
STANDARD FORM OF ANNUAL REPORT ON REMUNERATION OF THE DIRECTORS OF LISTED CORPORATIONS

A. THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1 Explain the company's remuneration policy. Information regarding the following shall be included in this section:

- General principles and bases of the remuneration policy.
- Most significant changes made in the remuneration policy compared with that applied in the previous financial year, as well as any modifications which have been carried out during the financial year of the conditions for the exercise of options already granted.
- Criteria used to establish the company's remuneration policy.
- Relative importance of the variable items of remuneration in relation to the fixed items of remuneration and criteria applied to determine the various components of the directors' remuneration package (remuneration mix).

Explain the remuneration policy

General principles and bases of the remuneration policy.

The general principles and bases of the remuneration policy of International Consolidated Airlines Group, S.A. ("IAG" or the "Company") for 2015 are those described regarding the remuneration policy for future years included in part B of this Report.

Criteria used to establish the company's remuneration policy

IAG's executive remuneration framework aims to underpin the business objectives and financial targets, and the remuneration policy is designed to deliver total remuneration which is market competitive with increased emphasis placed on pay for performance.

The Remuneration Committee is aware of the challenging economic environment and its potential impact on the Company's finances, but it also recognises that it is very important to incentivise and retain management to drive business performance.

During the year, the Committee kept fully abreast of remuneration developments in the external marketplace. The Committee considered that the overall remuneration framework continued to be appropriate for IAG. In deciding the remuneration policy, the pay and employment conditions in both the Spanish and UK markets were taken into account. Other key metrics considered when deciding pay and remuneration policy include company affordability, market movements and retention considerations.

The Committee is satisfied that the compensation packages, which are set by reference to market based salary and incentive pay levels and take account of the Company's Key Performance Indicators, do not raise any social, governance or environmental risks by inadvertently motivating irresponsible behaviour or undue risk taking.

The Company's executives' remuneration policy is to provide total remuneration packages which are market competitive, linked to the business strategy and take into account each individual's role, skills and contribution. The Company's primary comparator group is the FTSE 26 to 100 (excluding financial services), with a secondary reference to IBEX 35 and to global airline companies where appropriate. The Remuneration Committee is updated on pay and conditions of the employees within the Group, and takes this into account when determining the Executive Directors' remuneration.

Fees for Non-Executive Directors are set with reference to market positioning (primarily the IBEX 35 and the FTSE 26 to 100, excluding financial services). To acknowledge certain key roles at Board level, fees are set separately for the Non-Executive Chairman and the Non-Executive Deputy Chairman. There is also an additional fee paid to any Non-Executive Director for holding a Committee Chairmanship.

Non-Executive Director fees will take into account external market conditions to ensure it is possible to attract and retain the necessary talent.

Implementation of the remuneration policy for Executive Directors in 2015: new features

The new features introduced in the implementation of the remuneration policy for Executive Directors in 2015 are all aimed at strengthening the alignment between executives and shareholders. These are as follows:

- A new metric (Return on Invested Capital (RoIC)) has been introduced in the long term incentive plan, in addition to the existing metrics of Earnings Per Share (EPS) and relative Total Shareholder Return (TSR).
- Introduction of an additional holding period in the long term incentive plan.
- A strengthening of the malus and clawback provisions.
- A strengthening of the shareholding guidelines. The CEO of IAG is required to build up and maintain a shareholding of 250 per cent of basic salary (previously 100 per cent of basic salary), and other Executive Directors are required to build up and maintain a shareholding of 150 per cent of basic salary (previously 100 per cent of basic salary). Executives will be required to retain the entire 100 per cent of shares (net of tax) (previously 50 per cent) which vest from share plans until their respective shareholding requirement is attained.

Remuneration scenarios (remuneration mix) – Executive Directors

A significant portion of the Company's total remuneration package is variable, with emphasis placed on longer-term reward to align closely Executive Directors' and senior managers' interests with shareholder interests. The charts below show, for 2015 and for each Executive Director, the minimum remuneration receivable, the remuneration receivable if the Director performs in line with the Company's expectations, and the maximum remuneration receivable. Share price appreciation during the performance period is not taken into consideration in these scenarios.

Chief Executive Officer of IAG

Fixed remuneration is basic salary (2015 level of €1,050,000), plus taxable benefits (2014 actual of €32,000), plus pension related benefits (2014 actual of €262,000).

The annual incentive amount is zero at the minimum remuneration level, €1,050,000 at the on-target level (50 per cent of the maximum opportunity of 200 per cent of salary) and €2,100,000 at maximum (200 per cent of salary).

The long term incentive amount is zero at the minimum remuneration level, €1,050,000 at the on-target level (50 per cent of the maximum opportunity of 200 per cent of salary) and €2,100,000 at maximum (200 per cent of salary).

All amounts are actually paid in UK's sterling and are shown here in euro at the €:£ exchange rate of 1.2356



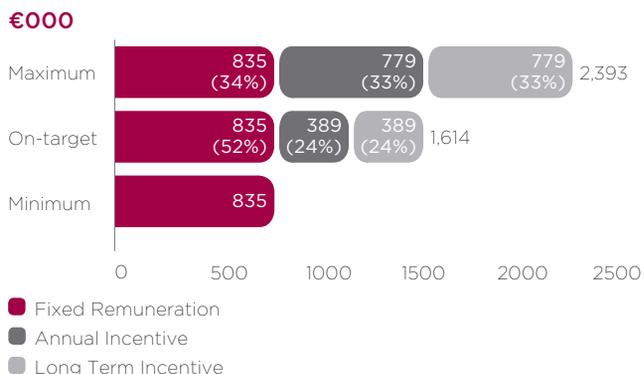
Chief Financial Officer of IAG

Fixed remuneration is basic salary (2015 level of €649,000), plus taxable benefits (2014 actual of €27,000), plus pension related benefits (2014 actual of €159,000).

The annual incentive amount is zero at the minimum remuneration level, €389,400 at the on-target level (50 per cent of the maximum opportunity of 120 per cent of salary) and €778,800 at maximum (120 per cent of salary).

The long term incentive amount is zero at the minimum remuneration level, €389,400 at the on-target level (50 per cent of the maximum opportunity of 120 per cent of salary) and €778,800 at maximum (120 per cent of salary).

All amounts are actually paid in UK's sterling and are shown here in euro at the €:£ exchange rate of 1.2356.



A.2 Information regarding the preparatory work and the decision-making process which has been followed in order to determine the remuneration policy and the role, if any, played by the remuneration committee and other supervisory bodies in the creation of the remuneration policy. This information shall include, where relevant, the mandate given to the remuneration committee, its composition and the identity of the external advisers whose services have been used to establish the remuneration policy. The nature of the directors, if any, that have been involved in the establishment of the remuneration policy shall also be indicated.

Explain the process for determining the remuneration policy

The Remuneration Committee's composition, competencies and operating rules are regulated by article 25 of the IAG Board of Directors' Regulations. A copy of these Regulations is available on the Company's website.

The Remuneration Committee has 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 Directors and the other terms of their contracts, pursuant in all cases to the provisions of the Company's 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.
- 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.

Beyond Executive Directors, the Committee oversees the general application of the remuneration policy to the IAG Management Committee, and also remuneration matters of senior managers generally across the Group.

According to article 25 of the Board Regulations, the Remuneration Committee shall be made up of no less than three and no more than five Non-Executive Directors appointed by the Board, with the dedication, capacity and experience necessary to carry out their function. At least three of the members of the Remuneration Committee shall be Independent Directors.

During the reporting period, the members of the Committee were Baroness Kingsmill (Chair), Dame Marjorie Scardino, Alberto Terol and, since October 30, 2014, María Fernanda Mejía. For the reporting period all members were considered Independent Non-Executive Directors of the Company and none of the members has any personal financial interest, other than as a shareholder, in the matters to be decided.

In February 2014, the Remuneration Committee appointed Towers Watson as its external advisers. The decision to appoint Towers Watson was made by the Committee following a tender process. Towers Watson report directly to the Committee. The fees paid to Towers Watson for advice provided to the Committee were €65,487 for 2014.

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

A.3 Indicate the amount and the nature of the fixed components, itemising any remuneration for the performance of top management duties of the executive directors, the additional remuneration as chairman or member of a committee of the board, the per diems for participation in the board and its committees or other fixed remuneration as director, as well as an estimate of the annual fixed remuneration to which they may give rise. Identify other benefits which are not paid in cash and the fundamental criteria by which they are granted.

Explain the fixed components of the remuneration

Executive Directors

As it is explained in section B of this Report, the fixed remuneration of Executive Directors is composed of a base salary in cash that takes account of role, skills and contribution.

Basic salaries for Executive Directors are reviewed annually, to take effect on January 1 each year. After careful consideration of company affordability, the value and worth of each executive, retention risks and the size of pay increases generally across the Group for 2015 (which in the UK varied from 1.6 per cent to 2.6 per cent), the Board, following the recommendation of the Remuneration Committee, approved the following basic salaries for 2015:

- Willie Walsh (Chief Executive Officer): £850,000 (€1,050,000) (no variation from 2014).
- Enrique Dupuy de Lôme (Chief Financial Officer): £525,300 (€649,000) (in UK's sterling terms, an increase of 2 per cent from 2014).

The Remuneration Committee agreed to offer the Chief Executive Officer a salary increase in line with that applied to other executives, however it was respectfully declined by him.

IAG's Executive Directors have provision of the following taxable benefits: a fully expensed company car and fuel card, occasional chauffeur services, private healthcare insurance cover for self and partner, life insurance cover of four times basic salary, and personal travel benefits on the airlines of the Company or related to the Company in accordance with the applicable travel scheme. Where appropriate, benefits may include relocation and international assignment costs.

