

INFORMATION PROVIDED TO THE 2016 ANNUAL SHAREHOLDERS' MEETING ON THE AMENDMENTS MADE TO THE BOARD REGULATIONS SINCE THE LAST SHAREHOLDERS' MEETING

The purpose of this document is to inform the 2016 Annual Shareholders' Meeting of International Consolidated Airlines Group, S.A. (the "**Company**" or "**IAG**"), for all appropriate legal purposes, of the amendments made to the Regulations of the Board of Directors (the "**Regulations**") since the holding of the last Shareholders' Meeting, that is, since June 18, 2015.

Specifically, during this period, the Regulations have been amended by the Board of Directors on two occasions, as detailed below.

1. REFORM OF JUNE 18, 2015

On June 18, 2015, the Board of Directors of the Company approved a wide-ranging reform of the Regulations, approving a full revised text, in order to bring the wording of the Regulations into line with the reform of the Spanish Companies Law carried out by Law 31/2014, of December 3, 2014, for the enhancement of corporate governance, to incorporate certain recommendations of the new code of good governance for listed companies published by the National Securities Market Commission in February 2015 (the "**Spanish Corporate Governance Code**") and to introduce other technical and systematic improvements.

The main purpose of the reform of the Regulations approved by the Board of Directors on June 18, 2015 was to adapt them to the modifications introduced by the referred Law 31/2014 in relation to the mandatory rules governing the composition and functioning of the Board of Directors and its committees, the powers of the Board of Directors and the duties and responsibilities of the directors.

In addition, while bringing the Regulations into line with the legal changes deriving from Law 31/2014, the opportunity was taken to review in depth the wording and to make technical improvements to the text.

The new Spanish Corporate Governance Code was also taken into account.

From a substantive standpoint, the main changes approved on June 18, 2015 can be described as follows:

- (i) **Title I.-** General provisions (articles 1 and 2). Technical improvements were made.
- (ii) **Title II.-** Functions of the Board of Directors (article 3). The new functions attributed to the boards of directors of listed companies on a mandatory and nondelegable basis by Law 31/2014 were incorporated. Moreover, the

reference to the corporate interest that must guide the actions of the Board of Directors was updated, in accordance with the Spanish Corporate Governance Code.

- (iii) **Title III.-** Composition of the Board of Directors (article 4). Technical improvements were made.
- (iv) **Title IV.-** Structure of the Board of Directors: Chairman, Deputy Chairman, CEO, Secretary and Deputy Secretary (articles 5 to 8). The new mandatory provisions regarding the functions of the internal offices on the Board of Directors and the good governance recommendations of the Spanish Corporate Governance Code on their performance were incorporated into the Regulations, as were improvements of a technical nature.
- (v) **Title V.-** Functioning of the Board of Directors (articles 9 to 12). In addition to introducing the new mandatory provisions of Law 31/2014 on the functioning of the managing body, the opportunity was taken to improve the wording, clarify certain provisions and avoid repetitions.
- (vi) **Title VI.-** Appointment and removal of directors (articles 13 to 16). Technical improvements were made to these articles and certain recommendations of the Spanish Corporate Governance Code were incorporated.
- (vii) **Title VII.-** Directors' rights and duties. Remuneration (articles 17 to 27). This title has undergone extensive reform in line with the review of directors' duties by Law 31/2014, improving the structure of these articles and adapting their content to the new legal provisions, in accordance with the following principles:
 - Duty of diligence: the regulation of this duty was completed in order to establish different regimes according to the functions entrusted to each director, and to regulate the business judgment rule, the purpose of which is to protect business judgment in strategic matters and business decision-making. Moreover, the right and duty of the directors to gather the necessary information in order to make informed decisions was made explicit.
 - Duty of loyalty: the order and description of the obligations deriving from this duty were improved, completing the current list, particularly in the area of conflicts of interest. In particular, the mandatory rules on and waiver of the duty of loyalty were developed. Notwithstanding this, the Company may grant specific waivers, authorising the performance by a director or related person of a specific transaction with the Company, the use of certain corporate assets, the taking advantage of a specific business opportunity, or the obtainment of an advantage or remuneration from a third party. This authorisation must be determined on by the Shareholders' Meeting where

the value of the transaction exceeds more than ten percent of the corporate assets.

The approval of related-party transactions was also regulated under this title.

With respect to the article on directors' remuneration (article 27), the changes made were of a purely technical nature, since the substantive regime is regulated in the Bylaws of the Company.

- (viii) **Title VIII.-** Board committees (articles 28 to 32). The new mandatory rules regarding the composition of the necessary committees (audit and compliance, nominations and remuneration) and the minimum functions legally assigned to them were incorporated, without prejudice to the additional functions already attributed to them in accordance with the corporate governance system of IAG and which remain unchanged.
- (ix) **Title IX.-** Relations of the Board of Directors (articles 33 to 35). Improvements were made to the drafting, as well as technical improvements.

2. AMENDMENTS OF DECEMBER 17, 2015

At its meeting of December 17, 2015, the Board of Directors approved additional amendments to the Regulations, mainly to introduce certain amendments to Title VIII (Board committees— Articles 28 to 32) of the Regulations to adapt it to the new corporate governance recommendations of the Spanish Corporate Governance Code in relation to the Board committees.

The opportunity was also taken to make some additional adjustments to the Audit and Compliance Committee regulation to ensure compliance with the Spanish Law 22/2015 on Statutory Audit which will enter into force on June 17, 2016.

The main changes can be described as follows:

- (i) **Article 17.-** *General duty of diligence and loyalty*: Section 5 of this article was amended in order to comply with recommendation 25 of the Spanish Corporate Governance Code that establishes that “*The board of directors’ regulations should lay down the maximum number of company boards on which directors can serve*”.
- (ii) **Article 29.-** *Audit and Compliance Committee*: The requirements for the appointment of the members of this Committee were adapted to the Spanish legal requirements as well as to the UK and Spanish corporate governance recommendations.

Some of the responsibilities of this Committee were redrafted in accordance with the Spanish Corporate Governance Code recommendations. In addition a number of new responsibilities were assigned to this Committee in relation to risk management and control, and in relation to compliance with corporate governance rules, internal codes of conduct and corporate social responsibility. In addition, this article was reorganised to make it clearer.

- (iii) **Article 30.- *Nominations Committee***: The requirement to have a majority of independent directors was added. The responsibilities of this Committee were also adapted to the new Spanish Corporate Governance Code recommendations.
- (iv) **Article 31.- *Remuneration Committee***: The requirement to have a majority of independent directors was added. The responsibilities of this Committee were adapted to the new Spanish Corporate Governance Code recommendations.
- (v) **Article 32.- *Safety Committee***: The only change in this article was to update the cross-reference to article 29 of the Regulations.

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Attached hereto is the revised text with the current wording of the Board of Directors Regulations of the Company.

Madrid, April 28, 2016.

The Secretary of the Board of Directors

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

TITLE I GENERAL PROVISIONS

Article 1. Purpose and scope. Dissemination

1. The purpose of these board of directors regulations (the “**Regulations**”) is to lay down the principles that are to govern all action taken by the board of directors (the “**Board of Directors**”) of INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. (the “**Company**”), the basic rules for the organisation and operation thereof, and the rules of behaviour to be observed by its members.

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

2. The directors and, as appropriate, senior officers of the Company, shall be obliged to be acquainted with the provisions of the Regulations and to enforce and comply with their contents.
3. The Regulations shall take effect as of the date of their adoption by the Board of Directors.
4. The Regulations shall be communicated to the Spanish National Securities Market Commission and registered with the Spanish Mercantile Registry pursuant to the law.
5. The current text of the Regulations must also be made available on the Company website.

Article 2. Interpretation and amendment

1. The Regulations shall be interpreted in accordance with the law and the Corporate Bylaws. Any doubts which may arise in connection with the interpretation of the Regulations shall be settled by the Board of Directors.
2. The Board of Directors shall be responsible, following a report by the Audit and Compliance Committee, for approving any amendments to the Regulations.

