

ANNUAL REPORT ON REMUNERATION OF THE DIRECTORS OF LISTED CORPORATIONS

THE ISSUER'S IDENTIFYING DATA

DATE OF END OF REFERENCE FINANCIAL YEAR	31/12/2017
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Corporate Name:

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Registered Office:

EL CASERÍO, IBERIA ZONA INDUSTRIAL Nº 2 (LA MUÑOZA), CAMINO DE LA MUÑOZA, S/N, 28042 MADRID

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

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

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

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

Explain the remuneration policy

General principles and bases of the remuneration policy.

The general principles and bases of the remuneration policy of International Consolidated Airlines Group, S.A. ("IAG" or the "Company") for 2018 are included in the Director's Remuneration Policy of IAG approved by the Shareholders' Meeting held on 18 June 2015 and the main aspects of which are as follows:

Executive Directors:

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

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

- Pension: contribution to the defined contribution pension plan sponsored by IAG or equivalent salary supplement.

Non-Executive Directors:

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

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

Criteria used to establish the company's remuneration policy

The Company's remuneration policy for the executive directors is to provide total remuneration packages which are 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 the executive directors' remuneration.

Fees for non-executive IAG directors are set with reference to market positioning. To acknowledge certain key roles at Board level, fees are set separately for the non-executive Chairman and the non-executive Deputy Chairman. There is also an additional fee paid to the non-executive director for undertaking the role of Senior Independent Director and also to any non-executive director for holding a Committee Chairmanship.

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

Implementation of the remuneration policy for Executive Directors in 2018: new features

The current Remuneration Policy has been in place for the last three years, having been approved at the 2015 annual Shareholders' Meeting. The Committee has undertaken a thorough review of the policy and its implementation for 2018 onwards, to ensure it is appropriate in the light of the feedback already received from shareholders and proxy advisers, as well as considering best practices and market trends. After this review, it was concluded that the core elements of the current remuneration policy remain fit for purpose, and no substantial changes to the policy are being proposed. However it is considered that there are some changes and clarifications that are believed appropriate. The main changes that are being proposed are:

- *Performance Measures.* In the annual bonus, the Committee is proposing that the weighting of financial measures (currently IAG operating profit) will be at least 60 per cent and no more than 80 per cent to provide more flexibility than previously when a fixed 66.7 per cent was subject to financial measures. The weighting on role-specific objectives will not exceed 25 per cent (currently 33.3 per cent) and any remaining portion of the bonus will be linked to measurable non-financial measures (e.g. Net Promoter Score).
- *Pension.* Pension contributions for new externally recruited executive directors will be reduced from 25 per cent to 15 per cent of basic salary. This aligns with what is offered to new, externally recruited senior managers.
- *Long-term incentive opportunity.* In line with shareholder feedback previously received, we plan to remove from the policy the additional headroom incorporated into the PSP for exceptional circumstances, which was set at a 300 per cent limit. The maximum PSP

opportunity will be capped at 200 per cent of salary, in line with the current opportunity for the CEO of IAG.

- *Shareholding requirements.* Shareholding requirements will be increased to 350 per cent of salary (from 250 per cent of salary) for the CEO of IAG to ensure substantial alignment with shareholders. Shareholding requirement will remain at 200 per cent for other executive directors.

Remuneration scenarios (remuneration mix) – Executive Directors

A significant portion of the Company’s total remuneration package is variable, with emphasis placed on longer-term reward to align closely Executive Directors’ and senior managers’ interests with shareholder interests. The charts below show, for 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.

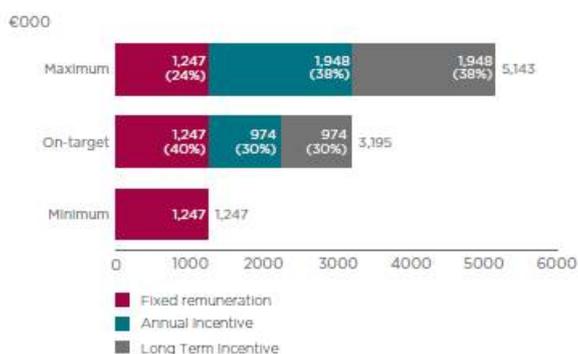
Chief Executive Officer of IAG

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.