Finally, as detailed below in section A.5, Executive Directors are offered post-retirement remuneration. Both benefits and pension are elements of remuneration designed to ensure that IAG's total package is competitive.

Non-Executive Directors

As explained in section B of this Report, Non-Executive Directors are paid a flat fee each year, with an additional fee for each Committee chairmanship held:

Role	Fee
Non-Executive Chairman	€645,000 (voluntarily reduced by 25% to €483,750 with effect from December 1, 2012 until further notice)
Non-Executive Deputy Chairman	€350,000
Other Non-Executive Directors	€120,000
Committee Chairmanship	€20,000

Non-Executive Directors (including the Chairman and Deputy Chairman) are entitled to use air-tickets of the airlines of the Company or related to the Company in accordance with the applicable travel scheme.

The maximum annual aggregate gross remuneration (including annual basic fees and benefits) payable to Non-Executive Directors shall not exceed €3,500,000 as approved by the Company's Sole Shareholder Meeting on October 19, 2010, in accordance with article 37.3 of the Company's Bylaws. This aggregate gross maximum cap includes an aggregate €500,000 maximum annual gross amount for all the Non-Executive Directors' personal travel benefits taken together.

A.4 Explain the amount, the nature and the principal characteristics of the variable components of the remuneration systems.

In particular:

- Identify each of the remuneration plans of which the directors are beneficiaries, its scope, its date of approval, date of implementation, period of validity as well as its principal characteristics. In the case of stock option plans and other financial instruments, the general characteristics of the plan shall include information regarding the conditions for exercise of such options or financial instruments for each plan.
- Indicate any remuneration in the form of profit share or bonuses, and the reason why they are granted.
- Explain the fundamental criteria and basis of any system of annual bonuses.
- The classes of directors (executive directors, external proprietary directors, independent external directors or other external directors) that are beneficiaries of remuneration systems or plans which include variable remuneration.
- The basis of such systems of variable remuneration or plans, the criteria chosen for evaluation of performance, as well as the evaluation components and methods to determine whether or not such evaluation criteria have been observed and an estimation of the absolute amount of the variable remuneration to which the remuneration plan in force would give rise, depending on the degree of fulfilment of the assumptions or objectives which is adopted as a reference.
- Where relevant, any periods of deferral or postponement of payment which have been established shall be reported and/or the periods for withholding shares or other financial instruments if they exist.

Explain the variable components of the remuneration systems

Variable remuneration only applies to Executive Directors.

The principles of the policy related to the variable elements of remuneration are explained in Section B.1 of this Report.

2015 Annual Incentive Award

The maximum opportunity in the incentive plan for 2015 is 200 per cent of salary for the Chief Executive Officer and 120 per cent of salary for the Chief Financial Officer. 50 per cent of this will be awarded for on-target performance and there will be no payment at all until financial and personal performance has reached the threshold level of the target range.

In accordance with the Company's remuneration policy, two-thirds of the annual incentive will be subject to a financial measure, operating profit, and one-third will be based on role specific objectives. The Remuneration Committee and the Board believe that IAG operating profit is the best financial measure in aligning shareholder interests with Company and individual performance.

As far as this financial measure is concerned, the Board, following the recommendation of the Remuneration Committee, has set a stretching target range for IAG operating profit for 2015 at the threshold, on-target and maximum levels. At threshold, there will be a zero pay-out, 50 per cent of the maximum will pay out at the on-target level, and 100 per cent of the maximum will only pay out once the stretch target has been achieved. There will be a straight line sliding scale between threshold and on-target, and on-target and the stretch target. For commercial reasons, the target range will not be disclosed until after the end of the performance year. It will be disclosed in next year's Directors' Remuneration Report.

In accordance with the Company's remuneration policy, half of any Annual Incentive pay-out will be deferred into shares, under the Incentive Award Deferral Plan (IADP). No other performance conditions apply for the IADP because it is based on performance already delivered.

IAG Performance Share Plan (PSP)

The Company has a discretionary performance share plan targeted at key senior executives and managers of the Group who directly influence shareholder value. Awards are only made to those executives who are consistently high-performing, and/or are in key roles, and/or whom the Company wishes to retain in the long term. The face value of awards will not normally exceed 200 per cent of salary in respect of any financial year of the Company (with the Board, after considering the recommendation of the Remuneration Committee, having the discretion to award up to 300 per cent of salary in exceptional circumstances). At the threshold level of the performance target range, either 10 per cent or 25 per cent will vest depending on which performance measure is being tested.

Any PSP award made will be measured over at least three years.

Each year, the Board, following the advice of the Remuneration Committee, determines appropriate performance conditions, with appropriate and stretching target ranges. These take into account market conditions and also ensure alignment with shareholder interests. At least one condition is likely to be a measure of Group share performance compared with an index of other companies who are subject to external influences impacting share price similar to those of the Group.

2015 PSP Award. The Board, on the Remuneration Committee's recommendation, has approved a PSP award for 2015, with a performance period of January 1, 2015 to December 31, 2017.

For 2015, the face value of awards for the Chief Executive Officer will be 200 per cent of salary and for the Chief Financial Officer 120 per cent of salary.

The Board has approved the use of three performance conditions, for the 2015 PSP each with a one-third weighting. These are the same two performance conditions that have been used since 2012 (with a 50 per cent weighting each in the past) plus one new performance condition.

The first is based on IAG TSR performance relative to the MSCI European Transportation Index. This condition is considered appropriate because the companies in the index are subject to external influences impacting share price similar to those of the Group. The target range is identical to the 2014 PSP award, which is detailed in Section C.1.

The second performance condition is based on EPS. This condition is considered appropriate because it provides a strong measure of the underlying financial performance of the business. The Board, after considering the recommendation of the Remuneration Committee, has agreed that the earnings per share (EPS) target range for the 2015 PSP award should be increased. This is to reflect the fact that the Company is one year further on in the recovery outlined in the Business Plan. It also reflects the continued improvement in the financial performance of the Group and ensures that the target remains appropriately stretching. The EPS measure will be as follows:

Weighting	One-third
Threshold	2017 EPS of 70 €cents 10 per cent vests
Target	2017 EPS between 70 €cents and 100 €cents (straight line vesting between threshold and maximum)
Maximum	2017 EPS of 100 €cents 100 per cent vests

The third performance condition is Return on Invested Capital (RoIC). This is a financial measure that quantifies how well a company generates cash flow relative to the capital it has invested in its business, and is considered an appropriate measure because it also provides a strong measure of the underlying financial performance of the business. The RoIC measure will be as follows:

Weighting	One-third
Threshold	2017 RoIC of 12 per cent 10 per cent vests
Target	2017 RoIC between 12 per cent and 15 per cent (straight line vesting between threshold and maximum)
Maximum	2017 RoIC of 15 per cent 100 per cent vests

There will be an additional holding period of two years. This means that the plan beneficiaries will be required to retain the shares for a minimum of two years following the end of the performance period. This is to strengthen the alignment between Executives and shareholders.

The Board, upon consideration of the Remuneration Committee's report, retains the discretion to review and, if appropriate, adjust the EPS targets and/or definition in the context of any corporate transactions, provided that, in the view of the Board, any revised targets are no more or less challenging than the original targets. To the extent that any such adjustments are made, the Board will disclose the basis for any adjustments and the rationale in subsequent reports.

Further information regarding estimates of the absolute amount of the variable remuneration to which the remuneration plan in force could give rise has been included in section A.1 of this Report.

A.5 Explain the principal characteristics of the long-term saving systems, including retirement and any other survivor's benefit, financed in whole or in part by the company, whether allocated internally or externally, with an estimate of their amount or equivalent annual cost, indicating the type of plan, whether it is defined contribution or defined benefit, the conditions for vesting of the pecuniary rights in favor of the directors and their compatibility with any kind of compensation due to early termination of the contractual relationship between the company and the director.

Indicate also the contributions for the director's benefit to defined-contribution pension plans; or the increase of the directors vested rights, in the case of contributions to defined-benefit plans.

Explain the long-term saving systems

Long-term saving systems only applies to Executive Directors. The Company operates a defined contribution scheme. The Executive Directors are entitled to receive a contribution of 25 per cent of base salary. Executives can opt instead to receive a salary supplement in lieu of the pension contribution.

In the event of termination of their contract for any cause, the Executive Directors, in their condition as beneficiaries under the abovementioned defined contribution scheme, maintain all their rights over the accumulated funds in such scheme, this being compatible with any kind of compensation due to early termination of the contractual relationship between the Company and the Executive Director.

There are no other pension obligations or commitments beyond this defined contribution scheme.

A.6 Indicate any compensation agreed or paid in the event of termination of the duties as director.

Explain the compensation

Non-Executive Directors do not have the right to any compensation in the event of termination as directors. The special arrangement with the Chairman is explained in section A.7 below.

As far as Executive Directors are concerned, there are no express provisions in their service contracts with the Company for compensation payable upon termination of their contracts, other than for payments in lieu of notice as explained in section A.7 below.

A.7 Indicate the conditions which must be observed by contracts of those who carry out senior management functions as executive directors. Inter alia, the duration, the limits on amounts of compensation, period of minimum service clauses, and prior notice periods shall be reported, as well as payment in lieu of the above-mentioned prior notice period, and any other clauses relating to recruitment incentives, as well as compensation or golden handshakes for early rescission or termination of the contractual relationship between the company and the executive director. Include, inter alia, non-competition, exclusivity, minimum service or fidelity and post-contractual non-competition clauses or agreements.

Explain the conditions of the contracts of executive directors

The contracts of Executive Directors are for an indefinite period.