TITLE II
MISSION OF THE BOARD OF DIRECTORS

Article 3. Powers of the Board of Directors

1. The Board of Directors has the power to adopt resolutions regarding all matters not assigned by the law or the Corporate Bylaws to the shareholders' meeting of the Company (the "**Shareholders' Meeting**").
2. As a general rule, the Board of Directors, which has the widest powers and authority to manage, direct, administer and represent the Company, shall entrust the day-to-day management of the Company to its executive bodies and to the management team and shall focus its activity on the general duty of supervision and on consideration of those matters which are of particular importance to the Company.
3. The powers reserved by the law or the Corporate Bylaws for the direct consideration of the Board of Directors shall not be delegated.
4. Without prejudice to the legal powers of delegation and empowerment for the implementation of any specific resolutions adopted, the Board of Directors shall directly exercise the following powers, acting upon its own initiative or at the proposal of the corresponding internal body:
 - a) Preparation of the Company's annual accounts, management report and proposed allocation of profit/loss, as well as the consolidated annual accounts, management report and the financial information which, due to its status as a listed company, the Company is periodically required to disclose.
 - b) Preparation of any report required by law from the Board of Directors, provided that the transaction to which the report refers cannot be delegated.
 - c) Appointment of directors by co-option and submission of proposals to the Shareholders' Meeting for the appointment, ratification, re-election or removal of directors following the requirements described in articles 13.3 and 15.2 of these Regulations.
 - d) Designation and renewal of internal offices on the Board of Directors and of the members and offices of the Board of Directors' committees, as well as appointment and removal of the Chief Executive and establishment of his contractual conditions.
 - e) Appointment and removal of the Secretary and the Deputy Secretary.

- f) Adoption of decisions relating to directors' remuneration, pursuant to the Corporate Bylaws and the remuneration policy approved by the Shareholders' Meeting.
- g) Authorisation or waiver of the obligations deriving from the duty of loyalty in accordance with the provisions of the law, including actual or potential conflicts of interest involving directors.
- h) Decisions concerning the appointment and removal, at the proposal of the Chief Executive, of the Company's senior executives (members of the Management Committee, including senior executives who report directly to the Board of Directors or any of its members), as well as the establishment and review, also at the proposal of the Chief Executive, of the basic terms of their contracts, including their remuneration and any compensation in the event of their removal.
- i) Supervision of the effective functioning of any committees created by the Board of Directors and the conduct of the Chief Executive and the executives appointed by the Board of Directors.
- j) Determination of the policy on shareholders' remuneration (including dividends) and submission of proposed resolutions to the Shareholders' Meeting concerning the allocation of profit/loss, as well as decisions regarding interim dividends.
- k) Submission of proposals to the Shareholders' Meeting regarding any amendments to the Corporate Bylaws or the Shareholders' Meeting Regulations.
- l) Establishment of its own organisation and functioning and approval and amendment of the Regulations in accordance with article 2.2 above.
- m) Preparation of the annual corporate governance report.
- n) Call of the Shareholders' Meeting, drawing up of the agenda and preparation of proposed resolutions, including the proposed appointment or re-election of the auditor of the Company and its Group.
- o) Implementation of the resolutions approved by the Shareholders' Meeting and exercise of any functions entrusted to it by the Shareholders' Meeting, including exercise of any powers delegated to it by the Shareholders' Meeting, unless it has been expressly authorised by the Shareholders' Meeting to subdelegate them.
- p) Definition of the structure of the general powers of the Company to be granted by the Board of Directors or by its delegated corporate bodies.

- q) Approval of the strategy and general policies of the Company and its Group, preparation of the programs and establishment of objectives for the implementation of the corporate purpose, as well as promotion and supervision of the management of the Company and compliance with the established objectives. In particular, approval of: (i) the business plan, management objectives and annual budget; (ii) the investment and financing policy; (iii) the risk management and control policy, including tax risks, the Group's risk appetite and the periodic monitoring of the internal information and the information and control systems; (iv) the corporate social responsibility policy; (v) the corporate governance policy of the Company and of the Group; (vi) the Company's tax strategy; and (vii) the treasury stock policy.
- r) Approval of contractual commitments entered into by any member of the Group of more than five years in duration with an aggregate value, expenditure or potential liability exceeding €20 million except where a specific delegation has been given by the Board of Directors.
- s) Approval of any asset acquisition, including option exercise and leases by capital value or investment by the Company or any other member of the Group of a value of more than €20 million and operating leases with an aggregate rental exceeding €20 million.
- t) Approval of any disposal of assets including leases by capital value by any member of the Group where the greater of book value or gross sales proceeds exceeds €20 million, or disposal of assets including leases by capital value by any member of the Group where, as a result of any disposal the Group would be forced to consider a write-off to the profit and loss account in excess of €20 million.
- u) Approval of any disposal of slots at Heathrow Airport or Madrid Barajas Airport which have the benefit of grandfather rights.
- v) Approval of capital expenditure projects costing any member of the Group more than €20 million and the delegation of authority to approve capital expenditure projects of €20 million or below. In addition, the Board of Directors shall approve any further capital expenditure in relation to any project previously approved where it is anticipated that the capital expenditure in relation to such project will exceed 25% of the expenditure so approved by the Board of Directors or, if less, by €10 million.
- w) Approval of any termination, replacement or significant changes to the treasury governance policy of the Group or the Company, including the maximum limits for foreign currency transactions involving forward purchase of currencies.

- x) Approval of (i) any banking arrangement for the Group, bank borrowing or other loan facility exceeding €20 million, (ii) any loan other than to a member of the Group, (iii) open ended funding commitments for any purpose, and (iv) uncapped guarantees other than in relation to obligations of members of the Group and any guarantee of the obligations of any entity or person (other than a member of the Group) where the aggregate liability of the Group may exceed €20 million.
- y) Approval to initiate or settle any litigation where the value in question or risk to the Company exceeds or may exceed €20 million except, in the case of settlement, where the risk is insured or, in case of urgency, in which case approval may be sought from the Chairman together with the Chief Executive or the Chief Financial Officer.
- z) Approval of any equity investment or divestment where the consideration or equity to be subscribed is in excess of €20 million.
- aa) Definition of the Group structure and approval of any material changes to the Group's corporate structure and approval of the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the Group.
- bb) Approval of the introduction or termination of major alliance partnership or the introduction or termination or material variation of any significant revenue or profit sharing arrangement.
- cc) Approval of the introduction of and any major changes to any employee share schemes affecting any member of the Group.
- dd) Approval of the allocation of shares in a member of the Group for the purposes of a long term incentive plan or share option plan in relation to such member (unless already approved by the Remuneration Committee) to the extent legally possible.
- ee) Approval of any political donations to be made by any member of the Group and the Company's policy on charitable donations.
- ff) Approval of the appointment of individuals to, or the removal of individuals from, the boards of the principal subsidiaries and/or investee companies of the Group (as determined by the Board of Directors from time to time) and the appointment of their chairmen and chief executives.
- gg) Definition of the policy regarding disclosure of information to shareholders and to the markets in general.

- hh) Decisions on the approval of transactions that the Company or companies in its Group entered into with directors or shareholders that have a significant holding or that are represented on the Board of Directors or with any persons related to them, on the terms established in the law and these Regulations.
 - ii) Decisions on any matters which, falling within its competencies, are considered in the opinion of the Board of Directors to be in the Company's interests or which are reserved pursuant to the Regulations to the plenary session of the Board of Directors.
5. The Board of Directors has the power to represent the Company, in and out of court. This representative authority shall extend to all acts falling within the corporate purpose established in the Corporate Bylaws.
 6. The Board of Directors shall perform its duties with unity of purpose and independent judgement, giving the same treatment to all shareholders in the same position and being guided by the corporate interest, understood to be the achievement of a profitable and sustainable business in the long term, which promotes its continuity and the maximisation of the company's value. In seeking to serve the corporate interest, in addition to respecting the applicable legislation and maintaining conduct based on good faith, ethics and respect for the generally accepted good practices and customs, the Board of Directors shall endeavour to reconcile the corporate interest with the legitimate interests, as applicable, of the employees, suppliers, customers and other stakeholders that might be affected, also taking into consideration the impact of its activities on the community as a whole and on the environment.

