

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

Subject to the approval of the 2018 annual Shareholders’ Meeting

1. EXECUTIVE DIRECTORS

1.1. Key elements of pay

The remuneration policy of International Consolidated Airlines Group, S.A. (“IAG” or the “Company”) is to provide total remuneration packages which are linked to the business strategy, are competitive, and take into account each individual’s performance of their role in the Company’s work.

The Remuneration Committee is updated on pay and conditions of the employees within the Group, and takes this into account when considering executive directors’ remuneration.

The table below summarises the main elements of remuneration packages for the executive directors:

Purpose and link to strategy	Operation of element of policy	Maximum opportunity	Performance metrics
<p>Base salary</p> <p>To attract and retain talent to help achieve our strategic objectives</p>	<p>Takes account of role, skills and contribution.</p> <p>The positioning of base salaries is set with reference to the external market, as well as the individual’s skills and contribution.</p> <p>Basic salaries are reviewed annually, to take effect on January 1 each year.</p>	<p>There is no formal maximum.</p> <p>Basic salaries are reviewed annually by the Remuneration Committee by taking into account the following factors: Company affordability, the value and worth of the Executive, retention risks, and the size of pay increases generally across the whole Group of companies.</p>	<p>Individual and business performance are considered in reviewing and setting base salary.</p>
<p>Annual incentive award</p> <p>Incentivises annual corporate financial performance and the delivery of role specific objectives</p>	<p>The Board, on a recommendation from the Remuneration Committee, sets the financial and nonfinancial targets that apply to the annual incentive award at the beginning of each year. These are set by reference to a number of factors, including the Business Plan (as approved by the Board). For the portion based on personal</p>	<p>The maximum opportunity in the incentive plan is 200 per cent of salary. Each performance metric in the incentive plan is independent. For each performance metric in the</p>	<p>At least 60 per cent and no more than 80 per cent of the annual incentive is subject to financial measures (e.g. IAG operating profit). The weighting on</p>

	<p>objectives, the Remuneration Committee, on the proposal of the Chairman, will consider the Chief Executive Officer performance against his role-specific objectives; and the Remuneration Committee, on the proposal of the Chief Executive Officer, will consider the performance of other executive directors against their role-specific objectives. All performance evaluations for executive directors will be submitted to the Board for final approval.</p> <p>The Board, on a recommendation from the Remuneration Committee, retains the discretion to prevent any incentive award payments if, in its opinion, the underlying financial performance of the Company had not been satisfactory in the circumstances.</p> <p>Malus and claw-back provisions apply – see below.</p>	<p>incentive plan, there will be no payment at all until performance for that particular metric has reached the threshold level of the target range, 50 per cent of the maximum will be awarded for on-target performance, and the maximum for each element will only be awarded once a stretch target has been reached.</p>	<p>role-specific objectives will not exceed 25 per cent, and any remaining portion will be subject to measurable non-financial metrics (e.g. Net Promoter Score).</p>
<p>Incentive Award Deferral Plan (IADP)</p> <p>Aligns the interest of executives and shareholders and provides a retention tool</p>	<p>The IADP operates over 50 per cent of the annual incentive award. It is designed to align the interests of executives with shareholders by providing a proportion of the annual incentive in deferred shares.</p> <p>The shares will be subject to forfeiture if the executive leaves during the three year deferral period, except if the executive is granted Good Leaver status. This is covered in the section below on exit payment policy.</p> <p>On vesting, executives will receive the benefit of any dividends paid over the deferred period.</p> <p>In line with the rules of the IADP and IAG’s philosophy to encourage and facilitate employee shareholding, participants may elect to self-fund any tax due rather than sell a portion of their share award to meet tax liabilities.</p> <p>Malus provision applies – see below.</p>	<p>Half of any annual incentive plan pay-out is deferred into shares.</p>	<p>No other performance conditions apply because it is based on performance already delivered.</p>
<p>Performance Share Plan (PSP)</p> <p>Incentivises long-term shareholder value creation. Drives and rewards delivery of sustained <i>total shareholder return</i> and financial performance</p>	<p>The PSP is a discretionary plan targeted at key senior executives and managers of the Group who directly influence shareholder value. The PSP consists of an award of the Company’s shares which vests subject to the achievement of pre-defined performance conditions which are</p>	<p>The face value of awards will not exceed 200 per cent of salary in respect of any financial year of the Company.</p> <p>At the threshold level of the performance target</p>	<p>Any PSP award made will be measured over at least three years.</p> <p>Each year, the Board, following the advice of the Remuneration</p>