There are no express provisions in Executives' service contracts with the Company for compensation payable upon termination of their contracts, other than for payments in lieu of notice. In the event of an Executive Director's termination from the Company, they must not be employed by, or provide services to, a restricted business (i.e. an airline or travel business that competes with the Company) for a period of six months.

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

In the event of an Executive's redundancy, compensation, whether in respect of a statutory redundancy payment or a payment in lieu of notice or damages for loss of office is capped at an amount equal to 12 months base salary.

The Company will honour the contractual entitlements of a terminated Executive Director; however, the Company may terminate an Executive's service contract with immediate effect and without compensation on a number of grounds including where the Executive is incapacitated for 130 days in any 12 month period, becomes bankrupt, fails to perform his duties to a reasonable standard, acts dishonestly, is guilty of misconduct or persistent breach of his duties, brings the Company into disrepute, is convicted of a criminal offence, is disqualified as a Director, refuses to agree to the transfer of his service contract where there is a transfer of the business in which he is working or ceases to be eligible to work in Spain or the UK (as applicable).

Under the PSP and IADP, if an Executive Director leaves, the Remuneration Committee may exercise their discretion (within the rules of the two schemes) to grant Good Leaver status. This can be granted in certain circumstances including for example (list not exhaustive) the Executive Director leaving for reasons of ill-health, redundancy, retirement or death. Executive Directors leaving with Good Leaver status will receive shares awarded to them under the IADP scheme and a pro-rated amount of their PSP shares subject to the company performance conditions being met. The pro-ration is calculated according to what proportion of the performance period the Executive Director spent in company service. If Good Leaver status is not granted to an Executive Director, all outstanding awards made to them under the PSP and IADP will lapse.

Non-Executive Directors (including the Chairman and Deputy Chairman) do not have service contracts. Their appointment is subject to the Board of Directors' Regulations and they do not have the right to any compensation in the event of termination as directors.

In relation to the Chairman, as set out in the British Airways and Iberia merger documentation, the conditions of the service contract with Iberia were taken into account at the time of the merger. This means that he will therefore continue to be entitled to a lump-sum retirement benefit in an amount of €2,800,000. The fund balance under the policy (including accrued interest) will be paid upon exit from the Company for any reason.

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- A.8 Explain any supplementary remuneration earned by directors as consideration for services rendered other than those inherent in their office.

Explain supplementary remuneration

Not applicable.

- A.9 Indicate any remuneration in the form of advance payments, credit facilities and security granted, indicating the interest rate, their essential characteristics and the amounts possibly repaid, as well as the obligations assumed on their behalf by way of security.

Explain advance payments, credit facilities and security granted

Not applicable.

- A.10 Explain the principal characteristics of remuneration in kind.

Explain remuneration in kind

Executive Directors

Executive Directors' remuneration package includes other taxable benefits such as: a fully expensed company car and fuel card, occasional chauffeur services, private healthcare insurance cover for self and partner, life insurance cover of four times basic salary, and personal travel benefits on the airlines of the Company or related to the Company in accordance with the applicable travel scheme. Where appropriate, benefits may include relocation and international assignment costs.

Non-Executive Directors

Non-Executive Directors (including the Chairman and Deputy Chairman) are entitled to use air-tickets of the airlines of the Company or related to the Company, in accordance with the applicable travel scheme, for a total annual gross amount of €500,000 for all Non-Executive Directors taken together.

- A.11 Indicate the remuneration earned by the director due to the payments which may be made by the listed company to a third entity in which the director renders services, when such payments are for the purpose of remunerating his services at the company.

Explain the remuneration earned by the director due to payments which may be made by the listed company to a third entity in which the director renders services

Not applicable.

- A.12 Any other item of remuneration other than the aforementioned, irrespective of its nature or the entity of the group which pays it, especially when it is considered a transaction between related parties or the issue thereof distorts the true and fair view of the total remuneration earned by the director.

Explain the other items of remuneration

Not applicable.

- A.13 Explain the actions adopted by the company in relation to the system of remuneration in order to reduce the exposure to excessive risks and to adapt it to the company's long-term objectives, values and interests, which shall include, where relevant, a reference to: measures provided to guarantee that the company's long-term results are taken into account in the remuneration policy, measures which establish an adequate balance between the fixed and variable components of the remuneration, measures adopted in relation to the categories of personnel whose professional activities have a significant effect on the entity's risk profile, recovery formulas or clauses in order to be able to claim the repayment of variable components of the remuneration based on results when such components having been paid on the basis of data the inaccuracy of which has been clearly shown afterwards and measures provided to avoid conflicts of interests, if any.

Explain the actions adopted to reduce risks

The elements introduced by the Company in its remuneration policy to reduce the exposure to excessive risks and to adapt it to its long-term objectives, values and interests are explained in detail in Section B.3 below.

B. REMUNERATION POLICY PROVIDED FOR FUTURE YEARS

B.1 Provide a general forecast of the remuneration policy for future years which describes such policy in relation to: fixed components and per diems and variable remuneration, relationship between remuneration and results, pension systems, conditions of the contracts of executive directors, and forecast of most significant changes of the remuneration policy compared with previous years.

General forecast of the remuneration policy

Executive Directors

The Company's remuneration policy is to provide total remuneration packages which are market competitive, linked to the business strategy and take into account each individual's role, skills and contribution. The Company's primary comparator group is the FTSE 26 to 100 (excluding financial services), with a secondary reference to Ibx-35 and global airline companies where appropriate. The Remuneration Committee is updated on pay and conditions of the employees within the Group and takes this into account when determining the Executive Directors' remuneration.

The main elements of remuneration packages for the Executive Directors are:

Base salary:

- *Purpose and link to strategy:* To attract and retain talent to help achieve the strategic objectives.
- *Operation of element of policy:* Takes account of role, skills and contribution. The positioning of base salaries is set with reference to market positioning (primarily the FTSE 26 to 100 excluding financial services), as well as the individual's skills and contribution. Basic salaries are reviewed annually, to take effect on January 1 each year.
- *Maximum Opportunity:* Although there is no formal maximum, basic salaries are reviewed annually by the Remuneration Committee taking into account the following factors: company affordability, the value and worth of the executive, retention risks, and the size of pay increases generally across the whole Group of companies.
- *Performance metrics:* Individual and business performance is considered in reviewing and setting base salary.

Annual incentive award:

- *Purpose and link to strategy:* Incentivises annual corporate financial performance and the delivery of role specific objectives.
- *Operation of element of policy:* The Board, on a recommendation from the Remuneration Committee, sets the financial targets that apply to the Annual Incentive Award (two-thirds of the annual incentive) at the beginning of each year. These are set by reference to a number of factors including the Business Plan (as approved by the Board). For the one-third portion based on role-specific objectives, the Remuneration Committee, on the proposal of the Chairman, will consider the Chief Executive Officer performance against his role-specific objectives; and the Remuneration Committee, on the proposal of the Chief Executive Officer, will consider the Chief Financial Officer performance against his role-specific objectives. Both performance evaluations will be submitted to the Board for final approval.

The Board, on a recommendation from the Committee, retains the discretion to prevent any incentive award payments if, in its opinion, the underlying financial performance of the Company had not been satisfactory in the circumstances. In addition to this, malus and clawback provisions apply as described in section B.3 below.

- *Maximum Opportunity:* The maximum opportunity in the incentive plan is 200 per cent of salary. 50 per cent of this will be awarded for on-target performance, and there will be no payment at all until financial and personal performance has reached the threshold level of the target range.
- *Performance metrics:* Two-thirds of the annual incentive is subject to a financial measure (e.g. IAG operating profit), and one-third is based on role specific objectives.

Incentive award deferral plan (IADP):

- *Purpose and link to strategy:* Aligns the interest of executives and shareholders and provides a retention tool.
- *Operation of element of policy:* The IADP operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares.

The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive is granted Good Leaver status. This is covered in section A.7 of this Report. On vesting, Executives will receive the benefit of any dividends paid over the deferred period. On vesting, in line with the rules of the IADP and IAG's philosophy to encourage and facilitate employee shareholding, participants may elect to self-fund any tax due rather than sell a portion of their share award to meet tax liabilities. Malus provision applies as described in section B.3 below.

- *Maximum Opportunity:* Half of any annual incentive plan pay-out is deferred into shares.
- *Performance metrics:* No other performance conditions apply because it is based on performance already delivered.

Performance share plan (PSP):

- *Purpose and link to strategy:* Incentivises long-term shareholder value creation. Drives and rewards delivery of sustained TSR and financial performance.
- *Operation of element of policy:* The PSP is a discretionary plan and is targeted at key senior executives and managers of the Group who directly influence shareholder value. The PSP consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions which are designed to reflect the creation of long term value within the business. These performance conditions are measured over a performance period of at least three financial years. No payment is required from individuals when the shares are awarded or when they vest.

The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to prevent any PSP award payments if, in its opinion, the underlying financial performance of the Company had not been satisfactory in the circumstances. On vesting, in line with the rules of the PSP and IAG's philosophy to encourage and facilitate employee shareholding, participants may elect to self-fund any tax due rather than sell a portion of their share award to meet tax liabilities. Following the performance period, there is an additional holding period of two years. Malus and clawback provisions apply as described in section B.3 below.

- *Maximum Opportunity:* The face value of awards will not normally exceed 200 per cent of salary in respect of any financial year of the Company (with the Board, after considering the recommendation of the Remuneration Committee, having the discretion to award up to 300 per cent of salary in exceptional circumstances). At the threshold level of the performance target range, between 10 per cent and 25 per cent will vest.
- *Performance metrics:* Any PSP award made will be measured over at least three years. Each year, the Board, following the advice of the Remuneration Committee, will determine appropriate performance conditions, with appropriate and stretching target ranges. These will take into account market conditions and also ensure alignment with shareholder interests. At least one condition is likely to be a measure of Group share performance compared with an index of other companies who are subject to external influences impacting share price similar to those of the Group. One or more measures will provide a strong measure of the underlying financial performance of the business.