TITLE III COMPOSITION OF THE BOARD OF DIRECTORS

Article 4. Composition of the Board of Directors

1. The Board of Directors shall be composed of a minimum of nine directors and a maximum of fourteen directors, who shall be appointed or ratified at the Shareholders' Meeting, subject to applicable legal and Corporate Bylaw provisions.
2. The Shareholders' Meeting shall be responsible for determining the number of directors, for which purpose it may establish the number by way of an express resolution or indirectly by way of the provision or otherwise of vacancies, or the appointment or otherwise of new directors, within the minimum and maximum numbers stipulated.

TITLE IV
STRUCTURE OF THE BOARD OF DIRECTORS

Article 5. Chairman and Deputy Chairman

1. The chairman of the Board of Directors (the “**Chairman**”) shall be considered the chairman of the Company.
2. The office of Chairman, who is the ultimate representative of the Company, shall be deemed fundamental in order to reach, maintain and promote the efficient performance by the Board of Directors and its members of their tasks and responsibilities, and to ensure that the necessary conditions to do so exist, the Chairman being responsible for leading the Board of Directors and playing a key role in the development of the Company’s strategy (whilst respecting executive responsibility). In addition to the powers corresponding to him pursuant to the law, the Corporate Bylaws, the Shareholders’ Meeting Regulations and these Regulations, the Chairman shall exercise the following powers:
 - a) To call and chair the meetings of the Board of Directors in the manner established in the Corporate Bylaws and these Regulations, establishing the meeting agenda and directing discussions and deliberations.
 - b) To chair Shareholders’ Meetings and direct their discussions and deliberations.
 - c) To submit to the Board of Directors the proposals that he deems appropriate for the sound running of the Company and, in particular, proposals corresponding to the functioning of the Board of Directors and other corporate bodies, and to propose the designation of the internal offices within the Board of Directors.
 - d) To run the Board of Directors and to set its agenda, taking full account of the relevant matters and the concerns of directors.
 - e) To ensure that the directors receive accurate, timely and clear information, in particular about the Company’s performance, its strategy, challenges and opportunities in order to enable the Board of Directors to take sound decisions and correctly monitor the Company’s performance.
 - f) To ensure effective communication with shareholders and ensure that the directors and the executives of the Company understand and address the concerns of investors.
 - g) To ensure that the Board of Directors allocates sufficient and adequate time for the discussion of complex, sensitive or contentious issues, arranging, where appropriate, informal meetings beforehand with directors, executives and advisers to enable thorough preparation for Board of Directors meetings and discussions.

- h) To lead an induction program for new directors that is comprehensive and tailored.
 - i) To identify and address the development needs of the directors and the development needs of the Board of Directors as a whole, with a view to enhancing its overall effectiveness as a team.
 - j) To ensure that the performance of the directors, the Board of Directors as a whole and Board of Directors' committees is evaluated once a year, being such evaluation carried out externally at least once every three years.
 - k) To encourage the active commitment by all directors to the responsible, diligent and loyal performance of their functions.
 - l) To lead Board of Directors discussions with a view to encouraging effective decision-making and a constructive debate on the performance of the Company, its growth strategy and commercial objectives, encouraging the active participation of the directors during meetings and safeguarding their freedom of expression.
 - m) To offer support and advice to the Chief Executive in relation to the strategy and operations of the Company, including in preparation for any Board of Directors discussion regarding the Company's strategy.
 - n) To monitor the correct implementation of the decisions adopted by the Board of Directors.
 - o) Where appropriate, to act as the top representative of the Company before public agencies and external bodies.
 - p) To approve the corporate communications strategy for the Company.
 - q) In general, to promote the highest standards of corporate governance and ensure compliance by the Board of Directors.
3. The Board of Directors may appoint a deputy chairman of the Board of Directors (the "**Deputy Chairman**"), subject to a report being issued by the Nominations Committee.
4. The Chairman shall be replaced in his functions as chairman of the Board of Directors, in the event of absence, illness or inability, by the Deputy Chairman, if any; in his absence, by the director that, should it be the case, has been designated as Senior Independent Director; and, in the absence of both, by the director appointed for that purpose by the Board of Directors.

Article 6. Chief Executive

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

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

Article 7. The Secretary

1. The Board of Directors shall appoint, at the proposal of the Chairman and following a report by the Nominations Committee, a secretary of the Board of Directors (the "Secretary") who may or may not be a director. The same procedure shall be followed for the removal of the Secretary.
2. The functions assigned to the Secretary, in addition to those corresponding to him pursuant to the law and the Corporate Bylaws, shall be as follows:
 - a) Keep custody of the corporate documents, duly record the proceedings of meetings in the minute books and attest to the resolutions adopted by the corporate decision-making bodies.
 - b) Ensure the formal and substantive legality of all action taken by the Board of Directors and its delegated corporate bodies, as well as compliance with relevant regulations and Corporate Bylaws' provisions, and ensure observance of the principles or standards of corporate governance of the Company and the provisions of these Regulations.
 - c) Verify compliance with orders of regulatory entities, and that the recommendations thereof, if any, are taken into consideration.

- d) Generally act as a channel in relations between the Company and the directors in connection with all matters relating to the operation of the Board of Directors, in compliance with the Chairman's instructions.
 - e) Process all requests from the directors regarding the information and documentation of those matters that fall within the purview of the Board of Directors.
 - f) Assist the Chairman to ensure that the directors receive the relevant information for the performance of their functions sufficiently in advance and in the appropriate format.
 - g) Act as secretary for the Shareholders' Meeting.
3. Without prejudice to the Secretary's reporting to and assisting the Chairman, the Secretary shall act in an independent and impartial manner in the professional performance of the duties provided for in the law, the Corporate Bylaws and these Regulations.
 4. The Secretary or the Deputy Secretary, if any, may also serve as general secretary of the Company, if so resolved by the Board of Directors, in which latter capacity the Secretary or Deputy Secretary shall be accountable to the Chief Executive and shall contribute to the integration, coordination and consolidation between the Company and the companies forming part of the Group.

Article 8. The Deputy Secretary

The Board of Directors may appoint a deputy secretary of the Board of Directors (the "**Deputy Secretary**") who may or may not be a director. The Deputy Secretary shall assist the Secretary to perform his duties or replace the Secretary in the event that he is absent.

Unless otherwise decided by the Board of Directors, the Deputy Secretary may attend the meetings of the Board of Directors and assist the Secretary in drawing up the minutes of such meetings.

TITLE V FUNCTIONING OF THE BOARD OF DIRECTORS

Article 9. Meetings of the Board of Directors

1. The Board of Directors shall meet as often as is deemed appropriate but at least, eight times per year, unless the Chairman, freely and in his opinion, considers it

appropriate to cancel any of the sessions. In any event, the Board of Directors shall meet at least once every quarter.

