

**ANNUAL REPORT ON REMUNERATION OF THE DIRECTORS OF LISTED CORPORATIONS**

THE ISSUER'S IDENTIFYING DATA
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DATE OF END OF REFERENCE FINANCIAL YEAR	31/12/2015
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TAX IDENTIFICATION NO.	A-85845535
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Corporate Name:
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INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.
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Registered Office:
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EL CASERÍO, IBERIA ZONA INDUSTRIAL Nº 2 (LA MUÑOZA), CAMINO DE LA MUÑOZA, S/N, 28042 MADRID
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# 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 2016 are included in the Director's Remuneration Policy of IAG approved by the Shareholders' Meeting held on 18 June 2015 and the main aspects of which are as follows:

##### **Executive Directors**

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

- Base salary.
- Annual incentive.
- Incentive Award Deferral Plan (IADP): it operates with respect to 50% of the annual incentive award and is designed to align the interests of executives with shareholders by providing a portion of the annual incentive in deferred shares.
- Performance Share Plan (PSP): this is a discretionary performance share plan targeted at key senior executives and managers of the IAG Group who directly influence shareholder value and designed to reflect the creation of long-term value within the business based on performance conditions that are measured over a period of at least three financial years.
- Taxable benefits: life insurance, personal travel and, as the case may be, a company car, fuel, occasional chauffeur services, private healthcare insurance and relocation and international assignment costs.
- Pension: contribution to the defined contribution pension plan sponsored by IAG or equivalent salary supplement.

##### **Non-Executive Directors**

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

- Basic fee.
- Taxable benefits: right to use, up to a certain limit, air tickets of the Group airlines or airlines related to the Group in accordance with the applicable travel scheme.

##### **Criteria used to establish the company's remuneration policy**

The Company's remuneration policy for the executive directors 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 IAG'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 IAG 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 2016: new features

At the Annual Shareholders' Meeting held on 18 June 2015, the Directors' Remuneration Policy of IAG was submitted to a binding vote and was approved. As it is envisaged as a long-term policy (three years), it will not be submitted to a vote at the next Annual Shareholders' Meeting of the Company.

Certain minor adjustments have been made, however, which merely affect the practical application of the policy, all of which are favourable to the shareholders, as follows:

- Face value awards for performance share plan awards will not exceed 200 per cent of salary for the CEO of IAG, and not exceed 150 per cent of salary for the CFO of IAG.
- Executive directors below the CEO of IAG (currently, this is just the CFO of IAG) had their shareholding requirement increased to 200 per cent of basic salary, with effect from January 1, 2016.
- The maximum value of variable remuneration offered at recruitment will be no more than that awarded to current director. Therefore, for a new CEO of IAG there will be a 200 per cent maximum opportunity in the annual incentive plan and a 200 per cent maximum face value award for the performance share plan. For any new executive director other than a new CEO of IAG, the figures will be maxima of 150 per cent and 150 per cent respectively. These figures exclude any buy-out amounts.

### 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 2016 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 variation during the performance period is not taken into consideration in these scenarios.

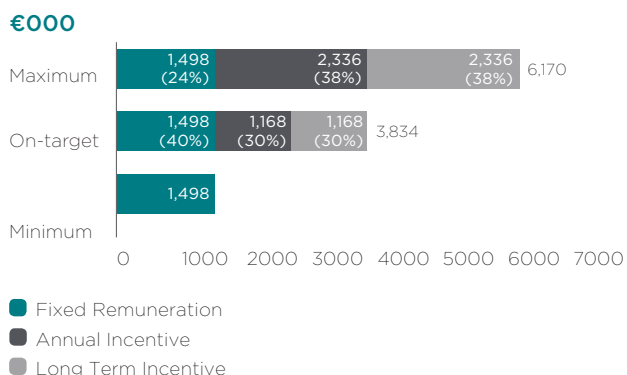
#### Chief Executive Officer of IAG

Fixed remuneration is basic salary (2016 level of €1,168,000), plus taxable benefits (2015 actual of €37,000) plus pension related benefits (2015 actual of €293,000).

The annual incentive amount is zero at the minimum remuneration level, €1,168,000 at the on-target level (50 per cent of the maximum opportunity of 200 per cent of salary), and €2,336,000 at maximum (200 per cent of salary).

The long-term incentive amount is zero at the minimum remuneration level, €1,168,000 at the on-target level (50 per cent of the face value award of 200 per cent of salary) and €2,336,000 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 1.3742.



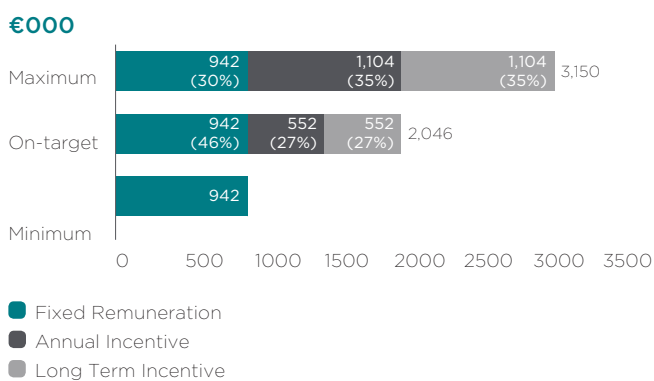
### Chief Financial Officer of IAG

Fixed remuneration is basic salary (2016 level of €736,000), plus taxable benefits (2015 actual of €26,000) plus pension related benefits (2015 actual of €180,000).