Taxable benefits:

- *Purpose and link to strategy:* Ensures total package is competitive.
- *Operation of element of policy:* Life insurance, personal travel benefits and, where applicable, a fully expensed company car and fuel card, occasional chauffeur services and private health insurance. Where appropriate, benefits may include relocation and international assignment costs.
- *Maximum Opportunity:* Although there is no formal maximum, the Company determines benefits policy by taking into account company affordability, and with reference to the external market.

Pension:

- *Purpose and link to strategy:* Provides post-retirement remuneration and ensures total package is competitive.
- *Operation of element of policy:* The Company operates a defined contribution scheme. Executives can opt instead to receive a salary supplement in lieu of a pension. The Chief Executive and the Chief Financial Officer of IAG are members of the pension scheme.
- *Maximum Opportunity:* The level of employer contribution is 25 per cent of basic salary.

As elements designed to strengthen the long term alignment and to reduce excessive risk takings, the remuneration policy includes shareholding requirements for Executive Directors and other senior executives, as well as malus and claw back provisions, which are described below in section B.3 of this Report.

Non-Executive Directors

The main elements of remuneration for Non-Executive Directors are as follows:

Basic fees:

- *Purpose and link to strategy:* Fees are set to take into account the level of responsibility, experience, abilities and dedication required.
- *Operation of element of policy:* Fees are set with reference to market positioning (primarily the IBEX 35 and the FTSE 26 to 100, excluding financial services). To acknowledge certain key roles at Board level, fees are set separately for the Non-Executive Chairman and the Non-Executive Deputy Chairman. There is also an additional fee paid to any Non-Executive Director for holding a Committee Chairmanship. There is no additional fee for Committee membership.

Non-Executive Director fees will take into account external market conditions to ensure it is possible to attract and retain the necessary talent. There is no specific review date set, but it is the Company's intention to review fees from time to time. There has been no change to fee levels since IAG came into existence in 2011.

- *Maximum Opportunity:* The maximum annual aggregate gross remuneration (including annual basic fees and benefits, including travel benefits as detailed below) payable to Non-Executive Directors shall not exceed €3,500,000 as approved by the Company's Sole Shareholder on October 19, 2010, in accordance with article 37.3 of the Company's Bylaws.

Taxable benefits:

- *Operation of element of policy:* Non-Executive Directors (including the Chairman and Deputy Chairman) are entitled to use air-tickets of the airlines of the Company or related to the Company in accordance with the applicable travel scheme.

As foreseen under the article 37.8 of the Company's Bylaws this benefit may also be provided to Non-Executive Directors after they have vacated office in accordance with the applicable travel scheme.

- *Maximum Opportunity:* The maximum total annual gross amount of the personal travel benefit is €500,000 in aggregate for all Non-Executive Directors taken together (including any former Non-Executive Director who may enjoy this benefit at any given time).

Approach to recruitment remuneration

The remuneration for new Executive Directors will be in line with the policy for current Executive Directors as far as possible. On appointment, new Executive Directors will have their basic salary set by taking into account the external market, their peers and their level of experience. New Executive Directors will participate in the annual and long term incentives on the same basis as existing Directors.

The Board, after considering the recommendation of the Remuneration Committee, may deviate from the general principles in order to ensure the hiring of candidates of the appropriate calibre with due regard to the best interests of shareholders. For example, to facilitate recruitment, the Board may make one-off awards to “buy out” variable pay or contractual rights forfeited on leaving a previous employer. Generally, such buy-out awards will be made on a comparable basis to those forfeited giving due regard to all relevant factors (including value, performance targets, the likelihood of those targets being met and vesting periods). In such circumstances, shareholders will be provided with full details and rationale in the next published Directors’ Remuneration Report.

Excluding the value of any potential buy-out, the maximum value of variable remuneration offered at recruitment to any new executive director will be 500 per cent of base salary, in line with the stated policy.

In the case of an internal promotion to Executive Director, the Company will continue to honour any commitments made before promotion. Other than that, the remuneration arrangements on recruitment will be as above.

Non-Executive Directors will be recruited in line with the Company’s remuneration policy principles outlined before.

Additional information

Remuneration Policy below Director Level

IAG employees at all levels participate in the discretionary Annual Incentive Plan. Both the size of award and weighting of performance conditions vary by level, with some business unit specific measures incorporated where relevant. The financial targets are the aggregate of the financial targets of the Group’s companies, ensuring alignment between the Group’s head office and the Group’s companies.

All senior managers across the Group participate in the IADP (currently 50 per cent of any annual incentive payment deferred in IAG shares for three years) and certain selected senior managers in the PSP in line with the Executive Directors. Employees below senior manager level do not participate in either.

The same performance conditions and weightings apply to all participants of the PSP. The size of award varies by performance and level in the business.

Managers at the airlines in the Group participate in their own airline short-term incentive plans. These all have performance measures specific to their airline, and are typically financial, operational, and customer service measures. Most companies within the Group have profit share schemes, designed to give employees below manager level an opportunity to share in the success of their company within the Group.

Notes on the above forward-looking policy information

Notwithstanding the forward-looking policy detailed herein and always in compliance with applicable law, the Company will make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Board, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes “payments” includes the Company satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are “agreed” at the time the award is granted which may include different performance measures to those outlined in this report.

B.2 Explain the decision-making process for the arrangement of the remuneration policy provided for future years, and the role, if any, played by the remuneration committee.

Explain the decision-making process for the arrangement of the remuneration policy

During the year, the Remuneration Committee kept fully abreast of remuneration developments in the external marketplace. The Remuneration Committee considered that the remuneration framework continued to be appropriate for IAG. In deciding the remuneration policy, the pay and employment conditions in both the Spanish and UK markets were taken into account. Other key metrics considered when deciding pay and remuneration policy include company affordability, market movements, and retention considerations.

One of the key activities for the Committee during 2014 has been reviewing the remuneration strategy and one of the results of this will see a further strengthening of the alignment between executives and shareholders. This has partly been driven by revisions to the UK Corporate Governance Code and feedback from investors. The Company will be introducing, starting from the beginning of 2015, a new metric and an additional holding period for its long term incentive plan, and will also be strengthening the shareholding guidelines, and strengthening the malus and clawback provisions.

The decision-making process for shaping the remuneration policy and the role of the Remuneration Committee has been described in section A.2 above.

B.3 Explain the incentives created by the company in the remuneration system in order to reduce the exposure to excessive risks and to adapt it to the company's long-term objectives, values and interests.

Explain the incentives created in order to reduced risks

A significant portion of the Company's total remuneration package is variable, with emphasis placed on longer-term reward to align closely Executive Directors' and Senior Managers' interests with shareholder interests. At minimum levels, the annual incentive and the PSP pay out zero. At on-target performance, both the annual incentive and the PSP pay out 50 per cent of the maximum opportunity.

The Company has put in place a number of steps to reduce risks. The main actions are as follows:

- *Deferral*: Half of any annual incentive plan pay-out is deferred into shares, under the Incentive Award Deferral Plan.
- *Additional holding period in the PSP*: There will be an additional holding period of two years in the Performance Share Plan. This means that Executives will be required to retain the shares acquired from PSP awards for a minimum of two years following the end of the performance period. This is to strengthen the alignment between Executives and shareholders.
- *Shareholding Requirements*: The CEO of IAG is expected to build up and maintain a shareholding of 250 per cent of basic salary, and other Executive Directors are expected to build up and maintain a shareholding of 150 per cent of basic salary. Executives will be required to retain the entire 100 per cent of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained. Again, this will reinforce alignment with shareholders' interests.
- *Malus and Clawback Provisions*: Following the Remuneration Committee's advice, the Board has authority under the malus provisions of the Performance Share Plan and the Incentive Award Deferral Plan to reduce or cancel awards before they vest, and authority under the clawback provisions of the Performance Share Plan to recover payments after vesting, if special circumstances exist. These special circumstances include fraud; material breach of any law, regulation or code of practice; misstatement of results; misconduct; failure of risk management; or any other circumstances in which the Directors consider it to be in the interests of shareholders for the award to lapse or be adjusted.

For the PSP, clawback provisions apply during the two years' additional holding period. For the IADP, there will be three years from the date of award in which shares can be withheld, i.e. the entire period from the date of the award until vesting. For the cash element of the annual incentive plan, clawback provisions apply for three years from the date of payment. The proportion of an award to be withheld or recovered will be at the discretion of the Board taking into account all relevant matters.

C. OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE FINANCIAL YEAR CLOSED

- C.1 Explain in summary form the principal characteristics of the structure and items of remuneration of the remuneration policy applied during the financial year closed, which gives rise to the description of the individual remuneration earned by each of the directors that is shown in section D of this report, as well as a summary of the decisions taken by the board for the application of such items.

Explain the structure and items of remuneration of the remuneration policy applied during the financial year

The structure and items of remuneration of the remuneration policy applied during the reporting period (2014).

Executive Directors

2014 Base salary:

Role:	Basic salary:
Willie Walsh (IAG Chief Executive Officer)	€1,050,000
Enrique Dupuy de Lôme (IAG Chief Financial Officer)	€636,000

Taxable Benefits: In 2014, taxable benefits including personal travel benefits and, where applicable, a company car, fuel card, occasional chauffeur services and/or private health insurance amounted to €32,000 in the case of Willie Walsh, and €27,000 in the case of Enrique Dupuy de Lôme.