2. Prior to the commencement of each fiscal year, the Board of Directors shall set a schedule for its ordinary meetings. Such schedule may be modified by a resolution adopted by the Board of Directors or upon a decision made by the Chairman, who shall endeavour to notify the directors not less than five days in advance of the date originally set for the meeting or of the new date set in lieu thereof, if the latter date occurs earlier.
3. The Board of Directors shall also meet when the Chairman resolves to call an extraordinary meeting thereof or when such extraordinary meeting is requested by at least four directors or one third of the directors (if less than four). Where requested by the directors, the meeting shall be held within ten days of the request.
4. Calls to meetings of the Board of Directors shall be made by letter, fax, e-mail or any other means and shall be authorised with the signature of the Chairman or of the Secretary or Deputy Secretary, by order of the Chairman. Call notices shall be sent sufficiently in advance to ensure that directors receive them no later than seven days before the date of the meeting, except in the case of meetings deemed urgent by the Chairman (or by the Deputy Chairman, in the event of absence, illness or inability of the Chairman). This notice period shall not apply to cases in which these Regulations require a specific call period. The call notice shall always include, save for justified cause, the meeting agenda (which shall indicate any items requiring a resolution or decision by the Board of Directors) and shall be accompanied by any information deemed necessary. When, for reasons of urgency and on an exceptional basis, the Chairman wishes to submit decisions or resolutions to the Board of Directors for approval that are not included in the agenda, the prior express consent of the majority of directors present shall be required, and such consent shall be duly recorded in the minutes.
5. Any director may submit a request to the Chairman of the Board of Directors for the inclusion of matters in the agenda and the latter shall be required to include them when such request has been made not less than three days in advance of the date set for the meeting.
6. Without prejudice to the foregoing, extraordinary meetings of the Board of Directors may be called when the Chairman (or, in the event of absence, illness or inability of the Chairman, the Deputy Chairman) deems it justified in the circumstances, by telephone, fax, email or any other means, in which case the requirements and formalities to convene a meeting mentioned in the preceding sections of this article shall not apply.
7. The Board of Directors shall be deemed validly convened without the need for a call if all directors are present, in person or by proxy, and unanimously agree to hold a meeting on consent and accept the items on the agenda.

8. Meetings of the Board of Directors shall be held at the registered office or at the venue, in Spain or abroad, specified in the call notice.
9. Directors may attend Board of Directors meetings via telephone multi-conference, videoconference or any other analogous system provided that such systems permit the recognition and identification of the attendees, permanent communication between the attendees regardless of their location, and real-time participation and voting.
10. If no director objects, resolutions may be adopted by the Board of Directors in writing without holding a meeting. In this case, directors may send their votes and any comments they wish to have recorded in the minutes to the Chairman (or to the Secretary or Deputy Secretary acting on his behalf) using the same means mentioned in section 4 above. A record will be kept of resolutions adopted following this procedure in the minutes drawn up in accordance with the law.
11. The Chairman may invite to Board of Directors' meetings any individuals, in-house or external, who may help to enhance the information available to directors.

Article 10. Quorum at meetings and representation

1. The Board of Directors shall be validly constituted if more than half of the directors are present, in person or by proxy.
2. The directors shall make every effort to attend Board of Directors' meetings. Notwithstanding the above, all directors may cast their vote through and grant a proxy to another director, although non-executive directors may only grant a proxy to other non-executive director. Proxies must be granted in writing, addressed to the Chairman or to the Secretary and must be granted specifically for each meeting. For such purposes, a message addressed to the Chairman or the Secretary by letter, fax, telegram, e-mail shall be valid.
3. No director may hold more than three proxies, with the exception of the Chairman, who shall not be subject to such limit but may not represent more than half of the members of the Board of Directors. The director granting the proxy shall endeavour, where possible, to include voting instructions in the proxy letter.

Article 11. Deliberation and adoption of resolutions

1. The Chairman shall organise the debate, encouraging the participation of all directors in the deliberations.
2. Resolutions shall be adopted by an absolute majority (that is, by more than half) of the votes present, in person or by proxy, except where they refer to the permanent delegation of powers and the designation of the directors that are to exercise such powers, in which case the affirmative vote of at least two-thirds of the total number

of members of the Board of Directors shall be required. This shall be without prejudice to those cases in which the law, the Corporate Bylaws or these Regulations provide for a greater majority.

Article 12. Formalisation of resolutions

1. The resolutions of the Board of Directors shall be recorded in minutes, which shall be drawn up in, or transcribed into, the relevant minutes book, stating the circumstances provided for by the law.
2. The minutes shall be approved by the Board of Directors itself, at the end of the meeting or at the next meeting. Resolutions shall also be deemed approved where no director raises any objections within five days of receipt of the draft minutes. The Board of Directors may empower the Chairman and a director, acting jointly, to approve the minutes of the meeting.
3. Once approved, the minutes shall be signed by the secretary of the meeting and countersigned by the party acting as meeting chairman.
4. Any certificates, in whole or in part, necessary to substantiate the Board of Directors resolutions shall be issued and signed by the Secretary or Deputy Secretary, with the countersignature of the Chairman or, as the case may be, the Deputy Chairman.

TITLE VI APPOINTMENT AND DISMISSAL OF THE DIRECTORS

Article 13. Appointment of directors

1. The directors shall be appointed by the Shareholders' Meeting or, when applicable, by the Board of Directors itself, pursuant to the provisions of the law and the Corporate Bylaws.
2. The proposals for the appointment of directors submitted by the Board to the Shareholders' Meeting for consideration, as well as the decisions adopted by the Board of Directors in respect of any such nominations under the powers of co-option legally vested in it, shall refer to persons that satisfy the legal and statutory conditions required to hold office as a director, are of suitable repute and have the appropriate knowledge, experience, skills and availability for the exercise of the functions and duties of such office.
3. The proposal for the appointment of directors which the Board of Directors submits to the Shareholders' Meeting, as well as provisional appointments by the method of co-option, must be approved, on the proposal of the Nominations Committee, in the

case of independent directors, and subject to a report from the Nominations Committee in all other cases.

Article 14. Term of office and co-option

1. Directors shall hold office for the period set forth in the Corporate Bylaws unless the Shareholders' Meeting resolves on their removal from office or dismissal or they stand down from office. In particular, directors must tender their resignation from office and formalise their resignation from the Company when they are subject, on a supervening basis, to any of the grounds for incompatibility, unsuitability or disqualification from holding office as a director provided for in the law, the Corporate Bylaws or these Regulations.
2. Once a director's term of office has expired, his appointment as a director shall end when, following such expiry, the next Shareholders' Meeting has been held or the legal term to hold the Shareholders' Meeting to approve the accounts of the Company for the previous year has expired.
3. Any vacancies may be covered by the Board of Directors by means of co-option, pursuant to the law, on an interim basis until the next Shareholders' Meeting is held, which shall confirm the appointments, appoint the persons that are to replace any directors not ratified, or eliminate any vacant positions.
4. The directors affected by proposals for appointment or re-election to or dismissal from office shall abstain from participating in the debate and voting on such matters.

Article 15. Re-election of directors

1. At the end of their appointment's term, directors may be re-elected one or more times for periods of equal duration to that set forth in the Corporate Bylaws.
2. The proposals for re-election of directors that the Board of Directors resolves to submit to the decision of the shareholders at the Shareholders' Meeting shall be approved on the proposal of the Nominations Committee, in the case of independent directors, and subject to a report from the Nominations Committee in all other cases. The proposal or report of the Nominations Committee shall be prepared having given due regard to the performance, commitment, ability and availability of the director to continue to contribute to the Board of Directors with the knowledge, skills and experience required.
3. To this end, the directors sitting on the Nominations Committee shall be evaluated by the Nominations Committee itself, and each of them shall abstain from participating in the debate and voting that may affect them.

4. The Chairman, Deputy Chairman and, if applicable, the Secretary and Deputy Secretary who are re-elected as directors by the Shareholders' Meeting shall continue to perform the duties that they previously held within the Board of Directors, without the need for a new election, and without prejudice to the Board of Directors' power of revocation with respect to such positions.