The annual incentive amount is zero at the minimum remuneration level, €552,000 at the on-target level (50 per cent of the maximum opportunity of 150 per cent of salary), and €1,104,000 at maximum (150 per cent of salary).

The long-term incentive amount is zero at the minimum remuneration level, €552,000 at the on-target level (50 per cent of the face value award of 150 per cent of salary) and €1,104,000 at maximum (150 per cent of salary).

All amounts are actually paid in sterling, and are shown here in euro at the €:£ exchange rate of 1.3742.



**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 31 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 propose to the Board of Directors the system and amount of the annual remuneration for directors, as well as the individual remuneration of the executive directors and the other terms of their contracts.
- 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.
- To report to the Board of Directors on the senior executive remuneration policy and the basic terms of their contracts.
- To report on incentive plans and pension arrangements.
- To periodically review the remuneration policy for directors and senior executives, taking into account their suitability and performance and how they reflect and support the Company strategy. When considering the remuneration policy, to review and have regard to the remuneration trends and to pay and employees conditions in the Group. And also to obtain reliable, up-to-date information about remuneration in other companies. To help fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary.
- To monitor compliance with the Company's remuneration.
- To ensure that the disclosure requirements of the Spanish and the United Kingdom listing rules, any other applicable listing rules, the law or regulation and relevant stock exchanges are fulfilled, including the annual report on directors' remuneration.
- To verify the information on directors' and executives' remuneration contained in the different corporate documents, including the annual report on directors' remuneration.

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).

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According to article 31 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. A majority of the members of the Remuneration Committee shall be Independent directors.

Baroness Kingsmill was Chair of the Committee until September 24, 2015. Dame Marjorie Scardino was appointed as Chair of the Committee from that date by the Board upon a recommendation of the Nominations Committee. 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.

The Committee appointed Towers Watson as its external advisers in 2014, following a tender process. Towers Watson report directly to the Committee. The fees paid to Towers Watson for advice provided to the Remuneration Committee were €57,716 for 2015. Towers Watson is a signatory to the voluntary UK Code of Conduct for executive remuneration consultants. Towers Watson also provide other services to the Company in terms of the valuation of awards under the PSP for accounting purposes.

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

###### Base salary:

- *Purpose and link to strategy:* to attract and retain talent to help achieve our 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 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 of companies.
- *Performance metrics:* individual and business performance are considered in reviewing and setting base salary.

###### Taxable Benefits:

- *Purpose and link to strategy:* ensures total package is competitive.
- *Operation of element of policy:* life insurance, personal travel and where applicable, a company car, fuel, 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.

##### *Implementation for 2016*

After careful consideration of Company affordability, the worth of each executive, retention risks and the size of pay increases generally across the Group for 2016 (which in the UK varied from 2 per cent to 3 per cent), the Board, following the recommendation of the Remuneration Committee, approved the following basic salaries for 2016:

- Willie Walsh (Chief Executive Officer): £850,000 (€1,168,000) (in UK's sterling terms, no increase from 2015).
- Enrique Dupuy de Lôme (Chief Financial Officer): £535,800 (€736,000) (in UK's sterling terms, an increase of 2.0 per cent from 2015).

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: life insurance, personal travel and where applicable, a company car, fuel, occasional chauffeur services, and private health insurance. Where appropriate, benefits may include relocation and international assignment costs.

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Finally, as detailed below in section A.5, Executive Directors are offered post-retirement remuneration.

Both taxable benefits and pension related benefits as a percentage of basic salary remain unchanged for 2016.

#### Non-executive directors

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) payable to directors shall not exceed €3,500,000 as approved by the 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 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 for all non-executive directors taken together (including any former nonexecutive director who may enjoy this benefit at any given time).

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

#### Implementation for 2016

Non-executive director fees remain unchanged for 2016. The fees have remained unchanged since 2011.

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#### **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 main variable elements of remuneration packages for the executive directors are:

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.

Malus and clawback provisions apply as described in section A.13 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.

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 A.13 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.



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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 A.13 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 having the discretion to award up to 300 per cent of salary in exceptional circumstances). This discretion will not be used. 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.

## Variable payment outcomes

### 2016 Annual Incentive Award

The Board, after considering the recommendation of the Committee, has approved a stretching target range for IAG operating profit for 2016 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 Remuneration Report.

For 2016 the maximum award for the Chief Executive Officer of IAG will be 200 per cent of salary and for the Chief Financial Officer of IAG 150 per cent of salary.

### 2016 Performance Share Plan Award

The Board, on the Remuneration Committee's recommendation, has approved a PSP award for 2016, with a performance period of January 1, 2016 to December 31, 2018.

For 2016, the face value of awards for the Chief Executive Officer will be 200 per cent of salary and for the Chief Financial Officer 150 per cent of salary.

The Board has approved the use of three performance conditions, for the 2016 PSP each with a one-third weighting. These are the same three performance conditions that were used in 2015 (each had a one-third weighting in 2015).

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 2015 PSP award, which is detailed in this Report.