Life insurance contributions paid in 2014 for the benefit of Willie Walsh amounted to €9,779 and for Enrique Dupuy de Lôme, €5,869.

Pension: Willie Walsh is a member of the Company's pension scheme and the Company paid contributions during the reporting period of €42,460, plus cash in lieu of a pension of £170,037.

Enrique Dupuy de Lôme is a member of the Company's pension scheme and the Company paid contributions during the reporting period of £12,359, plus cash in lieu of a pension of £116,392.

Annual Incentive Award for 2014: At the beginning of 2014, the Board, upon a recommendation by the Committee, set the IAG operating profit as the financial target to be applied to the two-thirds of the Annual Incentive Award for that year. The Operating Profit was considered to be the best financial measure in aligning shareholder interests with the Company and individual performance. In relation to the one-third portion based on personal objectives, the Remuneration Committee, on the proposal of the Chairman, considered the Chief Executive Officer's performance against his role-specific objectives; and the Remuneration Committee, on the proposal of the Chief Executive Officer, considered the Chief Financial Officer's performance against his role-specific objectives. Both performance evaluations were submitted to the Board for final approval on February 26, 2015. The maximum award for the Chief Executive Officer of IAG was 200 per cent of salary (100 per cent of salary for on-target performance), and for the Chief Financial Officer of IAG 120 per cent of salary (60 per cent of salary for on-target performance). The outcomes of the performance conditions were as follows:

Measure		Chief Executive Officer of IAG	Chief Financial Officer of IAG
IAG Operating Profit (67 per cent)	Payout	€1,353,668 £1,095,556	€492,098 £398,267
	per cent of maximum awarded	97 per cent	97 per cent
	Role-specific objectives (33 per cent)	Outcomes versus targets	€700,173 £566,667 The award is based on the successful implementation of the Group's strategy, the sustained improvement in financial performance, improvements in return on investment, and the successful supervision of the transformation programmes at the airlines.
	per cent of maximum awarded	100 per cent	75 per cent
Details of any discretion exercised		-	-
Overall outcome		€2,053,842 £1,662,222	€682,998 £552,767

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

IAG operating profit for 2014 (two-thirds of the annual incentive) has resulted in 97 per cent of the maximum paying out for this element of the incentive. This is between the on-target level and the stretch target level of the target range (2013: 68.125 per cent). The target range for 2014 was as follows: the threshold level at which payments would begin was €1,100m, the on-target level at which 50 per cent of the maximum would pay out was €1,250m, and the stretch target level at which the maximum would pay out was €1,400m. There was a straight line sliding scale between threshold and on-target, and between on-target and stretch target.

Performance Share Plan 2011 (PSP 2011): The IAG PSP 2011 award granted on March 31, 2011 was tested at the end of the performance period which began in January 2011 and ended on December 31, 2013. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG and 120 per cent of salary for the Chief Financial Officer of IAG.

30 per cent of the award was subject to achievement of the Company's synergy targets and 70 per cent subject to a TSR performance condition measured against a group of comparator airlines. The vesting of any award was subject to the Remuneration Committee being satisfied that the Group's underlying financial performance was satisfactory in the circumstances prevailing over the three year period.

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2011)
TSR performance against a group of airlines ¹ (70 per cent)	Median (25 per cent of award vests)	Upper quartile or above (100 per cent of award vests)	5th out of 17 airlines	100 per cent
IAG synergy € targets (30 per cent)	Achievement of year 1 synergy target of €72 million will trigger 5 per cent.		€134m	100 per cent
	Achievement of year 2 synergy target of €166 million will trigger 5 per cent.		€313m	100 per cent
	Achievement of year 3 synergy target of €279 million will trigger 5 per cent.		€460m	100 per cent
	The 15 per cent balance will trigger if the year 3 synergy target is exceeded by more than 20 per cent (> €335 million).		€460m	100 per cent
Details of any discretion exercised				
Overall outcome				100 per cent

¹ Group of airlines: Air Berlin, Air France/KLM, Air New Zealand, All Nippon Airlines, American Airlines, Cathay Pacific Airlines, Delta Airlines, EasyJet, LAN, Lufthansa, Qantas Airways, Ryanair, SAS, Singapore Airlines, United Airlines, US Airways. Air Canada delisted during the performance period (24 April 2012) and was removed from the group. American Airlines was retained in the group and following its merger with US Airways, both the respective TSR figures tracked forward from the merger date in line with the TSR of the new company, American Airlines Group.

Performance Share Plan 2012 (PSP 2012): The IAG PSP 2012 awards granted on August 3, 2012 were tested at the end of the performance period which began on January 1, 2012 and ended on December 31, 2014. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG and 120 per cent of salary for the Chief Financial Officer of IAG.

50 per cent of the award was subject to achievement of the Company's EPS targets and 50 per cent subject to a TSR performance condition measured against an index. The vesting of any award was subject to the Board (and the Remuneration Committee) being satisfied that the Group's underlying financial performance was satisfactory in the circumstances prevailing over the three year period.

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2012)
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (50 per cent)	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	IAG's TSR performance exceeded index by 20 per cent p.a.	100 per cent
Earnings per Share (EPS) (50 per cent)	2014 EPS of 20 €cents (10 per cent of award vests)	2014 EPS of 50 €cents (100 per cent of award vests)	2014 EPS of 40.2 €cents	70.6 per cent
Details of any discretion exercised	-	-	-	
Overall outcome				85.3 per cent

Performance Share Plan 2014 (PSP 2014): The Company granted an award for 2014 under the IAG PSP 2014 on March 6, 2014. The details of the 2014 PSP are the following:

- *Type of award:* Shares
- *Basis of determination of the size of award:* Awards only made to those Executives who are consistently high-performing, and/or are in key roles, and/or whom the Company wishes to retain in the long term.
- *Face value awarded (per cent of salary):* Chief Executive Officer of IAG – 200 per cent. Chief Financial Officer of IAG – 120 per cent.
- *Grant price:* £4.35
- *Performance period:* January 1, 2014 to December 31, 2016
- *Performance conditions:* earnings per share (EPS) performance targets (weighting 50 per cent) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting 50 per cent).
- *EPS target range:* Threshold: 2016 EPS of 34 €cents, 10 per cent vests; Target (straight line vesting between threshold and maximum): 2016 EPS between 34 €cents and 56 €cents; Maximum: 2016 EPS of 56 €cents, 100 per cent vests.
- *TSR target range:* Threshold: IAG's TSR performance equal to the index 25 per cent vests; Target (straight line vesting between threshold and maximum): IAG's TSR performance between index return and 8 per cent p.a. outperformance; Maximum: IAG's TSR performance exceeds index by 8 per cent p.a., 100 per cent vests.

Upon consideration by the Remuneration Committee, the Board retains the discretion to review and, if appropriate, adjust the EPS targets and/or definition in the context of any corporate transactions, provided that, in its view, any revised targets are no more or less challenging than the original targets. To the extent that any such adjustments are made, the Company will disclose the basis for any adjustments and the rationale in subsequent reports.

Exit payment paid during 2014: Rafael Sánchez-Lozano stood down from the Board of Directors on March 27, 2013. During the reporting period, he received his final payments of €52,667 monthly in each of January 2014, February 2014, and March 2014, the Company being satisfied in its reasonable opinion that he had complied with his obligations to find alternative paid work under his termination agreement. He was granted Good Leaver status, and therefore received 239,993 shares (€1,191,161, €:£ exchange rate applied is 1.1724) from the 2011 Performance Share Plan (PSP) award on March 31, 2014, pro-rated to take into account the proportion of the performance period that he was employed by the Company. In addition to this, he will receive 20,616 deferred shares in August 2015 from the 2012 IADP award (relating to performance in the 2011 Annual Incentive Plan).

Non-Executive Directors

As explained in section A.3 above, Non-Executive Directors were paid a flat fee in 2014, with an additional fee for each Committee chairmanship held. In addition, Non-Executive Directors benefited from taxable benefits (use of air-tickets of the Company or related to the Company in accordance with the applicable travel schemes), as explained in section A.3 above.

Each Director has confirmed in writing that they have not received any other items in the nature of remuneration other than those already disclosed in the tables of section D.

D. DESCRIPTION OF THE INDIVIDUAL REMUNERATION EARNED BY EACH OF THE DIRECTORS

Name	Category	Time of office during reporting period
Antonio Vázquez	Other External	From 01/01/2014 to 31/12/2014
Sir Martin Broughton	Non-Executive Independent	From 01/01/2014 to 31/12/2014
Willie Walsh	Executive	From 01/01/2014 to 31/12/2014
César Alierta	Non-Executive Independent	From 01/01/2014 to 31/12/2014
Patrick Cescau	Non-Executive Independent	From 01/01/2014 to 31/12/2014
Enrique Dupuy de Lôme	Executive	From 01/01/2014 to 31/12/2014
Baroness Kingsmill	Non-Executive Independent	From 01/01/2014 to 31/12/2014
James Lawrence	Non-Executive Independent	From 01/01/2014 to 31/12/2014
María Fernanda Mejía	Non-Executive Independent	From 27/02/2014 to 31/12/2014
José Pedro Pérez-Llorca	Non-Executive Independent	From 01/01/2014 to 31/12/2014
Kieran Poynter	Non-Executive Independent	From 01/01/2014 to 31/12/2014
Dame Marjorie Scardino	Non-Executive Independent	From 01/01/2014 to 31/12/2014
Alberto Terol	Non-Executive Independent	From 01/01/2014 to 31/12/2014

D.1 Complete the following tables in relation to the individual remuneration of each of the directors (including the remuneration for the performance of executive duties) earned during the financial year.

a) Remuneration earned at the company the subject of this report:

i) Cash remuneration (in thousands of €)