	<p>designed to reflect the creation of long term value within the business.</p> <p>These performance conditions are measured over a performance period of at least three financial years. No payment is required from individuals when the shares are awarded or when they vest.</p> <p>The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to prevent any PSP award payments if, in its opinion, the underlying financial performance of the Company had not been satisfactory in the circumstances.</p> <p>On vesting, in line with the rules of the PSP and IAG's philosophy to encourage and facilitate employee shareholding, participants may elect to self-fund any tax due rather than sell a portion of their share award to meet tax liabilities.</p> <p>Following the performance period, there is an additional holding period of at least two years.</p> <p>Malus and clawback provisions apply – see below.</p>	<p>range, no more than 25 per cent will vest.</p>	<p>Committee, will determine appropriate performance conditions, with appropriate and stretching target ranges. These will take into account market conditions and also ensure alignment with shareholder interests.</p> <p>At least one condition is likely to be a measure of Group share performance compared with an index of other companies who are subject to external influences impacting share price similar to those of the Group.</p> <p>One or more measures will provide a strong measure of the underlying financial performance of the business.</p>
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Purpose and link to strategy	Operation of element of policy	Maximum opportunity
<p>Taxable benefits</p> <p>Ensures total remuneration package is competitive</p>	<p>Life insurance, personal travel and, where applicable, a company car, fuel, and private health insurance.</p> <p>Where appropriate, benefits may include relocation and international assignment costs.</p>	<p>There is no formal maximum. The Company determines benefits policy by taking into account company affordability, and with reference to the external market.</p>
<p>Pension</p> <p>Provides post-retirement remuneration and ensures</p>	<p>The Company operates a defined contribution scheme as a percentage of salary, and all executive directors are eligible for membership.</p>	<p>The maximum level of employer contribution for new externally recruited executive directors will be 15 per cent of basic salary. For current executive directors and also for internal promotions who are already on a 25 per</p>

total package is competitive.	Executives can opt instead to receive a salary supplement in lieu of a pension.	cent contribution rate, the employer contribution will remain at their contractual level.
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1.2. Shareholding requirements

In order to increase alignment with shareholders, executives are required to build up a minimum personal shareholding equal to a set percentage of base salary. The CEO of IAG is required to build up and maintain a shareholding of 350 per cent of basic salary, and other executive directors are required to build up and maintain a shareholding of 200 per cent of basic salary. These requirements will not be reduced during the lifetime of this policy; however the Remuneration Committee may consider increasing the percentages if it is deemed appropriate.

Executives will be required to retain the entire 100 per cent of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained.

1.3. *Malus and Claw-back provisions*

The Board, following the advice of the Remuneration Committee, has authority under the malus provisions of the Performance Share Plan (PSP) and the Incentive Award Deferral Plan (IADP) to reduce or cancel awards before they vest, and authority under the claw-back provisions of the PSP to recover payments during the additional holding period, if special circumstances exist. These special circumstances include fraud; material breach of any law, regulation or code of practice; misstatement of results; misconduct; failure of risk management; or any other circumstances in which the Board considers it to be in the interests of shareholders for the award to lapse or be adjusted.

For the PSP, claw-back provisions apply during the two years' additional holding period. For the IADP, there will be three years from the date of award in which shares can be withheld, i.e. the entire period from the date of the award until vesting. For the cash element of the annual incentive plan, claw-back provisions apply for three years from the date of payment.