The second performance condition is based on adjusted EPS. This condition is considered appropriate because it provides a strong measure of the underlying financial performance of the business. The Board and the Remuneration Committee have agreed that the earnings per share (EPS) target range for the 2016 PSP award should be increased. This reflects the continued improvement in the financial performance of the Group, and ensures that the target remains appropriately stretching. The adjusted EPS measure will be as follows:

Weighting	One-third
Threshold	2018 adjusted EPS of 105 €cents 10 per cent vests
Target (straight line vesting between threshold and maximum)	2018 adjusted EPS of 105 €cents and 145 €cents
Maximum	2018 adjusted EPS of 145 €cents and 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	2018 RoIC of 12 per cent 10 per cent vests
Target (straight line vesting between threshold and maximum)	2018 RoIC between 12 per cent and 15 per cent
Maximum	2018 RoIC of 15 per cent and 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.

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 for the CEO and CFO of IAG.

**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.

There are no express provisions in executives' service contracts with the Company for compensation payable upon termination of those contracts, other than for payments in lieu of notice, as explained in section A.7 below.

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**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.

The period of notice required from the Executive is six months; the period of notice required from the Company is twelve 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.

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

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

Notwithstanding the above, in relation to the Chairman, as set out in the British Airways/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: life insurance, personal travel and where applicable, a company car, fuel, occasional chauffeur services and private health. 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 up to a certain limit, 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

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 the 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*: Executives 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 other executive directors are required to build up and maintain a shareholding of 150 per cent of basic salary. With effect from January 1, 2016, executive directors other than the CEO of IAG are required to build up and maintain a shareholding of 200 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.

- *Malus and Clawback Provisions:* The Board, following the advice of the Committee, 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 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, 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, upon consideration of the Committee, taking into account all relevant matters.

## **B. DELETED**

## **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 (2015).

#### Executive Directors

##### 2015 Base salary:

Role:	Basic salary:
Willie Walsh ( IAG Chief Executive Officer)	€1,168,000
Enrique Dupuy de Lôme (IAG Chief Financial Officer)	€721,000

##### Taxable Benefits:

In 2015, taxable benefits including life insurance, personal travel and, where applicable, a company car, fuel, occasional chauffeur services and/or private health insurance amounted to €37,000 in the case of Willie Walsh, and €26,000 in the case of Enrique Dupuy de Lôme.

Life insurance contributions paid in 2015 for the benefit of Willie Walsh amounted to €18,083 and for Enrique Dupuy de Lôme, €10,147.

##### Pension:

Willie Walsh is a member of the Company's pension scheme and the Company paid contributions during the reporting period of €39,950 (2014: £42,460), plus cash in lieu of contributions of €172,550 (2014: £170,037).

Enrique Dupuy de Lôme is no longer a member of the Company's pension scheme, and the Company therefore did not pay any contributions during the reporting period (2014: €12,359, when he was a member of the Company's pension scheme for part of the year). He received cash in lieu of contributions of €131,325 (2014: £116,392).

##### Annual Incentive Award for 2015:

At the beginning of 2015, the Board, upon a recommendation by the Committee, set IAG operating profit as the financial target to be applied to the two-thirds of the Annual Incentive Plan for that year. Operating profit was considered to be the most appropriate financial measure in aligning shareholder interests with the Company and individual performance. For the one-third portion based on role-specific objectives, the Remuneration Committee, on the proposal of the Chairman, considered the Chief Executive Officer's performance against his objectives; and the Remuneration Committee, on the proposal of the Chief Executive Officer, considered the Chief Financial Officer's performance against his objectives. Both performance evaluations were submitted to the Board for final approval on February 25, 2016.

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 at IAG	Chief Financial Officer at IAG
<b>IAG Operating Profit (before exceptional items) (antes de partidas excepcionales) (67 per cent)</b>	Payout	€1,090,199 £793,333	€404,246 £294,168
	per cent of maximum awarded	70 per cent Please see below for details of the performance target ranges	70 per cent Please see below for details of the performance target ranges
	Outcomes versus targets	€778,713 £566,667 Please see below for details of the extent of the achievement of objectives.	€259,872 £189,108 Please see below for details of the extent of the achievement of objectives.
	per cent of maximum awarded	100 per cent	90 per cent
<b>Details of any discretion exercised</b>			
<b>Overall outcome</b>		€1,868.912 £1,360.000	€664,118 £483,276

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 (before exceptional items) for 2015 (two-thirds of the annual incentive) has resulted in 70 per cent of the maximum paying out for this element of the incentive (2014: 97 per cent). This is between the on-target level and the stretch target level of the target range. The target range for 2015 was as follows: the threshold level at which payments would begin was €1,800 million, the on-target level at which 50 per cent of the maximum would pay out was €2,100 million, and the stretch target level at which the maximum would pay out was €2,600 million. There was a straight line sliding scale between the threshold level and the on-target level, and between the on-target level and the stretch target level. The figure used for IAG operating profit for 2015 excludes Aer Lingus' contribution to the Company.

#### **Performance against role-specific objectives: Chief Executive Officer of IAG**

The Chief Executive Officer of IAG's main objective is to manage the successful implementation of the Group's strategy. His specific achievements in 2015 against his objectives were:

- the delivery of the business plan
- ensuring a sustained improvement in financial performance;
- improvements in return on investment at each operating company;
- successful supervision of the transformation programmes at the airlines in the Group; and
- leading the successful acquisition of Aer Lingus.