Name	Salary	Fixed Remuneration	Per diems	Short term Variable Remuneration	Long-term variable remuneration	Remuneration for Board committees' membership	Compensation	Other items	Total 2014	Total 2013
Antonio Vázquez	0	484	0	0	0	0	0	19	503	496
Sir Martin Broughton	0	350	0	0	0	0	0	44	394	438
Willie Walsh	1,050	0	0	1,027	0	0	0	242	2,319	1,978
César Alierta	0	120	0	0	0	0	0	0	120	140
Patrick Cescau	0	120	0	0	0	0	0	20	140	139
Enrique Dupuy de Lôme	636	0	0	341	0	0	0	171	1,148	254
Baroness Kingsmill	0	120	0	0	0	20	0	22	162	139
James Lawrence	0	120	0	0	0	3	0	23	146	133
María Fernanda Mejía	0	100	0	0	0	0	0	4	104	-
José Pedro Pérez-Llorca	0	120	0	0	0	0	0	3	123	121
Kieran Poynter	0	120	0	0	0	17	0	14	151	161
Dame Marjorie Scardino	0	120	0	0	0	0	0	38	158	4
Alberto Terol	0	120	0	0	0	0	0	29	149	92

ii) Share-based remuneration systems

Willie Walsh

Performance Share Plan-PSP 2011

Date of Implementation	Ownership of Options at the beginning of 2014				Exercise Period	Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)			No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 31, 2011	714,285	714,285	0		Performance period: 2011-2013; shares vested to be delivered in 2014	0	0	0	-

Conditions: The PSP 2011 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: Company's synergy targets (weighting 30 per cent) and TSR performance condition measured against a group of comparator airlines (weighting 70 per cent).

Shares delivered during 2014			Options exercised in 2014				Op. vested and not exercised	Options at the end of 2014			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
714,285	€5.23	€3,736,345	0	0	0	0	0	0	0	0	-

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Willie Walsh

Performance Share Plan-PSP 2012

Date of Implementation	Ownership of Options at the beginning of 2014				Exercise Period	Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)			No. of Options	Shares affected	Exercise Price (€)	Exercise Period
August 3, 2012	1,024,844	1,024,844	0		Performance period: 2012-2014; shares vested to be delivered in 2015	0	0	0	-

Conditions: The PSP 2012 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting 50 per cent) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting 50 per cent).

Shares delivered during 2014			Options exercised in 2014				Op. vested and not exercised	Options at the end of 2014			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	1,024,844	1,024,844	0	Performance period: 2012-2014; shares vested to be delivered in 2015

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Willie Walsh

Performance Share Plan-PSP 2013

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2013	684,647	684,647	0	Performance period: 2013-2015; shares vested to be delivered in 2016	0	0	0	-

Conditions: The PSP 2013 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting 50 per cent) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting 50 per cent).

Shares delivered during 2014			Options exercised in 2014				Op. vested and not exercised	Options at the end of 2014			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	684,647	684,647	0	Performance period: 2013-2015; shares vested to be delivered in 2016

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Willie Walsh

Performance Share Plan-PSP 2014

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2014	0	0	0	-	379,310	379,310	0	Performance period: 2014-2016; shares vested to be delivered in 2017

Conditions: The PSP 2014 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting 50 per cent) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting 50 per cent).

Shares delivered during 2014			Options exercised in 2014				Op. vested and not exercised	Options at the end of 2014			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	379,310	379,310	0	Performance period: 2014-2016; shares vested to be delivered in 2017

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Willie Walsh

Incentive Award Deferral Plan-IADP 2011

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 31, 2011	90,984	90,984	0	Deferral period finishes on March 31, 2014	0	0	0	-

Conditions: The IADP 2011 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.

Shares delivered during 2014			Options exercised in 2014			Op. vested and not exercised	Options at the end of 2014				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
90,984	€5.23	€475,927	0	0	0	0	0	0	0	0	-

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Willie Walsh

Incentive Award Deferral Plan-IADP 2012

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
August 3, 2012	93,773	93,773	0	Deferral period finishes on August 3, 2015	0	0	0	-

Conditions: The IADP 2012 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.

Shares delivered during 2014			Options exercised in 2014			Op. vested and not exercised	Options at the end of 2014				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	93,773	93,773	0	Deferral period finishes on August 3, 2015

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Willie Walsh

Incentive Award Deferral Plan-IADP 2014

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2014	0	0	0	-	149,353	149,353	0	Deferral period finishes on March 6, 2017

Conditions: The IADP 2014 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.

Shares delivered during 2014			Options exercised in 2014			Op. vested and not exercised	Options at the end of 2014				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	149,353	149,353	0	Deferral period finishes on March 6, 2017

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Enrique Dupuy de Lôme

Performance Share Plan-PSP 2011

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 31, 2011	249,350	249,350	0	Performance period: 2011-2013; shares vested to be delivered in 2014	0	0	0	-

Conditions: The PSP 2011 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: Company's synergy targets (weighting 30 per cent) and TSR performance condition measured against a group of comparator airlines (weighting 70 per cent).

Shares delivered during 2014			Options exercised in 2014			Op. vested and not exercised	Options at the end of 2014				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
249,350	€5.23	€1,304,322	0	0	0	0	0	0	0	0	-

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Enrique Dupuy de Lôme

Performance Share Plan-PSP 2012

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
August 3, 2012	372,670	372,670	0		0	0	0	-

Performance period:
2012-2014; shares vested
to be delivered in 2015

Conditions: The PSP 2012 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions earnings per share (EPS) (weighting 50 per cent) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting 50 per cent).

Shares delivered during 2014			Options exercised in 2014			Op. vested and not exercised	Options at the end of 2014				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	372,670	372,670	0	Performance period: 2012-2014; shares vested to be delivered in 2015

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Enrique Dupuy de Lôme

Performance Share Plan-PSP 2013

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2013	248,963	248,963	0		0	0	0	-

Performance period:
2013-2015; shares vested
to be delivered in 2016

Conditions: The PSP 2013 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting 50 per cent) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting 50 per cent).

Shares delivered during 2014			Options exercised in 2014			Op. vested and not exercised	Options at the end of 2014				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	248,963	248,963	0	Performance period: 2013-2015; shares vested to be delivered in 2016

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Enrique Dupuy de Lôme

Performance Share Plan-PSP 2014

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2014	0	0	0	-	137,931	137,931	0	Performance period: 2014-2016; shares vested to be delivered in 2017

Conditions: The PSP 2014 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions earnings per share (EPS) (weighting 50 per cent) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting 50 per cent).

Shares delivered during 2014			Options exercised in 2014				Op. vested and not exercised	Options at the end of 2014			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	137,931	137,931	0	Performance period: 2014-2016; shares vested to be delivered in 2017

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Enrique Dupuy de Lôme

Incentive Award Deferral Plan-IADP 2012

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
August 3, 2012	37,267	37,267	0	Deferral period finishes on August 3, 2015	0	0	0	Performance period: 2014-2017; shares vested to be delivered in 2017

Conditions: The IADP 2012 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.

Shares delivered during 2014			Options exercised in 2014				Op. vested and not exercised	Options at the end of 2014			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	37,267	37,267	0	Deferral period finishes on August 3, 2015

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Enrique Dupuy de Lôme

Incentive Award Deferral Plan-IADP 2013

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2013	62,241	62,241	0	Deferral period finishes on March 6, 2016	0	0	0	-

Conditions: The IADP 2013 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.

Shares delivered during 2014			Options exercised in 2014				Op. vested and not exercised	Options at the end of 2014			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	62,241	62,241	0	Deferral period finishes on March 6, 2016

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

Enrique Dupuy de Lôme

Incentive Award Deferral Plan-IADP 2014

Date of Implementation	Ownership of Options at the beginning of 2014				Options assigned during 2014			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2014	0	0	0	-	50,862	50,862	0	Deferral period finishes on March 6, 2017

Conditions: The IADP 2014 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.

Shares delivered during 2014			Options exercised in 2014				Op. vested and not exercised	Options at the end of 2014			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	50,862	50,862	0	Deferral period finishes on March 6, 2017

Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.

iii) Long-term saving systems

Name	Contribution for the year by the company (thousands €)		Amount of accumulated funds (thousands €)	
	2014	2013	2014	2013
Willie Walsh	52	58	222	170
Enrique Dupuy de Lôme	15	16	31	16

iv) Other benefits (in thousands of €)

Willie Walsh

Remuneration in the form of advance payments, credit facilities granted				
Interest rate of the transaction		Essential characteristics of the transaction		Amounts possibly repaid
-		-		-
Life insurance premiums		Security granted by the company for directors		
2014	2013	2014		2013
10	8	-		-

Enrique Dupuy de Lôme

Remuneration in the form of advance payments, credit facilities granted				
Interest rate of the transaction		Essential characteristics of the transaction		Amounts possibly repaid
-		-		-
Life insurance premiums		Security granted by the company for directors		
2014	2013	2014		2013
6	1	-		-

b) Remuneration earned by the company's directors for their membership of boards of other group companies:

- i) Cash remuneration (in thousands of €)
- ii) Share-based remuneration systems
- iii) Long-term saving systems
- iv) Other benefits (in thousands of €)

c) Summary of remuneration (in thousands of €):

The summary should include the amounts of all the items of remuneration included in this report which have been earned by the director, in thousands of euros.

