

DIRECTORS’ REMUNERATION POLICY OF INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Subject to the approval of the General Shareholders’ Meeting to be held on June 18, 2015

1. EXECUTIVE DIRECTORS

1.1. Key elements of pay

The remuneration policy of International Consolidated Airlines Group, S.A. (“**IAG**” or the “**Company**”) 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 global airline companies where appropriate. The Remuneration Committee is updated on pay and conditions of the employees within the IAG Group, and takes this into account when considering Executive Directors’ remuneration.

The table below summarises the main elements of remuneration packages for the Executive Directors:

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
<p>Base salary</p> <p>To attract and retain talent to help achieve our strategic objectives</p>	<p>Takes account of role, skills and contribution.</p> <p>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.</p>	<p>Although there is no formal maximum, basic salaries are reviewed annually by the Remuneration Committee by 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.</p>	<p>Individual and business performance is considered in reviewing and setting base salary.</p>
<p>Annual incentive award</p> <p>Incentivises annual corporate performance and the delivery of role specific objectives</p>	<p>The Board, on a recommendation from the 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</p>	<p>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</p>	<p>Two-thirds of the annual incentive is subject to a financial measure (e.g. IAG operating profit), and one-third is</p>

	<p>Board). For the one-third portion based on personal 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.</p> <p>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.</p> <p>Malus and claw-back provisions apply – see below.</p>	<p>payment at all until financial and personal performance has reached the threshold level of the target range.</p>	<p>based on role specific objectives.</p>
<p>Incentive Award Deferral Plan (IADP)</p> <p>Aligns the interest of Executives and shareholders and provides a retention tool</p>	<p>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.</p> <p>The shares will be subject to forfeiture if the Executive Director leaves during the three year deferral period, except if the Executive Director is granted Good Leaver status. This is covered in the section below on exit payment policy.</p> <p>On vesting, the Executive Director will receive the benefit of any dividends paid over the deferred period.</p> <p>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.</p> <p>Malus provision applies – see below.</p>	<p>Half of any annual incentive plan pay-out is deferred into shares.</p>	<p>No other performance conditions apply because it is based on performance already delivered.</p>
<p>Performance Share Plan (PSP)</p> <p>Incentivises long-term shareholder value creation. Drives and rewards delivery of sustained Total Shareholder Return (TSR) and financial performance.</p>	<p>The PSP is a discretionary plan targeted at key senior executives and managers of the Group who directly influence shareholder value.</p> <p>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</p>	<p>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 having the discretion to award up to 300 per cent of salary in exceptional</p>	<p>Any PSP award made will be measured over at least three years.</p> <p>Each year, the Board, following the advice of the Remuneration</p>

	<p>to reflect the creation of long term value within the business.</p> <p>These performance conditions are measured over a performance period of at least three financial years.</p> <p>No payment is required from individuals when the shares are awarded or when they vest.</p> <p>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.</p> <p>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.</p> <p>Following the performance period, there is an additional holding period of two years.</p> <p>Malus and claw-back provisions apply – see below.</p>	<p>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.</p>	<p>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.</p> <p>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.</p> <p>One or more measures will provide a strong measure of the underlying financial performance of the business.</p>
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Purpose and link to strategy	Operation of element of policy	Maximum opportunity
<p>Taxable benefits</p> <p>Ensures total remuneration package is competitive</p>	<p>Life insurance, personal travel and where applicable, a company car, fuel, occasional chauffeur services, and private health insurance.</p> <p>Where appropriate, benefits may include relocation and international assignment costs.</p>	<p>Although there is no formal maximum, the Company determines benefits policy by taking into account Company affordability, and with reference to the external market.</p>
<p>Pension</p> <p>Provides postretirement remuneration and ensures total package is competitive.</p>	<p>The Company operates a defined contribution scheme as a percentage of salary. The Executive Directors can opt instead to receive a salary supplement in lieu of a pension.</p>	<p>The level of employer contribution by the Company is 25 per cent of basic salary.</p>

	The CEO of IAG and the Chief Financial Officer of IAG are members of the pension scheme.	
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1.2. Shareholding requirements

In order to increase alignment with shareholders, the Executive Directors are required to build up a minimum personal shareholding equal to a set percentage of base salary. The CEO of IAG is required to build up and maintain a shareholding of 250 per cent of basic salary, and the remaining Executive Directors are required to build up and maintain a shareholding of 150 per cent of basic salary.

The Executive Directors 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.