The Chief Executive Officer of IAG has continued to supervise the synergy programme, and synergy outperformance has continued - the 2015 delivery plan has been exceeded by €120 million. The merger synergy programme, initiated in 2011 at the outset of the Group, is now complete, with the target exceeded. He has overseen the creation of the 'IAG Platform', which will produce the "next generation synergies", and significant progress has been made on these.

As a result of all these achievements, the Company was able to announce to its investors in November 2015 a considerable upgrade to our long-term return and equity cash flow objectives. At the same time, the Company announced its first dividend, with an aim of generating much more cash for shareholders.

#### **Performance against role-specific objectives: Chief Financial Officer of IAG**

The Chief Financial Officer of IAG's role-specific objectives for 2015 were:

- to ensure the achievement of cost savings targets;
- to monitor and challenge operating companies' financial performance;
- the delivery of the financial elements of the synergies objectives;
- the development of the business plan;
- ensuring the effectiveness of the Enterprise Risk Management system; and
- managing the efficient financing for the acquisition of Aer Lingus.

During 2015, he has ensured a rigorous cost focus in all operating company activity, and ensured that growth has been disciplined and on improved margins. The improvement in return on invested capital has exceeded the business plan. Continued progress in efficiency programmes at all operating companies have beaten synergy targets. The Enterprise Risk Management system has allowed timely and effective Management Committee interventions on principal risks. Aer Lingus acquisition bridge financing and the November 2015

convertible bond issue were both executed at efficient rates.

#### 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 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)
<b>TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (50 per cent)</b>	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)	Performance exceeded index by 20 per cent p.a.	100 per cent
<b>Adjusted Earnings per Share (EPS) (50 per cent)</b>	2015 EPS of 20 €cents (10 per cent of award vests)	2014 EPS of 50 €cents (100 per cent of award vests)	2014 EPS 40.2 €cents	70.6 per cent
<b>Details of any discretion exercised</b>				
<b>Overall outcome</b>				85.3 per cent

#### Performance Share Plan 2013 (PSP 2013):

The IAG PSP award granted on March 6, 2013 was tested at the end of the performance period which began on January 1, 2013 and ended on December 31, 2015. 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 adjusted 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 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)
<b>TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (50 per cent)</b>	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)	Performance exceeded index by 35 per cent p.a.	100 per cent
<b>Adjusted Earnings per Share (EPS) (50 per cent)</b>	2015 EPS of 30 €cents (10 per cent of award vests)	2015 EPS of 52 €cents (100 per cent of award vests)	71.4 €cents	100 per cent
<b>Details of any discretion exercised</b>				
<b>Overall outcome</b>				100 per cent

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### **Performance Share Plan 2015 (PSP 2015):**

The Company granted an award for 2015 under the IAG PSP 2015 on May 28, 2015.

The Committee believes that comparing the Company's TSR to that of European transportation companies, including airlines, is appropriate, given that these companies are subject to external influences impacting share price performance similar to those of the Group. This comparison therefore provides a good reference point for management outperformance and value creation.

The Committee believes that EPS performance provides a strong measure of the underlying financial performance of the business.

Return on Invested Capital (RoIC) is a financial measure that quantifies how well a company generates cash flow relative to the capital it has invested in its business. The Committee believes that it also provides a strong measure of the underlying financial performance of the business. It is one of the main areas that the Company wishes to focus on improving for the long-term.

The details of the 2015 PSP are as follows:

- *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:* €5.50.
- *Performance period:* January 1, 2015 to December 31, 2017.
- *Performance conditions:* earnings per share (EPS) performance targets (one third), RoIC performance targets (one third) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one third).
- *EPS target range:* Threshold: 2017 EPS of 70 €cents 10 per cent vests; Target (straight line vesting between threshold and maximum) 2017 EPS between 70 €cents and 100 €cents; Maximum: 2017 EPS of 100 €cents 100 per cent vests.
- *RoIC target range:* Threshold 2017 RoIC of 12 per cent 10 per cent vests; Target (straight line vesting between threshold and maximum) 2017 RoIC between 12 per cent and 15 per cent; Maximum: 2017 RoIC of 15 per cent 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.

EPS measure is adjusted for exceptional items. The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to review and, if appropriate, revise 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 Committee will disclose the basis for any adjustments and the rationale in subsequent reports.

### **Payments for loss of office**

No executive directors have left office during 2015.

There were no payments made to non-executive directors after they left office during 2015.

### **Exit payment paid during 2015:**

Rafael Sánchez-Lozano stood down from the Board of Directors on March 27, 2013. During the reporting period he received 20,616 deferred shares in August 2015 from the 2012 IADP award (relating to performance in the 2011 Annual Incentive Plan).

José Pedro Pérez-Llorca received travel benefits worth €404 during 2015 after he had left the Company.