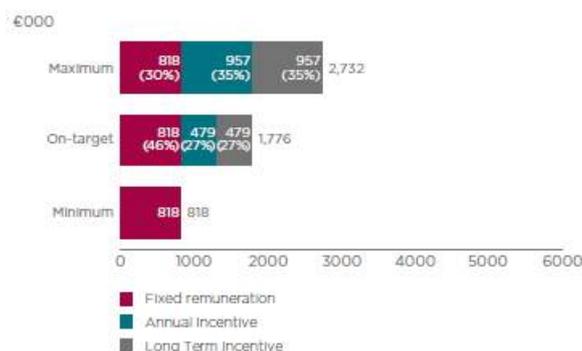
Chief Financial Officer of IAG

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.



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

Explain the process for determining the remuneration policy

The Remuneration Committee’s composition, competencies and operating rules are regulated by article 31 of the IAG Board of Directors’ Regulations. A copy of these Regulations is available on the Company’s website.

The Remuneration Committee has the following powers:

- (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.
- (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.
- (g) 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.
- (h) To verify the information on directors' and executives' remuneration contained in the different corporate documents, including the annual report on directors' remuneration.

Beyond executive directors, the Committee oversees the general application of the remuneration policy to the IAG Management Committee (and also remuneration matters of senior managers generally across the Group).

According to article 31 of the Board Regulations, the Remuneration Committee shall be made up of no less than three and no more than five non-executive directors appointed by the Board, with the dedication, capacity and experience necessary to carry out their function. A majority of the members of the Remuneration Committee shall be Independent directors.

Dame Marjorie Scardino is Chairman of the Committee. For the reporting period all members were considered Independent non-executive directors of the Company and none of the members has any personal financial interest, other than as a shareholder, in the matters to be decided.

The Committee appointed Deloitte as its external advisers in September 2016. Deloitte reports directly to the Committee. The fees paid to Deloitte for advice provided to the Remuneration Committee during 2017 were €49,280, charged on a time and materials basis. Deloitte is a member of the Remuneration Consultants Group and a signatory to the voluntary UK Code of Conduct. As well as advising the Remuneration Committee, other Deloitte teams provided advice in relation to remuneration, pensions, global employment programmes, data governance, internal audit and tax to the Group in 2017. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent.

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

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

Explain the fixed components of the remuneration

Executive Directors

Base salary:

- *Purpose and link to strategy:* to attract and retain talent to help achieve our strategic objectives.

- *Operation of element of policy:* takes account of role, skills and contribution.

The positioning of base salaries is set with reference to the external market levels, as well as the individual's skills and contribution.

Basic salaries are reviewed annually, to take effect on January 1 each year.

- *Maximum Opportunity:* There is no formal maximum. Basic salaries are reviewed annually by the Remuneration Committee by taking into account the following factors: Company affordability, the value and worth of the executive, retention risks, and the size of pay increases generally across the whole Group.
- *Performance metrics:* individual and business performance are considered in reviewing and setting base salary.

Taxable benefits:

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

Where appropriate, benefits may include relocation and international assignment costs.

- *Maximum Opportunity:* There is no formal maximum. The Company determines benefits policy by taking into account company affordability, and with reference to the external market.

Implementation for 2018

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:

- Willie Walsh (Chief Executive Officer): £850,000 (€974,000) (no increase from 2017).
- Enrique Dupuy de Lôme (Chief Financial Officer): £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.

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

Taxable benefits remain unchanged for 2018. Pension related benefits as a percentage of basic salary will decrease for new externally recruited executive directors as stated in the remuneration policy.

Non-executive directors

Basic Fees:

- *Purpose and link to strategy:* fees are set to take into account the level of responsibility, experience, abilities and dedication required.
- *Operation of element of Policy:* fees are set with reference to market positioning.

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.

Non-executive director fees takes 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.

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

Taxable Benefits:

- *Operation of element of policy:* Non-executive directors (including the Chairman) 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.

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.

- *Maximum Opportunity:* the maximum total annual gross amount of the personal travel benefit is €500,000 for all non-executive directors taken together (including any former non-executive director who may enjoy this benefit at any given time).