1.3. *Malus and Claw-back Provisions*

The Board, following the advice of the Remuneration Committee, has authority under the malus provisions of the Performance Share Plan (PSP) and the Incentive Award Deferral Plan (IADP) to reduce or cancel awards before they vest, and authority under the claw-back provisions of the Performance Share Plan (PSP) to recover payments during the additional holding period, 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 Board considers it to be in the interests of shareholders for the award to lapse or be adjusted.

For the PSP, claw-back 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, claw-back 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, upon consideration of the Remuneration Committee, taking into account all relevant matters.

2. NON-EXECUTIVE DIRECTORS

The table below summarises the main elements of remuneration for Non-Executive Directors:

Purpose and link to strategy	Operation of element of policy	Maximum opportunity
<p>Basic fees</p> <p>Fees are set to take into account the level of responsibility, experience, abilities and dedication required.</p>	<p>Fees are set with reference to market positioning (primarily the IBEX 35 and the FTSE 26 to 100, excluding financial services).</p> <p>To acknowledge certain key roles at Board level, fees are set separately for the Non-Executive Chairman, and the Non-Executive Deputy Chairman.</p> <p>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.</p> <p>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.</p>	<p>The maximum annual aggregate gross remuneration (including annual basic fees and benefits, including travel benefits) payable to 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.</p>
<p>Taxable Benefits</p>	<p>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.</p> <p>As foreseen under 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.</p>	<p>The maximum total annual gross amount of the personal travel benefit is €500,000 for all Non-Executive Directors taken together (including any former Non-Executive Director who may enjoy this benefit at any given time).</p>

3. 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 IAG Group's companies, ensuring alignment between the Group's head office and the Group's companies.

All senior managers across the IAG 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 IAG 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 IAG Group have profit share schemes, designed to give employees below manager level an opportunity to share in the success of their company within the IAG Group.

4. NOTES ON THE FORWARD-LOOKING REMUNERATION POLICY

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 the table above for elements of remuneration packages.

5. REMUNERATION SCENARIOS

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 of the Company, 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.

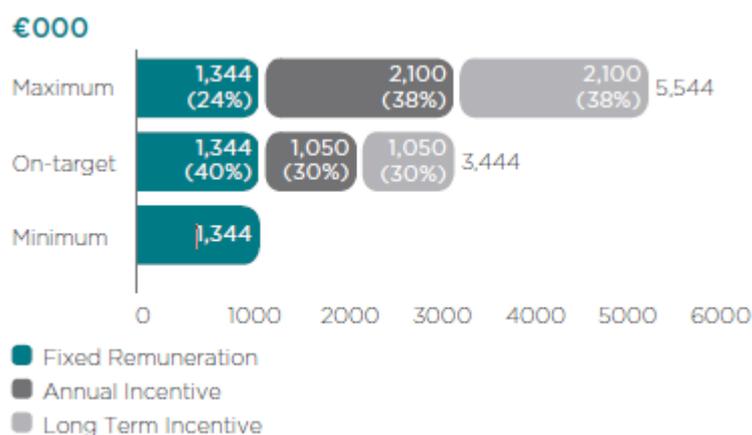
5.1. Chief Executive Officer of IAG

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 sterling, and are shown here in euro at the €:£ exchange rate of 1.2356.



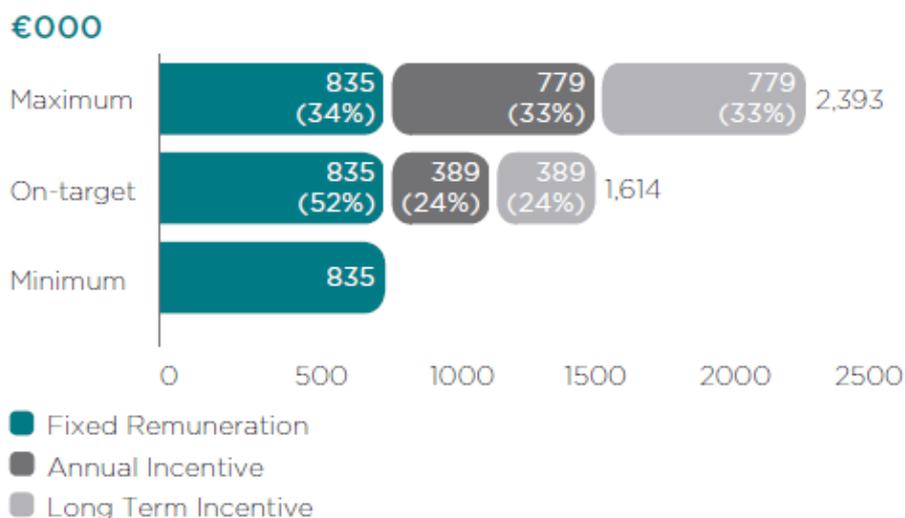
5.2. Chief Financial Officer of IAG

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 sterling, and are shown here in euro at the €:£ exchange rate of 1.2356.