### **Non-executive directors**

As explained in section A.3 above, non-executive Directors were paid a flat fee in 2015, 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
Antonio Vázquez	Other External	From 01/01/2015 to 31/12/2015
Sir Martin Broughton	Non-Executive Independent	From 01/01/2015 to 31/12/2015
Willie Walsh	Executive	From 01/01/2015 to 31/12/2015
César Alierta Izuel	Non-Executive Independent	From 01/01/2015 to 31/12/2015
Patrick Cescau	Non-Executive Independent	From 01/01/2015 to 31/12/2015
Enrique Dupuy de Lôme	Executive	From 01/01/2015 to 31/12/2015
Baroness Kingsmill	Non-Executive Independent	From 01/01/2015 to 31/12/2015
James Lawrence	Non-Executive Independent	From 01/01/2015 to 31/12/2015
María Fernanda Mejía	Non-Executive Independent	From 01/01/2015 to 31/12/2015
José Pedro Pérez-Llorca	Non-Executive Independent	From 01/01/2015 to 18/06/2015
Kieran Poynter	Non-Executive Independent	From 01/01/2015 to 31/12/2015
Dame Marjorie Scardino	Non-Executive Independent	From 01/01/2015 to 31/12/2015
Alberto Terol	Non-Executive Independent	From 01/01/2015 to 31/12/2015

### 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 €)

Nombre	Salary	Fixed Remuneration	Per diems	Short term Variable Remuneration	Long-term variable remuneration	Remuneration for Board committees' membership	Compensation	Other items	Total 2015	Total 2014
Antonio Vázquez	0	484	0	0	0	0	0	19	503	503
Sir Martin Broughton	0	350	0	0	0	0	0	56	406	394
Willie Walsh	1,168	0	0	934	0	0	0	275	2,377	2,319
César Alierta	0	120	0	0	0	0	0	0	120	120
Patrick Cescau	0	120	0	0	0	0	0	34	154	140
Enrique Dupuy de Lôme	721	0	0	332	0	0	0	206	1,259	1,148
Baroness Kingsmill	0	120	0	0	0	15	0	25	160	162
James Lawrence	0	120	0	0	0	20	0	37	177	146
María Fernanda Mejía	0	120	0	0	0	0	0	8	128	104
José Pedro Pérez-Llorca	0	60	0	0	0	0	0	6	66	123
Kieran Poynter	0	120	0	0	0	0	0	29	149	151
Dame Marjorie Scardino	0	120	0	0	0	5	0	72	197	158
Alberto Terol Esteban	0	120	0	0	0	0	0	26	146	149

## (ii) Share-based remuneration systems

### Willie Walsh

#### Performance Share Plan-PSP 2012

Date of Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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	874.191	874.191	6.619.236	150.653	0	0	0	-

**Other exercise conditions:** 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 2015				Options assigned during 2015			
	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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2014	379,310	379,310	0	Performance period: 2014-2016; shares vested to be delivered in 2017	0	0	0	-

**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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
Nº de Acciones	Precio	Importe	Precio ejer (€)	N.º Opciones	Acciones afectadas	Beneficio bruto (m€)	N.º Opciones	N.º Opciones	Acciones Afectadas	Precio ejer. (€)	Plazo de ejercicio
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

### Performance Share Plan-PSP 2015

Fecha de implantación	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	N.º Opciones	Acciones afectadas	Precio ejer. (€)	Plazo de ejercicio
March 6, 2014	0	0	0	-	309,091	309,091	0	Performance period: 2015-2017; holding period: 2018-2019; exercise period: 2020-2024

**Conditions:** The PSP 2015 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 one-third), total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting one-third), and return on invested capital (RoIC) (weighting one-third).

Shares delivered during 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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	309,091	309,091	0	Performance period: 2015-2017; holding period: 2018-2019; exercise period: 2020-2024

**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. Following the performance period there is an additional holding period of two years; this is to strengthen the alignment between Executives and shareholders.

## Willie Walsh

### Incentive Award Deferral Plan-IADP 2012

Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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
93,773	€7.57	€710,034	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 2014

Date of Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2014	149,353	149,353	0	Deferral period finishes on March 6, 2017	0	0	0	-

**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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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.

## Willie Walsh

### Incentive Award Deferral Plan-IADP 2015

Date of Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Plazo de ejercicio	Exercise Period	Shares affected	Exercise Price (€)	Exercise Period
May 28, 2015	0	0	0	-	151,111	151,111	0	Deferral period finishes on March 8, 2018

**Conditions:** The IADP 2015 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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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	151,111	151,111	0	Deferral period finishes on March 8, 2018

**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 2012

Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	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	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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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	317,887	317,887	€2,406,990	54,783	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 2013

Date of Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	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	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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
No. of Shares	Price	Amount	Amount	Exercise Price (€)	No. of Options	Shares affected	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 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2014	137,931	137,931	0	Performance period: 2014-2016; shares vested to be delivered in 2017	0	0	0	-

**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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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

### Performance Share Plan-PSP 2015

Date of Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
May 28, 2015	0	0	0	-	112,364	112,364	0	Performance period: 2015-2017; holding period: 2018-2019; exercise period: 2020-2024

**Conditions:** The PSP 2015 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 one-third), total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting one-third), and return on invested capital (RoIC) (weighting one-third).

Shares delivered during 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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	112,364	112,364	0	Performance period: 2015-2017; holding period: 2018-2019; exercise period: 2020-2024

**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. Following the performance period there is an additional holding period of two years; this is to strengthen the alignment between Executives and shareholders.