Article 16. Resignation and dismissal of directors

1. The directors shall cease to hold office when the term of office for which they were appointed expires and they are not re-appointed or whenever so decided by the Shareholders' Meeting.
2. Notwithstanding the above, a director must place his position at the disposal of the Board of Directors and, at its request, formally resign from office in the following cases:
 - a) When the director ceases to hold the executive positions to which his appointment as director is linked, or when the reasons for which he was appointed no longer exist. In particular, in the case of nominee directors, when the shareholder(s) that proposed, requested or determined their appointment sell or transfer their holding in whole or in part, so that such holding has no longer the status of significant or is not sufficient to justify the appointment.
 - b) When, due to supervening circumstances, the director is subject to any of the grounds for incompatibility or prohibition provided for in the law, the Corporate Bylaws or these Regulations.
 - c) When the director is prohibited by law from acting as a director.
 - d) If requested to do so by the Board of Directors as a result of a determination having been made under article 11.7 of the Corporate Bylaws to the extent that such determination is due to the fact that such director is a member of the Board of Directors.
 - e) When the director ceases to have the good standing, suitability, reliability, competence, availability or commitment to office necessary to be a director of the Company.
 - f) When his or her presence on the Board of Directors might jeopardise, for any reason, directly, indirectly or through any person related to him, the loyal and diligent exercise of his functions in accordance with the corporate interest.
 - g) When his remaining on the Board of Directors might affect the Company's credit or reputation in the market or otherwise jeopardises its interests.
3. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all the directors.

Irrespective of whether such resignation is filed as a significant event, the reasons for the same must be explained in the annual corporate governance report.

4. The Board of Directors may only propose the removal of an independent director before the end of the mandate established in the Corporate Bylaws when it considers there is just cause, following a report by the Nominations Committee. For these purposes, just cause shall be deemed to exist when the director takes up new positions or enters into new obligations that prevent him from dedicating the necessary time to the performance of the duties inherent in his office, breaches the duties inherent in his office or unexpectedly becomes subject to any of the circumstances provided for in section 2 of this article. The removal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that determine a material change to the shareholding structure of the Company.

TITLE VII DUTIES, RIGHTS AND REMUNERATION OF THE DIRECTORS

Article 17. General duty of diligence and loyalty

1. Directors shall comply with the duties imposed by the law, the Corporate Bylaws and these Regulations. In particular, they shall act with the diligence of an orderly businessman and the loyalty of a faithful representative, taking into account the nature of the office and the functions allocated to each director, acting in good faith and in defence of the corporate interest.
2. Directors shall perform their duties pursuant to the principle of personal liability, with freedom of opinion and judgement, and independently of third-party ties and instructions.
3. With regard to strategic and business decisions, subject to business judgement, the standard of diligence of an orderly businessman shall be deemed fulfilled where the director has acted in good faith without personal interest in the matter being decided upon, with sufficient information and pursuant to an adequate decision-making procedure.
4. Without prejudice to such other duties as may be set forth in these Regulations, a director is specifically required to:
 - a) Properly prepare for the meetings of the Board of Directors and, if applicable, for the meetings of the committees of which the director is a member, for which purposes the director must diligently inform himself of the running of the Company and the matters to be discussed at such meetings.

- b) Attend the meetings of the Board of Directors and the committees of which the director is a member and actively participate in the deliberations in order that the director's opinion may be an effective contribution to decision-making. In the event that, due to well-founded reasons, a director is unable to attend a meeting of which notice has been given, that director shall endeavour to give instructions to the director who is to represent him.
 - c) Fulfil any specific obligation which is entrusted to the director by the Board of Directors, by the Chairman or by the Chief Executive, if any, and which reasonably falls within the director's scope of dedication.
 - d) Inquire into and give notice to the Board of Directors of any irregularities in the management of the Company of which the director may have become aware of and monitor any situation of risk.
 - e) Propose a call to an extraordinary meeting of the Board of Directors or the inclusion of new matters in the agenda of the next meeting to be held, so that deliberations may be conducted on such issues as the director deems advisable.
 - f) Oppose resolutions which are contrary to the law, the Corporate Bylaws, these Regulations or the corporate interest, request that such opposition be recorded in the minutes, and seek the challenge or invalidation, if applicable, of such resolutions. Independent directors and other directors who are not affected by a potential conflict of interest shall ensure that the Company's interests prevail in such situations, provided that this does not result in any unlawful damage to any shareholder or third party affected thereby.
5. Unless otherwise authorised by the Nominations Committee, a director shall not hold more than six other directorships of which no more than four, in the case of non-executive directors, and no more than one, in the case of executive directors, can be in public listed companies. In any event, prior consent from the Nominations Committee is required before an executive director can accept any external directorship appointment.

Asset-holding or pure investment companies are excluded for the purposes of the preceding paragraph. Furthermore, companies belonging to the same group shall be considered as a single company.

6. The Secretary and Deputy Secretary, if any, shall have the duties and must comply with any obligations provided for directors in these Regulations which, because of their nature, are applicable to them.

Article 18. Duty of confidentiality

1. Directors shall keep secret any information, data, reports or background information to which they may have access in the discharge of their office, except where permitted or required by law.
2. The directors' confidentiality obligation shall subsist even after they have vacated office.

Article 19. Duty of non-competition

1. Directors may not pursue activities for their own account or on account of others that entail effective competition, actual or potential, with the Company or the companies in its Group or that in any other way place them in a permanent conflict of interest with the Company.
2. The waiver of the non-competition obligation may only be agreed in the event that no damage to the Company is expected or, if expected, it is offset by the envisaged benefits to be obtained from the waiver. The waiver shall be granted, in the cases required by the law, by the Shareholders' Meeting by means of an express resolution and under a separate item on the agenda. In other cases, the waiver may be granted by the Board of Directors, following a report by the Nominations Committee.

Article 20. Conflicts of interest

1. Directors shall adopt the measures necessary to avoid becoming subject to conflicts of interest in accordance with the provisions of the law.
2. A conflict of interest shall be deemed to exist in the situations provided for in the law and, in particular, where the interests of the director, whether for his own account or on account of others, may be in conflict with the corporate interest or with his duties to the Company. The director shall be deemed to have an interest where the matter affects him or a related person within the meaning established in the law.
3. Without prejudice to the provisions of section 1 above, conflicts of interest shall be governed by the following rules:
 - a) Notification: directors must notify the Board of Directors, through the Chairman or the Secretary or Deputy Secretary, of any conflict of interest to which they may be subject.
 - b) Abstention: directors must absent themselves from the meeting during deliberation and voting on any matters in which they are subject to a conflict of interest, and shall be excluded from the number of members in attendance for the purposes of calculating the quorum and voting majorities. In particular, any

directors affected by proposals for appointment, re-election or dismissal shall refrain from taking part in the discussions and voting in respect of such matters.

- c) Transparency: the Company shall provide information, as required by the law, on any conflict of interest to which the directors have been subject in the course of the year in question and of which it has become aware as notified by the affected party or by any other means.

Article 21. Use of corporate assets, use of the Company name and business opportunities

1. Directors may not use the Company's assets or profit from their position at the Company in order to obtain any financial benefit, unless adequate consideration has been paid.

On an exceptional basis, the obligation to pay such consideration may be waived, but in that case the financial benefit obtained by the director shall be deemed indirect remuneration for his services as director and must be approved by the Board of Directors following a report by the Audit and Compliance Committee, respecting in all cases the directors' remuneration policy.

2. Directors shall refrain from using the name of the Company or invoking their status as Company directors in order to exert undue influence on the performance of private transactions for their own account or on account of related persons.
3. Directors may not take advantage, for their own benefit or the benefit of related persons, of business opportunities of the Company, unless the business opportunity has previously been offered to the Company, the Company has chosen not to pursue it with no influence from the director, and the director has been authorised by the Board of Directors to pursue such opportunity, following a report by the Audit and Compliance Committee.

For the purpose of this section, "business opportunity" shall mean any possibility of making an investment or a business transaction that has arisen or has been discovered in connection with the discharge of his office by the director, or through the use of means and information belonging to the Company, or in circumstances such that it is reasonable to believe that the third party's offer was in fact addressed to the Company.

Article 22. Company transactions with directors and shareholders

1. The performance by the Company or the companies in its Group of any transaction with directors, with shareholders that have a shareholding equal to or greater than that legally considered significant from time to time or who have proposed the nomination of any Company directors, or with their respective related parties, shall

be subject to authorisation from the Board of Directors, following a report by the Audit and Compliance Committee.