Non-executive directors are paid a flat fee each year, with an additional fee for each Committee chairmanship held:

Role	Fee
Non-Executive Chairman	€645,000 (voluntarily reduced by 25% to €483,750 with effect from December 1, 2012 until October 31, 2016 (see note below))
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.

Implementation for 2018

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

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

In particular:

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

Explain the variable components of the remuneration systems

Variable remuneration only applies to Executive Directors. The main variable elements of remuneration packages for the executive directors are:

Annual incentive award:

- *Purpose and link to strategy:* Incentivises annual corporate financial performance and the delivery of role specific objectives.
- *Operation of element of policy:* The Board, on a recommendation from the Remuneration Committee, sets the financial and non-financial 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 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.

The Board, on a recommendation from the Committee, retains the discretion to prevent any incentive award payments if, in its opinion, the underlying financial performance of the Company had not been satisfactory in the circumstances.

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

- *Maximum Opportunity:* The maximum opportunity in the incentive plan is 200 per cent of salary. Each performance metric in the incentive plan is independent. For each performance metric in the 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.
- *Performance metrics:* 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 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).

Incentive award deferral plan (IADP):

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

The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive is granted Good Leaver status. This is covered in section A.7 of this report.

On vesting, Executives will receive the benefit of any dividends paid over the deferred period.

In line with the rules of the IADP and IAG's philosophy to encourage and facilitate employee shareholding, participants may elect to self-fund any tax due rather than sell a portion of their share award to meet tax liabilities. Malus provision applies as described in section A.13 below.

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

Performance share plan (PSP):

- *Purpose and link to strategy:* Incentivises long-term shareholder value creation. Drives and rewards delivery of sustained TSR and financial performance.
- *Operation of element of policy:* The PSP is a discretionary plan and is targeted at key senior executives and managers of the Group who directly influence shareholder value. The PSP consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions which are designed to reflect the creation of long-term value within the business.

These performance conditions are measured over a performance period of at least three financial years. No payment is required from individuals when the shares are awarded or when they vest.

The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to prevent any PSP award payments if, in its opinion, the underlying financial performance of the Company had not been satisfactory in the circumstances.

On vesting, in line with the rules of the PSP and IAG's philosophy to encourage and facilitate employee shareholding, participants may elect to self-fund any tax due rather than sell a portion of their share award to meet tax liabilities.

Following the performance period, there is an additional holding period of at least two years. Malus and clawback provisions apply as described in section A.13 below.

- *Maximum Opportunity:* The face value of awards will not exceed 200 per cent of salary in respect of any financial year of the Company At the threshold level of the performance target range, no more than 25 per cent will vest.

Performance metrics: Any PSP award made will be measured over at least three years. Each year, the Board, following the advice of the Remuneration Committee, will determine appropriate performance conditions, with appropriate and stretching target ranges. These will take into account market conditions and also ensure alignment with shareholder interests. At least one condition is likely to be a measure of the Company share price performance compared with an index of other companies who are subject to external influences impacting share price similar to those of IAG. One or more measures will provide a strong indicator of the underlying financial performance of the business.

Variable payment outcomes for 2018

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 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 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 earlier in the 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 this 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 adjusted EPS of 130 €cents 10 per cent vests
Target (straight line vesting between threshold and maximum)	2020 adjusted EPS between 130 €cents and 170 €cents
Maximum	2020 adjusted 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 (straight line vesting between threshold and maximum)	2020 RoIC between 13 per cent and 16 per cent
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.

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

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

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

Explain the long-term saving systems

Long-term saving systems only applies to executive directors.

The Company operates a defined contribution scheme as a percentage of salary, and all executive directors are eligible for membership. Executives can opt instead to receive a salary supplement in lieu of the pension contribution.

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 cent contribution rate, the employer contribution will remain at their contractual level.

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

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

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

Explain the compensation

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

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

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

Explain the conditions of the contracts of executive directors

The contracts of Executive Directors are for an indefinite period.

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

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

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

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

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

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

Non-executive directors

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.

Notwithstanding the above, 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.

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

Explain supplementary remuneration

Not applicable.

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

Explain advance payments, credit facilities and security granted

Not applicable.