## Enrique Dupuy de Lôme

### Incentive Award Deferral Plan-IADP 2012

Date of Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	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	-

**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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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
37,267	€7.57	€282,180	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.

## Enrique Dupuy de Lôme

### Incentive Award Deferral Plan-IADP 2013

Date of Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2015	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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2014	50,862	50,862	0	Deferral period finishes on March 6, 2017	0	0	0	

**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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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.

## Enrique Dupuy de Lôme

### Incentive Award Deferral Plan-IADP 2015

Date of Implementation	Ownership of Options at the beginning of 2015				Options assigned during 2015			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
May 28, 2015	0	0	0	-	50,252	50,252	0	Deferral period finishes on March 8, 2018

**Conditions:** The IADP 2015 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 2015			Options exercised in 2015				Op. vested and not exercised	Options at the end of 2015			
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	50,252	50,252	0	Deferral period finishes on March 8, 2018

**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 €)	
	2015	2014	2015	2014
Willie Walsh	55	52	277	222
Enrique Dupuy de Lôme	0	15	31	31

iv) Otros beneficios (en miles de €)

#### 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		
2015	2014	2015	2014	
18	10	-	-	

#### 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
0		-		-
Life insurance premiums		Security granted by the company for directors		
2015	2014	2015	2014	
10	6	-	-	

(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			
	Total cash remuneration	Amount of shares granted	Gross profit of the options exercised	Total 2015 company	Total cash remuneration	Amount of shares granted	Gross profit of the options exercised	Total 2014 group	Total	Total ejercicio 2014	Contribution to saving systems during the year
Antonio Vázquez	503	0	0	503	0	0	0	0	503	503	-
Sir Martin Broughton	406	0	0	406	0	0	0	0	406	394	-
Willie Walsh	2,377	7,329	0	9,706	0	0	0	0	9,706	6,531	55
César Alierta	120	0	0	120	0	0	0	0	120	120	-
Patrick Cescau	154	0	0	154	0	0	0	0	154	140	-
Enrique Dupuy de Lôme	1,259	2,689	0	3,948	0	0	0	0	3,948	2,452	-
Baroness Kingsmill	160	0	0	160	0	0	0	0	160	162	-
James Lawrence	177	0	0	177	0	0	0	0	177	146	-
María Fernanda Mejía Campuzano	128	0	0	128	0	0	0	0	128	104	-
José Pedro Pérez-Llorca	66	0	0	66	0	0	0	0	66	123	-
Kieran Poynter	149	0	0	149	0	0	0	0	149	151	-
Dame Marjorie Scardino	197	0	0	197	0	0	0	0	197	158	-
Alberto Terol	146	0	0	146	0	0	0	0	146	149	-

## 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	1,313,200,803	100%
Votes against	14,857,525	1.131%
Votes in favour	1,242,765,311	94.637%
Abstentions	54,710,853	4.166%

## 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.

Executive Directors' remuneration corresponding to 2015 (single total figure)

As:

- I. the IAG PSP 2013 performance period finished on December 31, 2015 (although the shares vested under this plan will be delivered during 2016), whereas the IAG PSP 2012 performance period finished on December 31, 2014 (although the shares vested under this plan were delivered during 2015), and
- II. the 2015 Annual Incentive Award is paid 50 per cent in cash and the remaining 50 per cent is deferred into shares under the 2016 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 2013 (to be delivered in 2016) and not including the shares vested under the IAG PSP 2012 (although delivered during 2015, as they were considered remuneration of 2014 in this same table produced for the 2014 Directors' Remuneration Report) and the full amount of the 2015 Annual Incentive Award (whether to be paid in cash or in deferred shares under the 2016 IADP). An explanation of how the figures are calculated follows the table.

Director ('000)	Base salary	Taxable benefits	pension related benefits	Annual incentive award	Long-term incentive vesting	Total for year to December 31 2015
Willie Walsh (GBP) <sup>(1)</sup>	850	27	213	1,360	4,005	6,455
Willie Walsh (eur)	1,168	37	293	1,869	5,504	8,871
Enrique Dupuy de Lôme	525	19	131	483	1,456	2,614
Enrique Dupuy de Lôme	721	26	180	664	2,001	3,592
Total (€000)	1,889	63	473	2,553	7,505	12,463

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

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**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, 2015 (accrued at December 31, 2015, but cash payments (50 per cent of the award) not paid until March 2016). The outcomes of the performance conditions which determined the award are described in section C.1 of this Report. Half of the annual incentive award is deferred into shares for three years (Incentive Award Deferral Plan (IADP)). For the 2015 annual incentive plan, these will vest in March 2019.

**Long Term Incentive Vesting:** This relates to the IAG PSP 2013 award based on performance measured to December 31, 2015, although the shares vested will not be delivered until March 2016. For the purposes of this table, the award has been valued using the average share price in the three months to December 31, 2015 of 585.0 pence. 59 per cent of the value of awards vesting under the 2013 PSP cycle was the result of share price appreciation, reflecting the significant increase in shareholder value created over the period.

For the year to December 31, 2015, €:£ exchange rate applied is 1.3742

#### **Notes on the above forward-looking policy tables**

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 Committee 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 forward-looking policy table above.