In the case of long-term Saving Systems, the contributions or allocations made to this type of systems shall be included:

Name	Remuneration earned at the Company			Remuneration earned at the group companies				Total			Contribution to saving systems during the year
	Total cash remuneration	Amount of shares granted	Gross profit of the options exercised	Total 2014 company	Total cash remuneration	Amount of shares granted	Gross profit of the options exercised	Total 2014 group	Total 2014	Total 2013	
Antonio Vázquez	503	0	0	503	0	0	0	0	503	496	-
Sir Martin Broughton	394	0	0	394	0	0	0	0	394	438	-
Willie Walsh	2,319	4,212	0	6,531	0	0	0	0	6,531	1,978	52
César Alierta	120	0	0	120	0	0	0	0	120	140	-
Patrick Cescau	140	0	0	140	0	0	0	0	140	139	-
Enrique Dupuy de Lôme	1,148	1,304	0	2,452	0	0	0	0	2,452	254	15
Baroness Kingsmill	162	0	0	162	0	0	0	0	162	139	-
James Lawrence	146	0	0	146	0	0	0	0	146	133	-
María Fernanda Mejía	104	0	0	104	0	0	0	0	104	0	-
José Pedro Pérez-Llorca	123	0	0	123	0	0	0	0	123	121	-
Kieran Poynter	151	0	0	151	0	0	0	0	151	161	-
Dame Marjorie Scardino	158	0	0	158	0	0	0	0	158	4	-
Alberto Terol	149	0	0	149	0	0	0	0	149	92	-

D.2 Report on the relationship between the remuneration obtained by the directors and the results or other measurements of performance of the entity, explaining, where relevant, how the variations in the company's performance may have influenced the variation in the directors' remuneration.

The Board, following the recommendation of the Remuneration Committee, has approved a remuneration policy that has a strong correlation between Company performance (measured through financial performance, earnings per share and relative total shareholder return) and Executive Directors' remuneration. A large proportion of the Executive Directors' remuneration package consists of the annual incentive plan and the long term incentive plan, and these both have a pay-out of zero if Company performance is below a certain threshold. Further details on possible remuneration scenarios are included in section A.1 in this Report.

D.3 Report on the result of the consultative vote of the shareholders' meeting on the annual report on remuneration of the previous financial year, indicating the number of votes against which may have been cast:

	Number	% of total
Votes cast	1,138,228,932	100%
	Number	% of votes cast
Votes against	9,988,689	0.878%
Votes in favor	978,994,710	86.010%
Abstentions	149,245,533	13.112%

This annual report on remuneration has been approved by the Company's board of directors, at its meeting of February 26, 2015.

Indicate whether there are directors who have voted against or who have abstained in relation to the approval of this report.

No

Name or corporate name of the members of the board of directors who have not voted in favor of the approval of this report

Reasons (against, abstention, absent)

Explain the reasons

E. OTHER INFORMATION OF INTEREST

If there is any relevant aspect in relation to the directors' remuneration which could not be included in the rest of the sections of this report, but which it is necessary to include so as to contain the fullest and most reasoned information regarding the company's remuneration structure and practices in relation to its directors, describe them briefly.

External Non-Executive Directorship

The Company's consent is required before an Executive can accept an external Non-Executive appointment and permission is only given in appropriate circumstances.

Consideration of employment conditions elsewhere in the Group

The pay of employees across all companies in IAG is taken into account when determining the level of any increase in the annual salary review of Directors. This takes place each year at the January Remuneration Committee meeting.

When determining the PSP awards for Executive Directors, the Committee take note of the eligibility criteria and the potential size of awards for executives below Director level in all companies within IAG.

At the operating company level, the company consults with employee representative bodies, including trade unions and works councils. This will include consultation on company strategy, the competitive environment, and employee terms and conditions. In addition, some of the operating companies run employee opinion surveys in order to take into consideration employee views on a variety of subjects, including leadership, management, and pay and benefits.

Consideration of shareholder views

The Remuneration Committee discusses at its October meeting each year the issues and outcomes from the annual Shareholders' meeting held in June, and determines any appropriate action required as a result.

The Company consults regularly with its major investors on all matters relating to executive remuneration. The Company will engage in an extensive investor consultation exercise whenever there are any significant changes to remuneration policy.

Executive Directors' remuneration corresponding to 2014 (single total figure)

As:

- i) the IAG PSP 2012 performance period finished on December 31, 2014 (although the shares vested under this plan will be delivered during 2015), whereas the IAG PSP 2011 performance period finished on December 31, 2013 (although the shares vested under this plan were delivered during 2014), and
- ii) the 2014 Annual Incentive Award is paid 50 per cent in cash and the remaining 50 per cent is deferred into shares under the 2015 Incentive Award Deferral Plan (IADP),

in order to provide more complete information, the table below sets out the breakdown by remuneration item for each Executive Director, including the shares that have vested under the IAG PSP 2012 (to be delivered in 2015) and not including the shares vested under the IAG PSP 2011 (although delivered during 2014, as they were considered remuneration of 2013 in this same table produced for the 2013 Directors' Remuneration Report) and the full amount of the 2014 Annual Incentive Award (whether to be paid in cash or in deferred shares under the 2015 IADP). An explanation of how the figures are calculated follows the table.

Executive Director ('000)	Base salary	Taxable benefits	Pension related benefits	Annual Incentive Award	Long-term incentive vesting	Total for year to December 31 2014
Willie Walsh (GBP) ¹	850	26	212	1,662	3,640	6,390
Willie Walsh (euro)	1,050	32	262	2,054	4,498	7,896
Enrique Dupuy de Lôme (GBP) ¹	515	22	129	553	1,324	2,543
Enrique Dupuy de Lôme (euro)	636	27	159	683	1,636	3,141
Total (€'000)	1,686	59	421	2,737	6,134	11,037

¹ Willie Walsh and Enrique Dupuy de Lôme remuneration is paid in UK's sterling and also expressed in euro for information purposes only.

Base salary: Salary paid in year for Executive Directors.

Taxable Benefits: Taxable benefits including personal travel benefits and where applicable, a company car, fuel card occasional chauffeur services and/or private health insurance.

Pension or cash in lieu: Employer contribution to pension scheme and/or cash in lieu of pension contribution.

Annual Incentive Award: Annual Incentive Award for the period ended December 31, 2014 (accrued at December 31, 2014, but cash payments (50 per cent of the award) not paid until March 2015). Half of the Annual Incentive Award is deferred into shares (2015 Incentive Award Deferral Plan (IADP)) for three years. For the 2014 Annual Deferral Incentive Plan, these are expected to vest in March 2018.

Long Term Incentive Vesting: This relates to the IAG PSP 2012 based on performance measured to 31 December 2014, although the shares vested will not be delivered until August 2015. For the purposes of this table, the award has been valued using the average share price to the three months to 31 December 2014 of 416.4 pence. 61 per cent of the value of awards vesting under the 2012 PSP cycle was the result of share price appreciation, reflecting the significant increase in shareholder value created over the period.

For the year to 31 December 2014, €:£ exchange rate applied is 1.2356

Executive Directors' conditional awards

The following Executive Directors held conditional awards over ordinary shares of the Company granted under the IAG PSP.

Director	Plan	Date of award	Number of awards at January 1 2014	Awards vesting during the year	Awards lapsed during the year	Awards made during the year	Number of awards at December 31, 2014
Willie Walsh	IAG PSP 2011	March 31, 2011	714,285	714,285	-	-	-
	IAG PSP 2012	August 3, 2012	1,024,844	-	-	-	1,024,844
	IAG PSP 2013	March 6, 2013	684,647	-	-	-	684,647
	IAG PSP 2014	March 6, 2014	-	-	-	379,310	379,310
Total			2,423,776	714,285	-	379,310	2,088,801
Enrique Dupuy de Lôme	IAG PSP 2011	March 31, 2011	249,350	249,350	-	-	-
	IAG PSP 2012	August 3, 2012	372,670	-	-	-	372,670
	IAG PSP 2013	March 6, 2013	248,963	-	-	-	248,963
	IAG PSP 2014	March 6, 2014	-	-	-	137,931	137,931
Total			870,983	249,350	-	137,931	759,564

The performance conditions for the 2012 PSP awards above were tested by the Remuneration Committee and reported to the Board in their meetings held in February 2015. The performance conditions for the 2013 and 2014 PSP awards above will be tested to determine the level of vesting. For these awards, 50 per cent of the award is subject to TSR performance measured against an index, and 50 per cent is subject to EPS performance. In each case, the performance conditions will be measured over a single three year performance period, which begin on January 1.

The award granted on March 31, 2011 was tested at the end of the performance period, and as a result 100 per cent of the award vested, as detailed earlier in this report.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2014 PSP award was 435 pence (2013: 241 pence; 2012: 161 pence; 2011: 231 pence).

Incentive Award Deferral Plan

The following Executive Directors held conditional awards over ordinary shares of the Company granted under the IAG IADP (awarded as a result of IAG performance for the periods that ended December 31, 2011; December 31, 2012 and December 31, 2013).

Director	Year of performance	Date of award	Number of awards at January 1, 2014	Awards released during the year	Date of vesting	Awards lapsed during the year	Awards made during the year	Number of awards at December 31, 2014
Willie Walsh	2010	March 31, 2011	90,984	90,984	March 31, 2014	-	-	-
	2011	August 3, 2012	93,773	-	August 3, 2015	-	-	93,773
	2013	March 6, 2014	-	-	March 6, 2017	-	149,353	149,353
Total			184,757	90,984		-	149,353	243,126
Enrique Dupuy de Lôme	2011	August 3, 2012	37,267	-	August 3, 2015	-	-	37,267
	2012	March 6, 2013	62,241	-	March 6, 2016	-	-	62,241
	2013	March 6, 2014	-	-	March 6, 2017	-	50,862	50,862
Total			99,508	-		-	50,862	150,370

There are no performance conditions to be tested before vesting for the IADP, except that the Director must still be employed by the Group at the time of vesting.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2014 IADP award was 435 pence (2013: 241 pence; 2012: 161 pence; 2011: 231 pence).