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

Explain remuneration in kind

Executive directors

Executive directors' remuneration package includes other taxable benefits such as: life insurance, personal travel and where applicable, a company car, fuel and private health insurance. Where appropriate, benefits may include relocation and international assignment costs.

Non-executive directors

Non-executive Directors (including the Chairman and Deputy Chairman) are entitled to use up to a certain limit, air-tickets of the airlines of the Company or related to the Company, in accordance with the Company's travel scheme, for a total annual gross amount of €500,000 for all non-executive directors taken together (including any former non-executive director who may enjoy this benefit at any given time).

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

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

Not applicable.

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

Explain the other items of remuneration

Not applicable.

- A.13 Explain the actions adopted by the company in relation to the system of remuneration in order to reduce the exposure to excessive risks and to adapt it to the company's long-term objectives, values and interests, which shall include, where relevant, a reference to: measures provided to

guarantee that the company's long-term results are taken into account in the remuneration policy, measures which establish an adequate balance between the fixed and variable components of the remuneration, measures adopted in relation to the categories of personnel whose professional activities have a significant effect on the entity's risk profile, recovery formulas or clauses in order to be able to claim the repayment of variable components of the remuneration based on results when such components having been paid on the basis of data the inaccuracy of which has been clearly shown afterwards and measures provided to avoid conflicts of interests, if any.

Explain the actions adopted to reduce risks

A significant portion of the Company's total remuneration package is variable, with emphasis placed on longer-term reward to align closely executive directors' and senior managers' interests with shareholder interests.

At minimum levels, the annual incentive and the PSP pay out zero. At on-target performance, both the annual incentive and the PSP pay out 50 per cent of the maximum opportunity.

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

- *Deferral*: Half of the annual incentive plan pay-out is deferred into shares, under the Incentive Award Deferral Plan.
- *Additional holding period in the PSP*: There will be an additional holding period of, at least, two years in the Performance Share Plan. This means that Executives will be required to retain the shares acquired from PSP awards for a minimum of two years following the end of the performance period. This is to strengthen the alignment between Executives and shareholders.
- *Shareholding requirements*: 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.
- *Malus and clawback provisions*: The Board, following the advice of the Committee, has authority under the malus provisions of the Performance Share Plan and the Incentive Award Deferral Plan to reduce or cancel awards before they vest, and authority under the clawback provisions of the Performance Share Plan to recover payments during the additional holding period, if special circumstances exist. These special circumstances include fraud; material breach of any law, regulation or code of practice; misstatement of results; misconduct; failure of risk management; or any other circumstances in which the Board considers it to be in the interests of shareholders for the award to lapse or be adjusted.

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

- *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.

B. DELETED

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

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

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

The structure and items of remuneration of the remuneration policy applied during the reporting period (2017).

Executive Directors

2017 Base salary:

<i>Role:</i>	<i>Basic salary:</i>
Willie Walsh (IAG Chief Executive Officer)	€974,000
Enrique Dupuy de Lôme (IAG Chief Financial Officer)	€627,000

Taxable Benefits:

In 2017, taxable benefits including life insurance, personal travel and, where applicable, a company car, fuel, occasional chauffeur services and/or private health insurance amounted to €29,000 in the case of Willie Walsh, and €23,000 in the case of Enrique Dupuy de Lôme.

Life insurance contributions paid in 2017 for the benefit of Willie Walsh amounted to €10,746 and for Enrique Dupuy de Lôme, €6,093.

Pension:

Willie Walsh was a member of the Company's pension scheme until March 31, 2016. The Company did not pay any contributions during the reporting period 2016: £9,987). He received cash in lieu of contributions of £212,500 (2016: £202,513).

Enrique Dupuy de Lôme is not a member of the Company's pension scheme, and the Company therefore did not pay any contributions during the reporting period (2016: zero). He received cash in lieu of contributions of £136,750 (2016: £133,950).