2. The Board of Directors, through the Audit and Compliance Committee, shall ensure that any transactions between the Company or the companies in its Group with directors, the shareholders referred to in the preceding paragraph or the respective related parties, are performed at arm's-length and in observance of the principle of equal treatment of shareholders in identical conditions.
3. Where the transactions fall within the ordinary course of business and are habitual or recurring in nature, the prior, general authorisation of the line of operations and the conditions for performance by the Board of Directors, following a report by the Audit and Compliance Committee, shall be sufficient.
4. Authorisation shall not be required in relation to transactions that simultaneously fulfil the following three conditions: (i) they are performed by virtue of contracts with standard conditions that are applied en masse to a high number of customers; (ii) they are performed at prices or rates generally established by the party acting as supplier of the good or service in question; and (iii) the amount does not exceed 1% of the annual consolidated income of the Group.
5. The authorisation must be agreed by the Shareholders' Meeting in the cases established in the law and, in particular, where it concerns a transaction valued at more than 10% of the corporate assets.
6. The Company shall report on the transactions referred to in this article in the cases and with the scope provided for in the law.

Article 23. Duty of information

1. Without prejudice to the provisions of article 19 of these Regulations, directors must disclose to the Company any participation or interest that they may hold or acquire, directly or through related persons, in the capital of any company that is or becomes an effective competitor of the Company or of the companies in its Group, whether actual or potential, as well as any offices held or duties performed at such entities and the performance, for their own account or for the account of others, of any kind of activity that could entail effective competition, actual or potential, with the Company or the companies in its Group, or that in any other way place them in a permanent conflict of interest with the corporate interest. This information shall be disclosed in detail in the corporate documentation in compliance with the requirements of the law and the Corporate Bylaws.
2. Directors must also inform the Company of:
 - a) Any positions that they hold and activities they perform at other companies or entities, as well as their other professional obligations. In particular, before

accepting office as director or manager at another company or entity (except for the offices directors are requested to hold at companies belonging to the Group or at other companies in which they represent the interests of the Group), directors must inform the Nominations Committee beforehand.

- b) Any substantial change in their professional status that may affect the condition or capacity by virtue of which they may have been appointed as director.
 - c) Any judicial, administrative or other proceedings brought against the director which, because of their significance or characteristics, may seriously affect the reputation of the Company. In particular, directors must inform the Company, through the Chairman, if they are charged, become subject to an order for further criminal prosecution upon indictment or if an order for the commencement of an oral trial is issued against them in a criminal proceeding for any crime, and of the occurrence of any other significant procedural milestone in such proceedings. In such case, the Board of Directors shall review the case as soon as practicable and shall adopt the decisions it deems most appropriate in light of the corporate interest.
 - d) In general, any fact or event that may be relevant to their conduct as a director of the Company.
3. Directors shall provide the Company with an email address as well as a mobile telephone number so that meetings of the Board of Directors may be called, if so desired, using those means and the corresponding information, if any, may so be provided to them.

Article 24. Indirect transactions

Directors shall be in breach of their duty of loyalty to the Company if they are aware of beforehand and permit, or fail to reveal the existence of, transactions with the Company by persons related to them or by any person with whom they have a link that may affect their independence or judgment, or by companies at which they hold a managerial position or in which they have a significant stake, and where such transactions have not been subject to the conditions and controls provided for in the preceding articles.

Article 25. Rights of the directors: Information and inspection

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

Article 26. Right to expert assistance

1. In order to be assisted in the performance of his duties, any director may request the hiring of legal, accounting, technical, financial, commercial or other expert advisors, whose services shall be paid for by the Company.
2. The assignment must refer to specific issues of certain significance and complexity arising in the performance of the director's duties.
3. The request for an expert to be hired shall be channelled through the Chairman or the Secretary, who may subject it to the prior approval of the Board of Directors; such approval may be denied in well-founded circumstances, including any of the following:
 - a) That it is not necessary for the proper performance of the duties entrusted to the directors.
 - b) That the cost thereof is not reasonable in light of the significance of the issues and the assets and income of the Company.
 - c) That the technical assistance sought may be adequately provided by the Company's own experts and technical personnel.
 - d) That it may entail a risk to the confidentiality of the information that must be made available to the expert.

Article 27. Directors' remuneration

1. All directors shall be entitled to receive such remuneration as may be established by the Board of Directors from time to time pursuant to the provisions of the Corporate Bylaws and the directors' remuneration policy. Directors may not be paid twice as directors if they belong to the board of directors of other companies of the Group.
2. The Board of Directors shall ensure that the amount of the compensation of independent directors is such that it provides incentives to their dedication while not risking their independence.
3. The Board of Directors shall ensure the transparency of directors' remuneration in accordance with the provisions of the law and of the Corporate Bylaws.
4. In addition, the Board of Directors shall ensure, and take such action as may be reasonably necessary to ensure, that the remuneration of the directors of Iberia, Líneas Aéreas de España, Sociedad Anónima Operadora and British Airways plc, in their capacity as directors of such companies, is the same.

TITLE VIII
COMMITTEES OF THE BOARD OF DIRECTORS

Article 28. Committees of the Board of Directors

1. The Board of Directors, in order to better perform its functions, may create any consultative committees it considers necessary to assist it in all matters falling within its remit, with the composition and functions determined by it in each case. The Chairman and the members of such committees shall be appointed by absolute majority (that is, by more than half) of the directors present in person or by proxy.
2. Notwithstanding the foregoing, the Board of Directors must have the following committees:
 - a) Audit and Compliance Committee.
 - b) Nominations Committee.
 - c) Remuneration Committee.
 - d) Safety Committee.

These committees shall be composed and shall have the duties as described below.

3. The chairman of each committee shall inform the Board of Directors of the activities performed and the resolutions adopted by it, and the Board of Directors may make any and all suggestions or recommendations that it deems appropriate. Likewise, the chairman of each committee must attend the Annual Shareholders' Meeting to answer questions on the committees' activities, where appropriate.
4. The committees shall be governed by the provisions of the Corporate Bylaws and these Regulations. Where no specific provision is made, the committees shall be governed, by analogy and where applicable, by the provisions applicable to the Board of Directors.
5. The minutes containing the resolutions adopted by the committees shall be made available to all directors.
6. The committees shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members. The committees shall also arrange for annual evaluations of their own performance, carried out externally at least once every three years. At least annually, the committees shall review their composition and operating rules to ensure they are operating at maximum effectiveness and recommend any changes they consider necessary or appropriate to the Board of Directors for approval.

Article 29. Audit and Compliance Committee

1. The Audit and Compliance Committee shall be made up of no less than three and no more than five non-executive directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out their function. The members of the Audit and Compliance Committee, and particularly its chairman, shall be appointed in light of their knowledge and experience on accounting, audit and risk management matters, and at least one of them shall have recent and relevant financial experience.
2. A majority of the members of the Audit and Compliance Committee shall be independent directors and one of them, at least, shall be appointed in light of his knowledge and experience on accounting or audit matters, or both.
3. The Board of Directors shall designate an Audit and Compliance Committee chairman from among the independent directors on the Audit and Compliance Committee who must be replaced at least every four years and may stand for re-election one year after vacating office. The Secretary or his nominee shall act as secretary to the Audit and Compliance Committee.
4. Without prejudice to the other tasks assigned to it by the law, the Corporate Bylaws or the Board of Directors, the Audit and Compliance Committee shall have the following powers to report, advise and propose:
 - A. In relation to the Shareholders' Meeting:
 - (i) To report to the Shareholders' Meeting on questions raised in relation to any matters under the Committee's competence and, in particular, on the results of the statutory audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has performed in this process.
 - B. With regard to the external auditor:
 - (i) To submit to the Board of Directors the proposals on the selection, appointment, reappointment and substitution of the auditor, assuming responsibility for the selection process, as envisaged by law, and the terms of its engagement, its remuneration (ensuring its independence and quality are not compromised), the scope of its professional mandate and the revocation or renewal of its appointment.
 - (ii) To regularly collect information from the auditors on the audit plan and its implementation, as well as preserving their independence in the exercise of their functions. In particular, to ensure that the Company and the external auditor respect the current legislation on provision of

non-audit services, the limits on the auditor's business concentration and, in general, any other rules regarding auditor independence.