#### **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, as expressed in the policy table earlier in this report.

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, 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 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. The maximum value of variable remuneration will be no more than that awarded to current directors.

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 included in this Report.

Non-executive directors will be recruited in line with the Company's remuneration policy principles outlined in this Report.

#### **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 Committee meeting.

When determining the PSP awards for executive directors, the 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. 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 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' 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, 2015	Awards vested during the year	Awards lapsed during the year	Awards made during the year	Number of awards at December 31, 2015
<b>Executive Directors</b>							
Willie Walsh	IAG PSP	August 3, 2012	1,024,844	874,191	150,653	-	-
	IAG PSP	March 6, 2013	684,647	-	-	-	684,647
	IAG PSP	March 6, 2014	379,310	-	-	-	379,310
<b>Total</b>			<b>2,088,801</b>	<b>874,191</b>	<b>150,653</b>	<b>-</b>	<b>1,063,957</b>
Enrique Dupuy de Lôme	IAG PSP	August 3, 2012	372,670	317,887	54,783	-	-
	IAG PSP	March 6, 2013	248,963	-	-	-	248,963
	IAG PSP	March 6, 2014	137,931	-	-	-	137,931
<b>Total</b>			<b>759,564</b>	<b>317,887</b>	<b>54,783</b>	<b>-</b>	<b>386,894</b>

The performance conditions for the 2013 PSP award above were tested by the Remuneration Committee, and reported to the Board, in their meetings held in February 2016. The performance conditions for the 2014 PSP award above will be tested to determine the level of vesting. For this award, 50 per cent of the award is subject to TSR performance measured against an index, and 50 per cent is subject to adjusted EPS performance. The performance conditions will be measured over a single three year performance period.

The award granted on August 3, 2012 was tested at the end of the performance period, and as a result 85.3 per cent of the award vested, as detailed earlier in this report in the section on Variable Pay Outcomes.

The values attributed to the Company's ordinary shares in accordance with the plan rules on the dates of the PSP awards were as follows: 2014: 435 pence; 2013: 241 pence; and 2012: 161 pence.

### Executive Directors' share options

The following Directors held nil-cost options over ordinary shares of the Company granted under the IAG PSP:

Director	Date of grant	Number of options at January 1, 2015	Exercise price	Options exercised during the year	Options lapsed during the year	Options granted during the year	Exercisable from	Expiry date	Number of options at December 31, 2015
<b>Executive Directors</b>									
Willie Walsh	May 28, 2015					309,091	January 1, 2020	December 31, 2024	309,091
<b>Total</b>		-	-	-	-	<b>309,091</b>			<b>309,091</b>
Enrique Dupuy de Lôme	May 28, 2015					112,364	January 1, 2020	December 31, 2024	112,364
<b>Total</b>		-	-	-	-	<b>112,364</b>			<b>112,364</b>

The performance conditions for the 2015 PSP award above will be tested to determine the level of vesting. For this award, one-third of the award is subject to TSR performance measured against an index, one-third is subject to adjusted Earnings per Share (EPS) performance, and one-third is subject to Return on Invested Capital (RoIC) performance. The performance conditions will be measured over a single three year performance period. For the 2015 PSP award, following the performance period there is an additional holding period of two years.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2015 PSP award was 550 pence.

### Incentive Award Deferral Plan for Executive Directors

The following 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, 2012; December 31, 2013 and December 31, 2014).

Director	Relates to incentive award earned in respect of performance	Date of award	Number of awards at January 1, 2015	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of awards at December 31, 2015
<b>Executive Directors</b>								
Willie Walsh	2011	August 3, 2012	93,773	93,773	August 3, 2015	-	-	
	2013	March 6, 2014	149,353	-	March 6, 2017	-	-	149,353
	2014	May 28, 2015	-	-	March 8, 2018	-	151,111	151,111
<b>Total</b>			<b>243,126</b>	<b>93,773</b>		<b>-</b>	<b>151,111</b>	<b>300,464</b>
Enrique Dupuy de Lôme	2011	August 3, 2012	37,267	37,267	August 3, 2015	-	-	
	2012	March 6, 2013	62,241	-	March 6, 2016	-	-	62,241
	2013	March 6, 2014	50,862	-	March 6, 2017	-	-	50,862
	2014	May 28, 2015			March 8, 2018		50,252	50,252
<b>Total</b>			<b>150,370</b>	<b>37,267</b>		<b>-</b>	<b>50,252</b>	<b>163,355</b>

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

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2015 IADP award was 550 pence (2014: 435 pence; 2013: 241 pence; 2012: 161 pence).

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2012 IADP award was 161 pence. The share price on the date of the vesting of this award (August 3, 2015) was 551 pence. The money value of the shares received was the share price on the date of the vesting multiplied by the number of shares in respect of the award vested, as shown in the table above.

## Statement of Directors' Shareholding and Share Interests

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

Under the Group's shareholding guidelines, the CEO of IAG is required to build up and maintain a shareholding of 250 per cent of salary. Other executive directors are required to build up and maintain shareholdings of 200 per cent of salary. In addition, they are required to retain the entire 100 per cent of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained. The Committee has reviewed executive directors' progress against the requirements and notes that both executive directors are well above the shareholding requirement. There has been a significant improvement in shareholding for the executive directors over the past two years, as a result of PSP awards vesting, and deferred shares awards from annual incentive plans.