Annual Incentive Award for 2017:

At the beginning of 2017, the Board, upon a recommendation by the Committee, set IAG operating profit (before exceptional items) as the financial target to be applied to the two-thirds of the Annual Incentive Plan for that year. Operating profit was considered to be the most appropriate financial measure in aligning shareholder interests with the Company and individual performance. For the one-third portion based on role-specific objectives, outcomes were calculated based on a customer measure which had been introduced to the annual incentive plan for the first time (Net

Promoter Score, with a weighting of 8.33 per cent), and personal performance against objectives (weighting of 25 per cent). NPS is used to gauge the loyalty of the Group's customer relationships. It is calculated based on survey responses, by subtracting the percentage of customers who are "Detractors" from the percentage of customers who are "Promoters". The Remuneration Committee, on the proposal of the Chairman, considered the Chief Executive Officer's performance against his objectives; and the Remuneration Committee, on the proposal of the Chief Executive Officer, considered the Chief Financial Officer's performance against his objectives. Both performance evaluations were submitted to the Board for final approval on February 22, 2018.

The maximum award for the Chief Executive Officer of IAG was 200 per cent of salary (100 per cent of salary for on-target performance), and for the Chief Financial Officer of IAG 150 per cent of salary (75 per cent of salary for on-target performance).

The outcomes of the performance conditions were as follows:

Measure		Chief Executive Officer of IAG	Chief Financial Officer of IAG
IAG operating profit (before exceptional items) (66.67 per cent)	Payout	€1,298,913 €1,133,333	€626,917 €547,000
	per cent of maximum awarded	100 per cent Please see below for details of the performance target ranges	100 per cent Please see below for details of the performance target ranges
	Role-specific objectives (33.33 per cent), of which: Group Net Promoter Score (8.33 per cent)	Outcomes versus targets €97,419 €85,000 Please see below for details of the performance target ranges	€47,019 €41,025 Please see below for details of the performance target ranges
	per cent of maximum awarded	60 per cent	60 per cent
Personal performance against objectives (25 per cent)	Outcomes versus targets	€419,029 €361,250 Please see below for details of the extent of the achievement of objectives.	€164,566 €143,588 Please see below for details of the extent of the achievement of objectives.
	per cent of maximum awarded	85 per cent	70 per cent
	Details of any discretion exercised		
Overall outcome		€1,810,361 €1,579,583	€838,502 €731,613

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

IAG operating profit (before exceptional items) for 2017 (two-thirds of the annual incentive) exceeded the stretch target level, and therefore this has resulted in the maximum paying out for this element of the incentive (2016: 0 per cent). The target range for 2017 was as follows: the threshold level at which payments would begin was €2,500 million, the on-target level at which 50 per cent of the maximum would pay out was €2,670 million, and the stretch target level at which the maximum would pay out was €2,840 million. There was a straight line sliding scale between the threshold level and the on-target level, and between the on-target level and the stretch target level. Net Promoter Score for 2017 achieved 16.8, and this is between the on-target level and the stretch target level, resulting in a pay-out of 60 per cent of the maximum for this element. The target range for 2017 was as follows: the threshold level at which payments would begin was 15.0, the on-target level at which 50 per cent of the maximum would pay out was 16.5, and the stretch target level at which the maximum would pay out was 18.0. There was a straight line sliding scale between the threshold level and the on-target level, and between the on-target level and the stretch target level.

Personal Performance

In assessing personal performance, the Committee considers a range of factors to ensure there is a holistic and detailed assessment of the executive directors' contribution to the overall strategic priorities of the Group. This is summarised below for executive directors:



Chief Executive Officer of IAG

1. Unrivalled customer proposition
 - Leading the successful launch of LEVEL in record time.
 - Sustained focus and actions across all airlines to improve customer experience, and strengthen our brand portfolio.
 - Drive Net Promoter Score (NPS) performance.
 - Personally ensuring the Group learns from the power outage challenge and formulating and executing a comprehensive plan to improve business continuity planning and Group IT resilience.
 - Bringing digital initiatives to winning outcomes that better address customer needs e.g. New Distribution Capability (NDC), Hangar 51, Commercial in-flight.
2. Value accretive and sustainable growth
 - Under Willie Walsh's leadership the Group delivered a strong performance in 2017 with operating profit up 18.9% vs last year and all airlines delivering their best financial performance ever.
 - Overseeing the turnaround in Vueling, which has restored operational and financial performance.
3. Efficiency and innovation
 - Continued to reap efficiencies, driving organisational health and culture.
 - Leveraging the IAG Platform with both Aer Lingus and Vueling now fully integrated under his leadership.
 - Continued progress in fleet harmonisation and capturing maintenance opportunities.