- (iii) To oversee compliance with the audit agreement, ensuring that the opinion concerning the annual accounts and that the principal contents of the audit report are drafted in a clear and precise manner.
- (iv) To serve as a channel for communication between the Board of Directors and the auditors, to assess the results of each audit and the response by the management team to their recommendations, and to mediate in the event of disputes between the auditors and the management team in relation to the principles and methods used in preparing the annual accounts.
- (v) To review the effectiveness of the external audit process.
- (vi) To establish the appropriate relationships with the external auditor in order to receive information on matters which may jeopardise its independence, for its examination by the Audit and Compliance Committee, and on any other matters relating to the audit process, and, as appropriate, the authorisation of permissible non-audit services as legally established, as well as any other communications provided for in the audit legislation and standards. In all cases, the declaration of their independence in relation to the entity or entities directly or indirectly related thereto must be received annually from the external auditors, as well as information on the additional services of any kind provided and the corresponding fees received from these entities by the external auditors or by persons or entities related thereto pursuant to the provisions of audit legislation.
- (vii) To issue on an annual basis, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditor is compromised. This report must contain, in all cases, the assessment of the provision of the additional services referred to in the preceding paragraph, taken individually and as a whole, other than the statutory audit and in relation to the rules on independence or to audit regulations.
- (viii) To develop and implement a policy on the engagement of the external auditors to supply additional non-audit services pursuant to the provisions of the *UK Corporate Governance Code* issued by the *Financial Reporting Council*.
- (ix) To ensure that the external auditor has a yearly meeting with the Board of Directors in full to inform on the work undertaken and any developments in the Company's risk and accounting positions.

- (x) In the event of the external auditor's resignation, to review any underlying circumstances and, in general, to oversee that the Company discloses the change of auditor as price sensitive information (relevant fact), including a statement regarding any possible discrepancies with the departing auditor and, if any exist, their content.
- C. In relation to internal control and reporting systems:
- (i) To supervise the effectiveness of the internal control of the Company, the internal auditing, and the risk management systems, including tax risks, and to discuss with the auditor any significant weaknesses in the internal control systems identified in the course of the audit.
 - (ii) To ensure the independence and efficiency of the internal audit function, which will functionally report to the chairman of the Audit and Compliance Committee; to propose the selection, appointment, reappointment and removal of the head of the internal audit service; to validate the department's budget; to approve its annual work plan and focus, ensuring that its activity is focused principally on the significant risks faced by the Company; to receive periodic information on its activities, as well as on any incidents arising; and to check that senior management takes into account the conclusions and recommendations contained in its reports.
 - (iii) To periodically review the internal control and risk management systems to ensure that the principal risks are adequately identified, managed and disclosed.
 - (iv) To monitor the functioning of the Company's risk control and management unit, accountable for: (a) ensuring that risk control and management systems are functioning correctly and, specifically, that major risks the Company faces are correctly identified, managed and quantified; (b) participating actively in the preparation of risk strategies and in key decisions about their management; and (c) ensuring that risk control and management systems are mitigating risks effectively in accordance with the policy drawn up by the Board of Directors.
 - (v) To review the arrangements by which the employees of the Group may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters. The Audit and Compliance Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

D. In relation to financial information:

- (i) To supervise the process for the preparation and presentation of the required financial information and report to the Board of Directors on the financial information that the Company is periodically required to disclose.
- (ii) To review the Company's accounts, monitor compliance with legal requirements, the appropriate definition of the scope of consolidation and the correct application of generally accepted accounting principles. To review significant financial reporting judgements in the Company's accounts. To monitor the functioning of the internal financial control manuals and procedures adopted by the Company, to verify compliance with them and review the designation and replacement of the persons responsible for them
- (iii) To report to the Board of Directors on the steps taken by management to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.
- (iv) To report to the Board of Directors on the steps taken by management to assess the viability of the Company, including whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due.

E. In relation to compliance supervision:

- (i) To assess the level of compliance with the Corporate Bylaws, these Regulations and the Internal Code of Conduct in matters relating to the securities market and, in general, with the Company's rules on governance and to make the necessary proposals for improvement, assessing regularly the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and accommodating, as appropriate, the legitimate interests of the remaining stakeholders. In particular, the Audit and Compliance Committee shall be responsible for receiving information and, as the case may be, issuing reports on the disciplinary measures to be applied to senior executives of the Company
- (ii) To consider suggestions from the Audit and Compliance Committee chairman, directors, senior executives or shareholders, and to report and make proposals to the Board of Directors with regard to any measures it deems appropriate in relation to the audit activity and any others

assigned to it, as well as with regard to compliance with legislation on market reporting and transparency and accuracy of the same.

- (iii) To oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- (iv) To review the Company's corporate social responsibility policy, ensuring that it is geared to value creation.
- (v) To monitor corporate social responsibility strategy and practices and assess compliance in this respect.
- (vi) To monitor and evaluate the Company's interaction with its stakeholder groups.
- (vii) To evaluate all aspects of the non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- (viii) To coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

F. Other responsibilities:

- (i) To report on related transactions or on transactions that entail or may entail a conflict of interest, in the terms established in these Regulations.
- (ii) To report to the Board of Directors, prior to the adoption by it of the corresponding decision, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the Group.
- (iii) To receive information on any relevant structural or corporate transactions that the Company plans to undertake, for its analysis and subsequent report to the Board of Directors on its economic conditions and accounting impact and particularly, when applicable, on the exchange ratio proposed.

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

5. The Audit and Compliance Committee shall meet whenever convened by its chairman, at his own initiative, or at the request of at least two of its members and

at least once every three months and, in all cases, where the Board of Directors requests the issue of reports, the presentation of proposals or the adoption of resolutions within the scope of its functions.

6. The chairman of the Audit and Compliance Committee shall have the power to call Committee meetings and to establish the agenda. The Audit and Compliance Committee shall be validly convened without prior call when all of its members are present and unanimously agree to hold a meeting. The call notice for ordinary meetings shall include the agenda, shall be served in writing sufficiently in advance to ensure that members receive it no later than three days before the date of the meeting and shall be authorised by the signature of the chairman of the Audit and Compliance Committee or the Secretary or whomsoever acts as such. Extraordinary meetings may be called by telephone and the above requirements shall not apply where the chairman of the Audit and Compliance Committee deems that the circumstances justify it.
7. The Audit and Compliance Committee shall be validly convened where more than half of its members are present, in person or by proxy, and decisions shall be adopted by an absolute majority of the members present, in person or by proxy.
8. The Audit and Compliance Committee may call any employee or officer of the Company and may even order them to appear without the presence of any other officer.

Article 30. Nominations Committee

1. The Nominations Committee shall be made up of no less than three and no more than five non-executive directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out their function. A majority of the members of the Nominations Committee shall be independent directors. The Board of Directors shall designate a Nominations Committee chairman from among the independent directors forming part of the Committee. The Secretary or his or her nominee shall act as secretary to the Nominations Committee.
2. Without prejudice to other tasks assigned to it by the law, the Corporate Bylaws or the Board of Directors, the Nominations Committee shall have the following duties to report, advise and propose:
 - a) To evaluate the competencies, knowledge and experience necessary on the Board of Directors and report on and review the criteria to be followed for its composition and the selection of candidates, defining the necessary functions and skills and evaluating the time and dedication required to correctly perform its remit.