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2011 IADP award was 231 pence. The share price on the date of the vesting of this award (March 31, 2014) was 423.3 pence. The money value of the shares received was the share price on the date of the vesting multiplied by the number of shares in respect of the award vested.

Statement of Directors' Shareholding and Share Interests

In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain a personal shareholding in the Company.

Under the Group's shareholding guidelines, which were in force until the end of 2014, Executives were expected to build up and maintain a shareholding of 100 per cent of salary, and were expected to retain no fewer than 50 per cent of shares (net of tax) which vest from share plans until this shareholding requirement is attained. The Committee reviewed this guideline, and determined that it should be amended from 2015 onwards. The CEO of IAG is now expected to build up and maintain a shareholding of 250 per cent of salary, and other Executive Directors are expected to build up and maintain a shareholding of 150 per cent of salary. In addition, the CEO of IAG and other Executive Directors are expected to retain the entire 100 per cent of shares (net of tax) which vest from share plans until this shareholding requirement is attained. The Committee has reviewed Executive Directors' progress against the requirements and notes that both Executive Directors are well above the 2014 shareholding requirement, one is well above the new 2015 requirement, and one is close to the new 2015 requirement. During 2014, there was a significant improvement in shareholding for the executive directors (98 per cent to 337 per cent for the CEO of IAG, and 22 per cent to 138 per cent for the CFO of IAG). This was mainly as a result of the 2011 PSP award vesting in March 2014 at the maximum vesting level, but also as a result of the deferred shares award from the 2013 annual incentive plan.

Shares which count towards the guideline include shares already held by the executive, vested and exercised shares, vested and unexercised shares, and unvested deferred annual incentive shares. The table below summarises current Executive Directors' interests as of December 31, 2014:

Executive Director	Shareholding requirement	Shares owned	Shares already vested from performance share plans	Shares already vested from deferred annual incentive plans	Unvested shares from deferred annual incentive plans	Total qualifying shareholding
Willie Walsh	100 per cent of salary From 2015: 250 per cent of salary	22,000	631,144	77,054	128,857	859,055 (337 per cent of salary)
Enrique Dupuy de Lôme	100 per cent of salary From 2015: 150 per cent of salary	100	113,537	-	79,696	193,333 (138 per cent of salary)

External Non-Executive directorship

The Company's consent is required before an Executive can accept an external Non-Executive appointment and permission is only given in appropriate circumstances. During the reporting period in question the following Executive Director held a directorship from which he retained a fee:

Director	Company	Fee
Enrique Dupuy de Lôme	Amadeus	€84,410 for 2014

Enrique Dupuy de Lôme stepped down from the Board of Amadeus on October 16, 2014.

Willie Walsh is a Non-Executive Director of the Irish National Treasury Management Agency, for which he has declined a fee.

Directors' interests in shares

	Total shares and voting rights	Percentage of capital
Antonio Vázquez	512,291	0.025
Sir Martin Broughton	174,910	0.009
Willie Walsh	730,198	0.036
César Alierta	1,000,000	0.049
Patrick Cescau	0	0.000
Enrique Dupuy de Lôme	113,637	0.006
Baroness Kingsmill	2,000	0.000
James Lawrence ¹	216,500	0.011
María Fernanda Mejía	100	0.000
José Pedro Pérez-Llorca	408	0.000
Kieran Poynter	0	0.000
Dame Marjorie Scardino	100	0.000
Alberto Terol	9,200	0.000
Total	2,759,344	0.136

¹ Held as IAG ADSs (one IAG ADS equals five IAG Shares).

There have been no changes to the shareholdings set out above between December 31, 2014 and the date of this Report.

Share scheme dilution limits

The Investment Association sets guidelines that restrict the issue of new shares under all the Company's share schemes in any ten year period to 10 per cent of the issued ordinary share capital and restrict the issues under the Company's discretionary schemes to 5 per cent in any ten year period. At the annual Shareholders' meeting on June 20, 2013 the Company was given authority to allocate up to 67,500,000 shares (3.31 per cent of the share capital) in 2013, 2014 and 2015. Of this a maximum of 7,650,000 shares could be allocated to Executive Directors under all IAG share plans for awards made during 2013, 2014 and 2015. At December 31, 2014, 2.37 per cent of the share capital had been allocated under the IAG share plans.

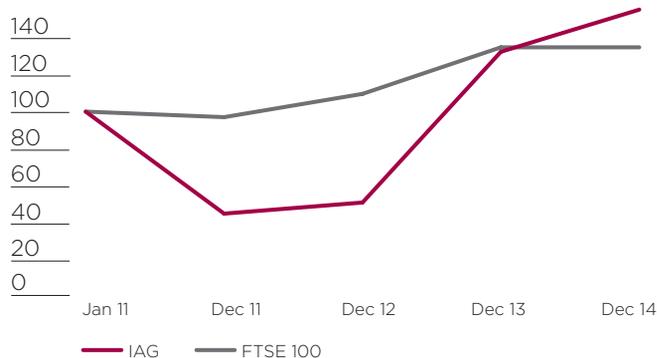
The highest and lowest close prices of the Company's shares during the period and the share price at December 31, 2014 were:

At December 31, 2014	486p
Highest in the period	487p
Lowest in the period	316p

Company performance graph and Chief Executive Officer of IAG 'single figure' table

The chart shows the value by December 31, 2014 of a hypothetical £100 invested on listing compared with the value of £100 invested in the FTSE 100 index over the same period. A spot share price has been taken on the date of listing, and a three month average has been taken prior to the year ends. The FTSE 100 was selected because it is a broad equity index of which the Company is a constituent, and the index is widely recognised.

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



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

	2011	2012	2013	2014
Chief Executive Officer of IAG - 'total single figure' of remuneration	£1,550,000	£1,083,000	£4,971,000	£6,390,000
Annual incentive	The above 'total single figure' includes £302,000 annual incentive (18 per cent of maximum).	No annual incentive payment.	Includes annual incentive payment of £1,299,375 (78.75 per cent of maximum).	Includes annual incentive payment of £1,662,222 (97.78 per cent of maximum).
Long term incentive	The above 'total single figure' includes £251,594 value of long term incentives vesting (35 per cent of maximum).	Zero vesting of long term incentives.	The above 'total single figure' includes £2,593,569 value of long term incentives vesting (100 per cent maximum).	The above 'total single figure' includes £3,640,135 value of long term incentives vesting (85 per cent of maximum).
Notes	The above 'total single figure' includes 20 days of remuneration (in January 2011) paid by British Airways.	Whilst the performance of the CEO of IAG would in the opinion of the Board have justified the payment of the annual incentive, after considering the financial performance of the Group, the Board decided to exercise its discretion to withhold the payment of the annual incentive.	70 per cent of the value of awards vesting under the 2011 PSP was the result of share price appreciation, reflecting the significant increase in shareholder value created over the period.	61 per cent of the value of awards vesting under the 2012 PSP was the result of share price appreciation, reflecting the significant increase in shareholder value created over the period.

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

Percentage change in remuneration of the Chief Executive Officer of IAG compared to employees

The table below shows how the remuneration of the Chief Executive Officer of IAG has changed for 2014 compared to 2013. This is then compared to a group of appropriate employees. It has been determined that the most appropriate group of employees are all UK employees in the Group, comprising around 41,000 employees in total. To make the comparison between the CEO of IAG and employees as meaningful as possible, it was determined that a large a group as possible of employees should be chosen. The selection of all UK employees in the Group (roughly two-thirds of the entire Group's employees) meets this criteria. The majority of the 41,000 UK employees in the Group are employed by BA, but there are also a number of employees from all other companies in the Group based in the UK. It was determined that employees outside the UK would not be considered for the comparison, as very different employment market conditions exist in other countries. This is a change from the comparator group in the 2013 Directors' Remuneration Report, which was IAG Head Office employees (99 employees in total). Although this was determined to be a meaningful comparator group, being the CEO of IAG's place of employment, it was deemed to be too small a comparator group, hence the change to all UK employees in the Group.

	Chief Executive Officer of IAG	UK employees
Basic salary	3 per cent basic salary increase for 2014, his first pay increase for 3 years. The CEO decided to give this salary increase to a charity of his choice.	Basic salary awards in 2014 at UK companies in the Group varied from 2.5 per cent average to 3 per cent average. The vast majority (BA non-management) received 2.7 per cent, but in addition over half of this group also received increases on their incremental scale, worth between 1 and 2 per cent. Generally, UK employees are well paid when compared to external market norms.
Annual incentive	Increase from £1,299,375 in March 2014 (covering the 2013 performance period) to £1,662,222 in March 2015 (covering the 2014 performance period). This represents a 28 per cent increase.	Changes in overall annual incentive payments for 2014 vs. 2013 varied considerably around the Group, depending on the incentive design, financial performance, and non-financial performance at each individual company. Generally, payments against financial metrics improved, in line with the improvement in individual companies' and Group performance. Payments against non-financial metrics were more varied.
Taxable benefits	No change in benefits policy. Actual payments decreased to £26,000 in 2014 from £47,000 in 2013.	No change in benefits policy. No change in overall costs 2014 vs. 2013.

Relative importance of spend on pay

The table below shows, for 2014 and 2013, total remuneration costs, operating profit, and dividends for the Company. An extra row, showing IAG Operating Profit, has been added to the table below, as it is believed that this will be useful extra information for shareholders.

	2014	2013
Total employee costs, IAG	€4,325,000,000	€4,123,000,000
Total remuneration, Directors (including Non-Executive Directors)	€13,187,000	€16,305,000
IAG Operating Profit (before exceptional items)	€1,390,000,000	€770,000,000
Dividends	-	-