The proportion of an award to be withheld or recovered will be at the discretion of the Board, upon consideration of the Remuneration Committee, taking into account all relevant matters.

1.4. Underlying financial performance

This is defined as the overall performance of the Company, which may be considered with reference to a range of measures as the Remuneration Committee considers most appropriate at the time.

2. NON-EXECUTIVE DIRECTORS

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

Purpose and link to strategy	Operation of element of policy	Maximum opportunity
<p>Basic fees</p> <p>Fees are set to take into account the level of responsibility, experience, abilities and dedication required.</p>	<p>Fees are set with reference to market positioning.</p> <p>To acknowledge the key role of Non-Executive Chairman, fees are set separately for this role. There is also an additional fee paid to the non-executive director for undertaking the role of Senior Independent Director, and also to any non-executive director for holding a Committee Chairmanship. There is no additional fee for Committee membership.</p> <p>Non-executive director fees will take into account external market conditions to ensure it is possible to attract and retain the necessary talent. There is no specific review date set, but it is the Company's intention to review fees from time to time.</p>	<p>The maximum annual aggregate gross remuneration (including annual basic fees and benefits, including travel benefits) payable to directors shall not exceed €3,500,000 as approved by the Shareholders' Meeting on October 19, 2010, in accordance with article 37.3 of the Company's Bylaws.</p>
<p>Taxable Benefits</p>	<p>Non-executive directors (including the Chairman) are entitled to use air tickets of the airlines of the Company or related to the Company in accordance with the terms and conditions established in the Company travel scheme.</p> <p>As foreseen under article 37.8 of the Company's Bylaws this benefit may also be provided to non-executive directors after they have vacated office in accordance with the terms and conditions established in the Company travel scheme.</p>	<p>The maximum total annual gross amount of the personal travel benefit is €500,000 for all non-executive directors taken together (including any former non-executive director who may enjoy this benefit at any given time).</p>

3. REMUNERATION POLICY BELOW DIRECTOR LEVEL

IAG employees at all levels participate in the discretionary Annual Incentive Plan. Both the size of award and weighting of performance conditions vary by level, with some business unit specific measures incorporated where relevant. The financial targets of the Group's companies support the delivery of the Group's long-term goals.

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

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

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

4. NOTES ON THE ABOVE FORWARD-LOOKING POLICY TABLES

The Remuneration Committee may make any remuneration payments and payments for loss of office (and exercise any discretions available to it in connection with such payments) which are not in line with the remuneration policy set out above, where the terms of the payment were agreed (i) before the policy came into effect (provided that they were in line with any applicable directors' remuneration policy in force at the time they were agreed) or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Board, the payment was not in consideration of the individual becoming a director of the Company. For these purposes 'payments' include the Remuneration Committee satisfying awards of variable remuneration. In relation to a share award, the terms of the payment are agreed at the time the award is granted.

5. REMUNERATION SCENARIOS

A significant portion of the Company's total remuneration package is variable, with emphasis placed on longer-term reward to align closely executive directors' and senior managers' interests with shareholder interests. The charts below show, for 2018 and for each executive director, the minimum remuneration receivable, the remuneration receivable if the director performs in line with the Company's expectations, and the maximum remuneration receivable. Share price variation during the performance period is not taken into consideration in these scenarios.