- b) To submit to the Board of Directors the proposed appointments of independent directors for their designation by co-option or, as the case may be, to submit the decision to the Shareholders' Meeting, as well as proposals for the re-appointment or removal of such directors by the Shareholders' Meeting.
- c) To report on the proposals of the Board of Directors for the appointment of the remaining directors for their designation by co-option or, as the case may be, to submit the decision to the Shareholders' Meeting, as well as proposals for the re-appointment or removal of such directors by the Shareholders' Meeting.
- d) To report on the proposed designation or removal from offices on the Board of Directors (including the Secretary and the Deputy Secretary) and propose to the Board of Directors the members that are to form each of the Board of Directors committees and their chairmen.
- e) To put in place plans for the succession of directors, in particular, the succession of the Chairman and the Chief Executive and, as the case may be, to make proposals to the Board of Directors so that such succession occurs in a planned and orderly manner.
- f) To oversee and establish guidelines relating to the appointment, recruitment, career, promotion and dismissal of senior executives in order to ensure that the Company has the highly-skilled personnel required for its management.
- g) To report on the proposed appointment and/or removal of senior executives of the Company.
- h) To report on the proposed appointment and/or removal of members of the managing bodies of the main subsidiaries and/or investees of the Group (as defined by the Board of Directors from time to time) and on the appointment of their chairmen and chief executive officers.
- i) To ensure that, on appointment by the Board of Directors, non-executive directors receive a formal letter of appointment setting out clearly what is expected from them in terms of time commitment, committee service and involvement outside Board of Directors meetings.
- j) To identify directors qualified to fill vacancies on any committee of the Board of Directors (including the Nominations Committee).
- k) To establish a target for the representation of the underrepresented gender on the Board of Directors which should be pursued by the Company's director selection policy.
- l) To submit to the Board of Directors the annual report on the evaluation of the Board as a whole.

- m) Any other powers attributed to it by the Corporate Bylaws, these Regulations or the Board of Directors itself.
- 3. In identifying suitable candidates, the Nominations Committee shall use open advertising or the services of external advisers to facilitate the search, consider candidates from a wide range of backgrounds, and consider candidates on merit and against objective criteria, taking care that proposed candidates have sufficient time available to devote to the position.
- 4. The Nominations Committee shall meet whenever convened by its chairman, at his own initiative, or at the request of two or more of its members and at least once every year and, in all cases, where the Board of Directors requests the issue of reports, the presentation of proposals or the adoption of resolutions within the scope of its functions.
- 5. The provisions of sections 29.6 and 29.7 in relation to the Audit and Compliance Committee shall apply, *mutatis mutandis*, to the Nominations Committee.

Article 31. Remuneration Committee

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

- d) To report on incentive plans and pension arrangements.
 - e) To periodically review the remuneration 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.
 - f) To monitor compliance with the Company's remuneration policy.
 - g) To give due regard to the provisions of applicable good governance codes, the law or regulation and requirements imposed by any stock exchange on which the Company's securities are listed when determining any compensation packages and arrangements.
 - h) 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.
 - i) To ensure that any conflicts of interest do not jeopardise the independence of the external advice provided to the Committee.
 - j) To verify the information on directors' and executives' remuneration contained in the different corporate documents, including the annual report on directors' remuneration.
 - k) Any other powers attributed to it by the Corporate Bylaws, these Regulations or the Board of Directors itself.
3. No one other than the members of the Remuneration Committee is entitled to be present at committee meetings. However, the Chairman and the Chief Executive will normally be invited to attend and speak at meetings of the Remuneration Committee. Others may only attend and speak with the Remuneration Committee's consent.
 4. No attendee shall participate in any discussion or decision regarding his or her own remuneration.
 5. The secretary of the Remuneration Committee shall take the minutes of meetings of the Remuneration Committee and shall make them available to the Board of Directors, provided there is no conflict of interest.

6. The Remuneration Committee shall meet whenever convened by its chairman, at his own initiative, or at the request of two or more of its members and at least two every year and, in all cases, where the Board of Directors requests the issue of reports, the presentation of proposals or the adoption of resolutions within the scope of its functions.
7. The provisions of sections 29.6 and 29.7 in relation to the Audit and Compliance Committee shall apply, *mutatis mutandis*, to the Remuneration Committee.

Article 32. Safety Committee

1. The Safety Committee shall be made up of no less three and no more than five directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out their function. The Board of Directors shall designate a Safety Committee chairman from among the members of the Safety Committee. The Secretary or his or her nominee shall act as secretary to the Safety Committee
2. Without prejudice to any other tasks assigned to it by the law, the Corporate Bylaws or the Board of Directors, the Safety Committee shall have the following basic powers to report, advise and propose:
 - a) To receive material safety information about the Company and all of its subsidiaries, as well as any franchise, code share or wet lease provider used by any member of the Group.
 - b) To exercise a high level overview of the safety activities and resources of the Company and all of its subsidiaries and inform the Board of Directors as appropriate (recognising that responsibility for safety matters relating to each subsidiary falls to that subsidiary through its own resources).
 - c) To follow up on any safety related measures as determined by the Board of Directors.
 - d) Any other safety related functions assigned by the Board of Directors.
3. The provisions of sections 29.6 and 29.7 in relation to the Audit and Compliance Committee shall apply, *mutatis mutandis*, to the Safety Committee.

TITLE IX
RELATIONS OF THE BOARD OF DIRECTORS

Article 33. Relations with the Company's shareholders

1. The Board of Directors shall establish appropriate channels to hear proposals that the shareholders may make in connection with the management of the Company.
2. The Board of Directors, assisted by such senior executives as it deems appropriate, may organise meetings for the provision of information on the performance of the Company and its Group or other matters of interest with those shareholders based in locations with the most relevant financial markets in Spain and abroad. The Board of Directors shall guarantee equal treatment of shareholders in the same position in its relationships with shareholders.
3. Likewise, the Board of Directors shall establish appropriate mechanisms for the regular exchange of information with holders of a significant financial interest in the share capital of the Company and who are not represented on the Board of Directors; provided, however, that in no event may such mechanisms imply the provision to the aforementioned holders of any information that places them in a privileged or advantageous position vis-à-vis other shareholders.
4. All public requests for proxy voting made in favour of any director shall disclose, where applicable, the existence of a conflict of interest, and shall provide detailed reasons for the direction in which the representative shall cast the vote in the event that no instructions are given by the shareholder, subject always to the provisions of the law.
5. The Board of Directors shall encourage the informed participation of the shareholders at the Shareholders' Meeting and shall take all such measures as may be appropriate to make it easier for the Shareholders' Meeting to effectively exercise the powers conferred upon it by the law and the Corporate Bylaws, with due observance of the provisions set out in the Regulations for the Shareholders' Meeting.

Article 34. Relations with stock markets

1. The Board of Directors shall ensure timely compliance with relevant disclosure obligations in respect of relevant events as required by the law.
2. Directors shall take such steps as may be required to ensure that any quarterly, semi-annual and annual financial information to be made available to the securities markets and any other information that should be prudently disclosed from time to time, shall be prepared in accordance with the same professional principles,

standards and practices as those applied in the preparation of, and be as reliable as, the annual accounts. For the latter purpose, any such information shall be revised by the Audit and Compliance Committee.

3. The Board of Directors shall include in its annual reporting documents appropriate information about the Company's corporate governance rules. In the event that a relevant corporate governance recommendation is not followed by the Company, the Board of Directors shall explain the reasons for such non-compliance.

Article 35. Relations with external auditors

1. The relations of the Board of Directors with the Company's external auditors shall be channelled through the Audit and Compliance Committee.
2. The Board of Directors shall refrain from engaging any audit firm that could be entitled to be paid by the Company for all the services rendered fees in an amount in excess of 10% of such firm's total revenue of the previous year.
3. The Board of Directors shall make public the fees paid to the audit firm and related entities, both in consideration for audit services and for services other than auditing, as provided for in the law.
4. The Board of Directors shall prepare the Company's financial statements so that they do not give rise to any restrictions or qualifications by the auditors. This notwithstanding, if the Board of Directors deems it appropriate to prepare the financial statements subject to restrictions or qualifications in the opinion of the auditors, it must clearly explain to shareholders the scope of such restrictions or qualifications and the reasons behind its actions.

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