6. SERVICE CONTRACTS AND EXIT PAYMENTS POLICY

6.1. Executive Directors

The following is a description of the key terms of the service contracts of Executive Directors.

The contracts of Executive Directors are for an indefinite period.

There are no express provisions in Executive Directors' service contracts with the Company for compensation payable upon termination of those contracts, other than for payments in lieu of notice.

Executive Director	Date of contract	Notice period
Willie Walsh	January 21, 2011	12 months
Enrique Dupuy de Lôme	January 21, 2011	12 months

The period of notice required from the Executive Directors is six months; the period of notice required from the Company is 12 months. Where the Company makes a payment in lieu of notice, 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 Director 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 Director (including salary and benefits) referable to work done in that month.

In the event of an Executive Director's redundancy, the corresponding 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 twelve months base salary.

The Company will honour the contractual entitlements of a terminated Executive Director; however, the Company may terminate an Executive Director's service contract with immediate effect and without compensation on a number of grounds including where the Executive Director 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 Company, the Board, after considering the recommendation of 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 performance conditions being met. The pro-ration is calculated according to what proportion of the performance period the Executive Director spent in Company service. If Good Leaver status is not granted to an Executive Director, all outstanding awards made to them under the PSP and IADP will lapse.

In the event of an Executive Director's termination from the Company, they must not be employed by, or provide services to, a restricted business (i.e. an airline or travel business that competes with the Company) for a period of six months.

6.2. Non-Executive Directors

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

Board members shall hold office for a period of one year. The dates of the Chairman's and current Non-Executive Directors' appointments are as follows:

Non-Executive Directors	Date of the first appointment	Date of last re-election
Antonio Vázquez Romero	May 25, 2010	June 18, 2014
Sir Martin Broughton	May 25, 2010	June 18, 2014
Baroness Kingsmill	September 27, 2010	June 18, 2014
James Lawrence	September 27, 2010	June 18, 2014
César Alierta	September 27, 2010	June 18, 2014
Patrick Cescau	September 27, 2010	June 18, 2014
José Pedro Pérez-Llorca	September 27, 2010	June 18, 2014
Kieran Poynter	September 27, 2010	June 18, 2014
Alberto Terol	June 20, 2013	June 18, 2014
Dame Marjorie Scardino	December 19, 2013	June 18, 2014
Maria Fernanda Mejía	February 27, 2014	June 18, 2014

7. EXTERNAL NON-EXECUTIVE DIRECTORSHIP

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

8. 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 Executive Directors.

The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to deviate from the stated remuneration policy as necessary 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, after considering the recommendation of the Remuneration Committee, 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 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 applied to the existing Non-Executive Directors outlined before.

9. CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN IAG GROUP

The pay of employees across all companies in IAG Group 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 Remuneration Committee takes 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, 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.

10. 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.

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ANNEX

IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY FOR 2015

EXECUTIVE DIRECTORS

Basic Salary

Basic salaries for Executive Directors are reviewed 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 varied across the Group from 1.6 per cent to 2.6 per cent), the Board, following the recommendation of the Remuneration Committee, approved the following:

Executive Director	Basic salary review
Chief Executive Officer of IAG	£850,000 (€1,050,000) (no increase from 2014) ¹
Chief Financial Officer of IAG	£525,300 (€649,000) (in UK sterling terms, an increase of 2% from 2014).

2015 annual incentive plan

The Board, after considering the recommendation of the Remuneration Committee, has approved 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 the 2015 Remuneration Report.

2015 Performance Share Plan 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.

¹ 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.

The Board has approved the use of three performance conditions for PSP 2015, 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 of TSR for 2015 is identical to 2014 and is described in the 2014 Directors' Remuneration Report.

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, following 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 Executives 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.

NON-EXECUTIVE DIRECTOR FEES

Non-Executive Director Fees remain unchanged for 2015. The fees have remained unchanged since 2011.

Office	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

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