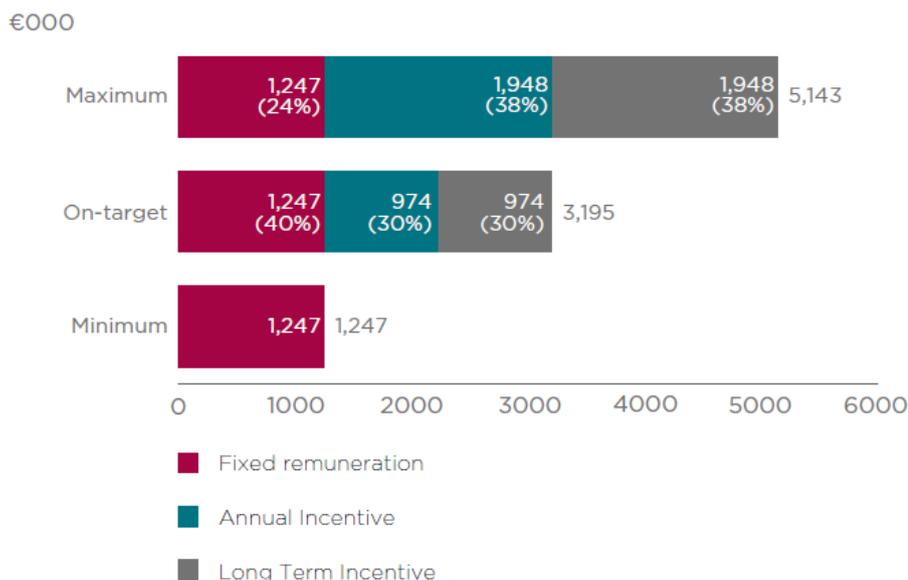
5.1. Chief Executive Officer of IAG

Fixed remuneration is basic salary (2018 level of €974,000), plus taxable benefits (2017 actual of €29,000) plus pension related benefits (2017 actual of €244,000).

The annual incentive amount is zero at the minimum remuneration level, €974,000 at the on-target level (100 per cent of salary), and €1,948,000 at maximum (200 per cent of salary).

The long-term incentive amount is zero at the minimum remuneration level, €974,000 at the on-target level (half of the face value award of 200 per cent of salary) and €1,948,000 at maximum (200 per cent of salary).

All amounts are actually paid in sterling, and are shown here in euro at the €:£ exchange rate of 1.1461.



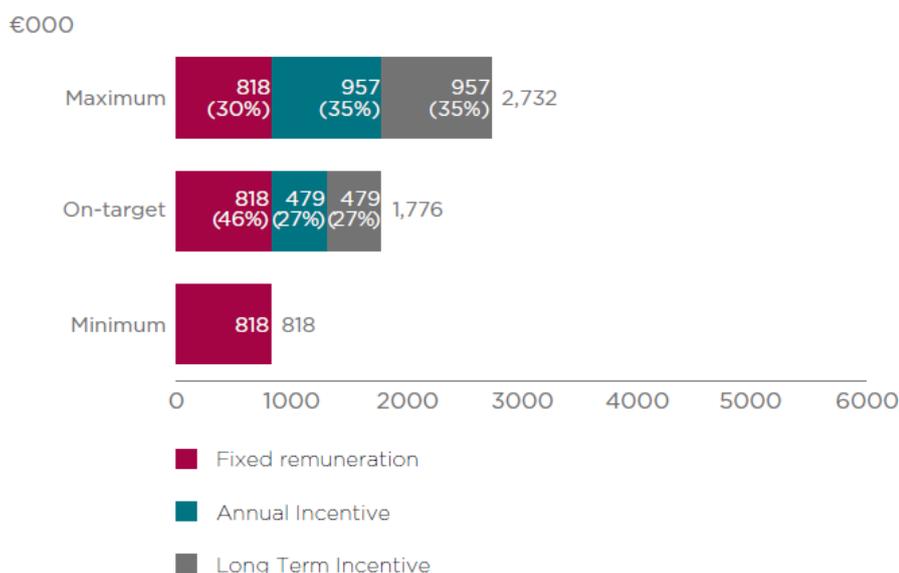
5.2. Chief Financial Officer of IAG

Fixed remuneration is basic salary (2018 level of €638,000), plus taxable benefits (2017 actual of €23,000) plus pension related benefits (2017 actual of €157,000).

The annual incentive amount is zero at the minimum remuneration level, €479,000 at the on-target level (75 per cent of salary), and €957,000 at maximum (150 per cent of salary).