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, 2015:

Executive Director	Shareholding requirements	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	250 per cent of salary	22,000	1,094,465	126,754	159,246 (712 per cent salary)	1,402,465
Enrique Dupuy de Lôme	200 per cent of salary	100	282,017	19,752	79,697 (332 per cent salary)	381,566

## External Non-Executive Directorship

The Company's consent is required before an executive director can accept an external non-executive appointment and permission is only given in appropriate circumstances. During the reporting period in question no executive director held a directorship from which they retained a fee.

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

Name	Total shares and voting rights	Percentage of capital
Antonio Vázquez	512,291	0.025
Sir Martin Broughton	174,910	0.009
Willie Walsh	1,243,219	0.061
César Alierta Izuel	1,000,000	0.049
Patrick Cescau	0	0.000
Enrique Dupuy de Lôme	301,869	0.015
Baroness Kingsmill	2,000	0.000
James Lawrence <sup>1</sup>	326,500	0.016
María Fernanda Mejía	100	0.000
Kieran Poynter	0	0.000
Dame Marjorie Scardino	100	0.000
Alberto Terol	9,200	0.000
<b>Total</b>	<b>3,570,189</b>	<b>0.175</b>

<sup>1</sup> Held as IAG ADRs (one IAG ADR equals to five IAG shares).

There have been no changes to the shareholdings set out above between December 31, 2015 and the date of this Remuneration Report.

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### 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 18, 2015 the Company was given authority to allocate up to 67,500,000 shares (3.31 per cent of the share capital) in 2015, 2016, 2017 and 2018. Of this a maximum of 7,650,000 shares could be allocated to executive directors under all IAG share plans for awards made during 2015, 2016, 2017 and 2018. At December 31, 2015, 2.40 per cent of the share capital had been allocated under the IAG share plans.

The highest and lowest closing prices of the Company's shares during the period and the share price at December 31, 2015 were:

At December 31 2015	611p
Highest in the period	617p
Lowest in the period	465p

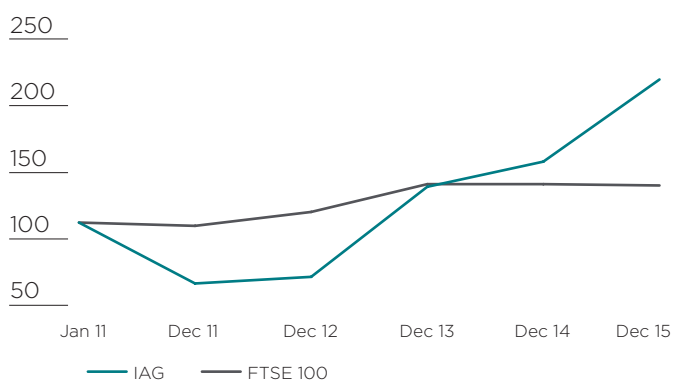
### Company performance graph and Chief Executive Officer of IAG 'single figure' table

The chart shows the value by December 31 2015 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	2015
CEO of IAG "total" single figure of remuneration	£1,550,000	£1,083,000	£4,971,000	£6,390,000	£6,455,000
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)	Includes annual incentive payment of £1,360,000 (80.00 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 of maximum)	The above "total" single figure includes £3,640,135 value of long-term incentives vesting (85 per cent of maximum)	The above "total" single figure includes £4,005,185 value of long-term incentives vesting (100 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.	59 per cent of the value of awards vesting under the 2013 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 2015 compared to 2014. 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 40,000 employees in total. To make the comparison between the CEO of IAG and employees as meaningful as possible, it was determined that as large a group as possible of employees should be chosen.

The selection of all UK employees in the Group (roughly two-thirds of the entire Group's employees) meets these criteria. The majority of the 40,000 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.

	Consejero Delegado de IAG	Empleados del Reino Unido
Basic salary	No basic salary increase for 2015	Basic salary awards in 2015 at UK companies in the Group averaged around 2 per cent.
Annual incentive	Decrease from £1,662,222 in March 2015 (covering the 2014 performance period) to £1,360,000 in March 2016 (covering the 2015 performance period). This represents a 18 per cent decrease.	Changes in the overall annual incentive payments for 2015 vs. 2014 varied considerably around Group, depending on the incentive design, financial performance at each individual company.
Taxable benefits	No change in benefits policy. Actual payments increased to £27,000 in 2015 from £26,000 in 2014.	No change in benefits policy. Overall costs 2015 vs 2014 increased very slightly in line with inflation.

### Relative importance of spend on pay

The table below shows, for 2015 and 2014, total remuneration costs, operating profit, and dividends for the Company.

	2015	2015
Total employee costs, IAG	<b>€4,905,000,000</b>	€4,325,000,000
Total remuneration , directors (including non-executive directors)	<b>€14,669,000</b>	€13,187,000
IAG Operating Profit (before exceptional items)	<b>€2,300,000,000</b>	€1,390,000,000
Dividend declared	<b>€203,000,000</b>	-
Dividend proposed	<b>€204,000,000</b>	-

The figure used for IAG operating profit for 2015 excludes Aer Lingus' contribution to the Company.

This annual report on remuneration has been approved by the company's board of directors, at its meeting of February 25, 2016.

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