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

1. Unrivalled customer proposition
 - Focussed investment to support enhancing the value of our brands and customer proposition and investing in the resilience of our business models.
 - Leveraging the strong positions in our main strategic markets and developing our new corporate units such as LEVEL.
2. Value accretive and sustainable growth
 - Supporting the CEO as the Group delivered a strong performance in 2017 with operating profit up 18.9% vs last year and all airlines delivering their best financial performance ever.
 - Under his leadership, the Company significantly increased shareholder cash potential, delivering sustainable returns to shareholders in excess of €1 billion in 2017.
 - Ensuring the Company maintains a strong balance sheet leading to a high level of financial strength and liquidity to enable improved shareholder returns and M&A opportunities.
3. Efficiency and innovation
 - Driving improved asset utilisation and capex efficiencies, leading to a better return on investment.
 - Continuing the development of the IAG platform to create future value and delivering operating company cost cutting and efficiency plans.

Performance Share Plan 2014 (PSP 2014):

The IAG PSP 2014 award granted on March 6, 2014 was tested at the end of the performance period which began on January 1, 2014 and ended on December 31, 2016. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG and 120 per cent of salary for the Chief Financial Officer of IAG.

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

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2014)
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) Index (50 per cent)	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	IAG underperformed the index by 3 per cent p.a.	0 per cent
Adjusted earnings per share (EPS) (50 per cent)	2016 EPS of 34 €cents (10 per cent of award vests)	2016 EPS of 56 €cents (100 per cent of award vests)	90.2 €cents	100 per cent
Details of any discretion exercised				
Overall outcome				50 per cent

Performance Share Plan 2015 (PSP 2015):

The IAG PSP 2015 award granted on May 28, 2015 was tested at the end of the performance period which began on January 1, 2015 and ended on December 31, 2017. The awards were equivalent to 200 per cent of salary for the Chief Executive Officer of IAG and 120 per cent of salary for the Chief Financial Officer of IAG.

One third of the award was subject to a TSR performance condition measured against an index, one third subject to achievement of the Company's adjusted EPS targets (as defined above in the 2014 award), and one-third subject to a RoIC performance condition. The vesting of any award was subject to the Board being satisfied that the Group's underlying financial performance was satisfactory in the circumstances prevailing over the three year period.

The outcome of the performance condition was as follows:

Measure	Threshold	Maximum	Outcome	Vesting (as per cent award granted in 2015)
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) Index (one-third)	IAG's TSR performance equal to the index (25 per cent of award vests)	IAG's TSR performance exceeds index by 8 per cent p.a. (100 per cent of award vests)	IAG underperformed the index by 4 per cent p.a.	0 per cent
Adjusted earnings per share (EPS) (one-third)	2017 EPS of 70 €cents (10 per cent of award vests)	2017 EPS of 100 €cents (100 per cent of award vests)	102.8 €cents	100 per cent
Return on Invested Capital (RoIC) (one-third)	2017 RoIC of 12 per cent (10 per cent of award vests)	2017 RoIC of 15 per cent (100 per cent of award vests)	16.0 per cent	100 per cent
Details of any discretion exercised				
Overall outcome				66.67 per cent

Performance Share Plan 2017 (PSP 2017):

The Company granted an award for 2017 under the IAG PSP 2017 on March 6, 2017.

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

Earnings per share reflect the profitability of our business and the core elements of value creation for our shareholders. Growing earnings indicates that the Group is on the right path to create value for our shareholders.

The Company uses rolling Return on Invested Capital (RoIC) as a profitability indicator to assess efficient return on the Group's asset base. It quantifies how well the Group generates cash flow in relation to the capital invested in the business together with their ability to fund growth and to pay dividends.