The long-term incentive amount is zero at the minimum remuneration level, €479,000 at the on-target level (half of the face value award of 150 per cent of salary) and €957,000 at maximum (150 per cent of salary).

All amounts are actually paid in sterling, and are shown here in euro at the €:£ exchange rate of 1.1461.



6. SERVICE CONTRACTS AND EXIT PAYMENTS POLICY

6.1. Executive directors

The following is a description of the key terms of the service contracts of executive directors.

The contracts of executive directors are for an indefinite period.

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

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

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

sum payable in respect of any month by any amount earned by the executive (including salary and benefits) referable to work done in that month.

In the event of an executive's redundancy, compensation, whether in respect of a statutory redundancy payment or a payment in lieu of notice or damages for loss of office is capped at an amount equal to 12 months' base salary. The Company will honour the contractual entitlements of a terminated director; however, the Company may terminate an executive's service contract with immediate effect and without compensation on a number of grounds including where the executive is incapacitated for 130 days in any 12 month period, becomes bankrupt, fails to perform his duties to a reasonable standard, acts dishonestly, is guilty of misconduct or persistent breach of his duties, brings the Company into disrepute, is convicted of a criminal offence, is disqualified as a director, refuses to agree to the transfer of his service contract where there is a transfer of the business in which he is working or ceases to be eligible to work in Spain or the UK (as applicable).

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

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

6.2. Non-executive directors

Non-executive directors (including the Chairman) do not have service contracts. Their appointment is subject to the Board regulations and the Company's Bylaws. They do not have the right to any compensation in the event of termination as directors. Board members shall hold office for a period of one year. The dates of the Chairman's and current non-executive directors' appointments are as follows.

Non-executive directors	Date of the first appointment	Date of last re-election
Antonio Vázquez	May 25, 2010	June 15, 2017

Patrick Cescau	September 27, 2010	June 15, 2017
James Lawrence	September 27, 2010	June 15, 2017
Kieran Poynter	September 27, 2010	June 15, 2017
Alberto Terol	June 20, 2013	June 15, 2017
Dame Marjorie Scardino	December 19, 2013	June 15, 2017
Maria Fernanda Mejía	February 27, 2014	June 15, 2017
Marc Bolland	June 16, 2016	June 15, 2017
Emilio Saracho	June 16, 2016	June 15, 2017
Nicola Shaw	June 15, 2017 ¹	-

¹ Appointment approved by the annual Shareholders' Meeting 2017 on June 15, 2017 but effective January 1, 2018

7. EXTERNAL NON-EXECUTIVE DIRECTORSHIP

The Company's consent is required before an executive can accept an external non-executive appointment and permission is only given in appropriate circumstances. The Company allows the executive to retain any fee from such appointments.

8. APPROACH TO RECRUITMENT REMUNERATION

The remuneration for new executive directors will be in line with the policy for current executive directors as far as possible, as expressed in the policy table earlier in this document.

On appointment, new executive directors will have their basic salary set by taking into account the external market, their peers, and their level of experience. New executive directors will participate in the annual and long-term incentives on the same basis as existing executive directors.

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

Excluding the value of any potential buy-out, the maximum value of variable remuneration offered at recruitment will be no more than that awarded to current executive directors.

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

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

9. CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN IAG GROUP

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

When determining the PSP awards for executive directors, the Remuneration Committee takes note of the eligibility criteria and the potential size of awards for executives below director level in all companies within IAG.

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

10. CONSIDERATION OF SHAREHOLDER VIEWS

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

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

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ANNEX

IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY FOR 2018

EXECUTIVE DIRECTORS

Basic salary and taxable benefits

After careful consideration of Company affordability, the worth of each executive, retention risks and the size of pay increases generally across the Group for 2018 (which in the UK varied from 2 per cent to 4.1 per cent), the Board, following the recommendation of the Remuneration Committee, approved the following basic salaries for 2018:

Executive director	Basic salary review
Chief Executive Officer of IAG	£850,000 (€974,000) (no increase from 2017) ¹
Chief Financial Officer of IAG	£557,000 (€638,000) (in UK sterling terms, an increase of 1.8% from 2017).

