where the Board requests the issue of reports, the presentation of proposals or the adoption of resolutions within the scope of its functions
  7. The provisions of sub-Articles 23.4 and 23.5 in relation to the Audit and Compliance Committee shall apply, mutatis mutandis, to the Remuneration Committee.

### **Article 26. Safety Committee**

1. The Safety Committee shall be made up of no less three (3) and no more than five (5) directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out its function. The Board shall designate a Safety Committee Chairman from among the directors of the Safety Committee.
2. Without prejudice to any other assignments, the Safety Committee will bear the following basic responsibilities:
  - a) To receive material safety information about IAG and all IAG subsidiaries and any franchise, code share or wet lease provider used by any member of the Group.
  - b) To exercise a high level overview of the safety activities and resources of IAG and all IAG subsidiaries and inform the Board of Directors as appropriate (recognising that responsibility for safety matters relating to each subsidiary falls to that subsidiary through its own resources).
  - c) To follow up on any safety related measures as determined by the Board of Directors.
  - d) Any other safety related functions assigned by the Board of Directors.
3. The provisions of sub-Articles 23.4 through 23.5 in relation to the Audit and Compliance Committee shall apply, mutatis mutandis, to the Safety Committee.

## **TITLE VIII RELATIONS OF THE BOARD OF DIRECTORS**

### **Article 27. Relations with the Company's shareholders**

1. The Board of Directors shall establish any appropriate channels to hear proposals that the shareholders may make in connection with the management of the Company.
2. The Board of Directors, assisted by such members of the senior management as it deems appropriate, may organise meetings for the provision of information on the progress of the Company and its Group or other matters of interest to the shareholders residing in locations with the most relevant financial markets in Spain and abroad. The Board of Directors shall guarantee equality of treatment in its relationships with shareholders.
3. Likewise, the Board of Directors shall establish appropriate mechanisms for the regular exchange of information with holders of a significant financial interest in the share capital of the Company and who are not represented on the Board; provided, however, that in no event may such mechanisms imply the provision to the

aforementioned holders of any information that places them in a privileged or advantageous position vis-à-vis other shareholders.

4. All public requests for delegation of voting powers made in favour of any director shall disclose, where applicable, the existence of a conflict of interest, and shall provide detailed reasons for the direction in which the representative shall vote in the event that no instructions are given by the shareholder, subject always to the provisions of applicable law.
5. The Board of Directors shall encourage the informed participation of the shareholders at the Shareholders' Meeting, and shall take all such measures as may be appropriate to make it easier for the shareholders acting at a Shareholders' Meeting to effectively exercise the powers conferred upon them by the Corporate Bylaws and applicable law, with due observance of the provisions set out in the Regulations for the Shareholders' Meeting.

#### **Article 28. Transactions by the Company with directors and shareholders**

1. Any transaction by the Company or the companies forming part of the Group with directors, with shareholders that own a shareholding interest that is equal to or greater than that legally regarded as a relevant shareholding interest at any time or which have proposed the appointment of any of the directors of the Company, or with the respective related persons, shall be subject to the approval of the Board of Directors, upon a prior favourable report of the Audit and Compliance Committee.
2. The Board of Directors shall ensure, through the Audit and Compliance Committee, that transactions between the Company or the companies forming part of the Group with the directors, the shareholders mentioned in the preceding paragraph or their respective related persons are carried out under arm's length conditions and with due observance of the principle of equal treatment of shareholders.
3. In the case of customary or recurring transactions in the ordinary course of business, it shall be sufficient to give a generic approval of the kind of transaction and of the conditions for performance thereof.
4. However, no authorisation of the Board of Directors shall be required in connection with transactions that simultaneously satisfy the following three conditions: (i) that they are conducted under contracts whose terms and conditions are standardised and apply en masse to a large number of clients; (ii) that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; and (iii) that the amount thereof does not exceed one (1%) percent of the consolidated annual income of the Company, as reflected in the audited annual financial statements for the most recent fiscal year closed prior to the date of the transaction in question.
5. The Company shall report the transactions mentioned in this Article in accordance with applicable law.

### **Article 29. Relations with securities markets**

1. The Board of Directors shall ensure timely compliance with current instructions in respect of relevant events pursuant to the provisions of the applicable law.
2. The directors shall take such steps as may be required to ensure that any quarterly, semi-annual and annual financial information to be made available to securities markets and any other information that should be prudently provided thereto from time to time, shall be prepared in accordance with the same professional principles, standards and practices as those applied in the preparation of, and be as reliable as the annual accounts. For the latter purpose, any such information shall be revised by the Audit and Compliance Committee.
3. The Board of Directors shall include in its annual public documentation appropriate information about the rules governing the administration of the Company and the level of compliance with applicable law. In the event that following any recommended guidelines is deemed to be inconvenient, the directors shall explain the reasons for such a decision.

### **Article 30. Relations with external auditors**

1. The relations of the Board of Directors with the Company's outside auditors shall be channelled through the Audit and Compliance Committee.
2. The Board of Directors shall refrain from engaging any audit firm entitled to be paid by the Company for all the services rendered fees in an amount in excess of ten percent (10 %) of such firm's total revenue of the previous year.
3. The Board of Directors shall inform the public every year about the total fees paid by the Company for services other than consultancy services, rendered by any audit firm.
4. The Board of Directors shall draw-up the Company's accounts so that such accounts do not give rise to a qualified certificate issued by the auditors. However, if the Board of Directors deem it appropriate to draw-up accounts such that a qualified certificate is issued by the auditors, the Directors shall publicly explain the contents and scope of the reasons the accounts have been qualified.

## **TRANSITIONAL PROVISION**

### **Sole Transitional Provision**

Notwithstanding the provisions of Article 35.1 of the Corporate Bylaws, the following Board members appointed or re-elected with effect from the date of presentation and registration of the deed of merger by absorption of Iberia, Líneas Aéreas de España, S.A. and BA Holdco, S.A. by the Company shall resign and stand for re-election in accordance

with the following calendar, without prejudice to the ability of the Shareholders' meeting to remove such persons as Board members at any moment according to applicable law:

- (i) Mr. Martin Faulkner Broughton, Mr. Patrick Jean Pierre Cescau, Mr. José Manuel Fernández Norniella and Mr. John William Snow shall stand for re-election at the ordinary Shareholders' Meeting to be held on 2013.
- (ii) Mr. William Matthew Walsh, Mr. César Alierta Izuel, Ms. Denise Patricia Kingsmill, Mr. José Pedro Pérez-Llorca Rodrigo, Mr. Kieran Charles Poynter and Mr. Rafael Sánchez-Lozano Turmo shall stand for re-election at the ordinary Shareholders' Meeting to be held on 2014.
- (iii) Mr. Antonio Vázquez Romero, Mr. James Arthur Lawrence, Mr. Rodrigo de Rato y Figaredo and Mr. Keith Williams shall stand for re-election at the ordinary Shareholders' Meeting to be held on 2015.

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Madrid, May 8, 2014.