IAG's executive directors have provision of the following taxable benefits: life insurance, personal travel and where applicable, a company car, fuel and private health insurance. Where appropriate, benefits may include relocation and international assignment costs.

2018 Annual Incentive award

The design of the 2018 Annual Incentive Plan is part of the new Remuneration Policy, and is subject to approval at the 2018 annual Shareholders' Meeting. For 2018 the maximum award for the Chief Executive Officer of IAG will be 200 per cent of salary and for the Chief Financial Officer of IAG 150 per cent of salary.

The weighting for the IAG operating profit (before exceptional items) measure will be 60 per cent, and for role-specific objectives will be 25 per cent. The remaining 15 per cent weighting will be for the Net Promoter Score (NPS) measure. The Board, after considering the recommendation of the Remuneration Committee, has approved a stretching target range for IAG operating profit and NPS for 2018 at the threshold, on-target and maximum levels. At threshold, there will be a zero pay-out, 50 per cent of the maximum will pay out at the on-target level, and 100 per cent of the maximum will only pay out at the stretch target level. There will be a straight line sliding scale between

¹ The Remuneration Committee agreed to offer the Chief Executive Officer a salary increase in line with that applied to other executives, however it was respectfully declined by him.

threshold and on-target, and on-target and the stretch target. For commercial reasons, the target range for IAG operating profit will not be disclosed until after the end of the performance year. It will be disclosed in next year's Directors' Remuneration Report.

2018 Performance Share Plan award

The Board, on the Remuneration Committee's recommendation, has approved a PSP award for 2018, with a performance period of January 1, 2018 to December 31, 2020.

For 2018, the face value of awards for the Chief Executive Officer will be 200 per cent of salary and for the Chief Financial Officer 150 per cent of salary.

The Board has approved the use of three performance conditions, each with a one-third weighting. These are the same three performance conditions and weightings that were used in 2015, 2016 and 2017. The reasons for the Board considering these measures to be appropriate are the same reasons as those mentioned for the 2017 PSP award in the 2017 Directors' Remuneration Report.

The first is based on IAG TSR performance relative to the MSCI European Transportation Index. The target range is identical to the 2017 PSP award, which is detailed in the 2017 Directors' Remuneration Report.

The second performance condition is based on adjusted earnings per share (as defined in the 2015 award). The Board and the Remuneration Committee have agreed that the adjusted earnings per share (EPS) target range for the 2018 PSP award will be increased compared to the 2017 PSP award. The adjusted EPS measure will be as follows:

Weighting	One-third
Threshold	2020 EPS of 130 €cents : 10 per cent vests
Target	2020 EPS between 130 €cents and 170 €cents: straight line vesting between threshold and maximum
Maximum	2020 EPS of 170 €cents: 100 per cent vests

The third performance condition is Return on Invested Capital (RoIC). The measure will be as follows:

Weighting	One-third
Threshold	2020 RoIC of 13 per cent: 10 per cent vests

Target	2020 RoIC between 13 per cent and 16 per cent: straight line vesting between threshold and maximum
Maximum	2020 RoIC of 16 per cent: 100 per cent vests

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

NON-EXECUTIVE DIRECTOR FEES

Non-executive director fees were reviewed in 2017 but remain unchanged for 2018. The fees have remained unchanged since 2011.

Office	Fee
Non-Executive Chairman	€645,000 (voluntarily reduced by 25% to €483,750 with effect from December 1, 2012 until October 31, 2016)
Other Non-Executive Directors	€120,000
Committee Chairmanship	€20,000

As regards the position of Senior Independent Director, the functions of this role were previously performed by the Deputy Chairman and embedded in his remuneration (an annual fee of €350,000). Given that the newly appointed Senior Independent Director does not hold the position of Deputy Chairman, the additional fee for discharging the functions of Senior Independent Director has been reduced to €30,000.

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

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