The details of the 2017 PSP are as follows:

- *Type of award:* Shares
- *Basis of determination of the size of award:* Awards only made to those Executives who are consistently high-performing, and/or are in key roles, and/or whom the Company wishes to retain in the long term.
- *Face value awarded (per cent of salary):* Chief Executive Officer of IAG – 200 per cent. Chief Financial Officer of IAG – 150 per cent.
- *Grant price:* £5.46

- *Performance period:* January 1, 2017 to December 31, 2019
- *Performance conditions:* Adjusted earnings per share (EPS) performance targets (one third), RoIC performance targets (one third) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one third).
- *EPS target range:* Threshold: 2019 EPS of 100 €cents 10 per cent vests; Target (straight line vesting between threshold and maximum): 2019 EPS between 100 €cents and 130 €cents; Maximum: 2019 EPS of 130 €cents 100 per cent vests.
- *RoIC target range:* Threshold: 2019 RoIC of 12 per cent 10 per cent vests; Target (straight line vesting between threshold and maximum): 2019 RoIC between 12 per cent and 15 per cent; Maximum: 2019 RoIC of 15 per cent 100 per cent vests.
- *TSR target range:* Threshold: IAG's TSR performance equal to the index 25 per cent vests; Target (straight line vesting between threshold and maximum): IAG's TSR performance between index return and 8 per cent p.a. outperformance; Maximum: IAG's TSR performance exceeds index by 8 per cent p.a. 100 per cent vests.

Adjusted EPS is based on as defined for the 2015 PSP award earlier in the report. The Board, after considering the recommendation of the Remuneration Committee, retains the discretion to review and, if appropriate, revise the EPS targets and/or definition in the context of any corporate transactions, provided that, in its view, any revised targets are no more or less challenging than the original targets. To the extent that any such adjustments are made, the Committee will disclose the basis for any adjustments and the rationale in subsequent reports.

Payments for loss of office

No executive directors have left office during 2017.

There were no payments made to non-executive directors after they left office during 2017.

Exit payment paid during 2017:

José Pedro Pérez-Llorca received travel benefits worth €4,940 during 2017 after he had left the Company.

Baroness Kingsmill received travel benefits worth €10,788 during 2017 after she had left the Company.

Non-executive directors

As explained in section A.3 above, non-executive directors were paid a flat fee in 2017, with an additional fee for each Committee chairmanship held. In addition, non-executive directors benefited from taxable benefits (use of air-tickets of the Company or related to the Company in accordance with the applicable travel schemes).

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

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

Name	Category	Time of office during reporting period
Antonio Vázquez	Non-Executive Independent	From 01/01/2017 to 31/12/2017
Willie Walsh	Executive	From 01/01/2017 to 31/12/2017
Marc Bolland	Non-Executive Independent	From 01/01/2017 to 31/12/2017
Patrick Cescau	Non-Executive Independent	From 01/01/2017 to 31/12/2017
Enrique Dupuy de Lôme	Executive	From 01/01/2017 to 31/12/2017
Baroness Kingsmill	Non-Executive Independent	From 01/01/2017 to 15/06/2017
James Lawrence	Other external	From 01/01/2017 to 31/12/2017
María Fernanda Mejía	Non-Executive Independent	From 01/01/2017 to 31/12/2017
Kieran Poynter	Non-Executive Independent	From 01/01/2017 to 31/12/2017
Emilio Saracho	Non-Executive Independent	From 01/01/2017 to 31/12/2017
Dame Marjorie Scardino	Non-Executive Independent	From 01/01/2017 to 31/12/2017
Alberto Terol	Non-Executive Independent	From 01/01/2017 to 31/12/2017

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

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

(i) Cash remuneration (in thousands of €)

Name	Salary	Fixed Remuneration	Per diems	Short term Variable Remuneration	Long-term variable remuneration	Remuneration for Board committees' membership	Compensation	Other items	Total 2017	Total 2016
Antonio Vázquez	0	645	0	0	0	0	0	35	680	546
Willie Walsh	974	0	0	905	0	0	0	273	2,152	1,680
Marc Bolland	0	120	0	0	0	0	0	6	126	65
Patrick Cescau	0	150	0	0	0	0	0	47	197	158
Enrique Dupuy de Lôme	627	0	0	419	0	0	0	180	1,226	999
Baroness Kingsmill	0	55	0	0	0	0	0	12	67	147
James Lawrence	0	120	0	0	0	0	0	13	133	138
María Fernanda Mejía	0	120	0	0	0	0	0	17	137	123
Kieran Poynter	0	120	0	0	0	20	0	21	161	166
Emilio Saracho	0	120	0	0	0	0	0	26	146	69
Dame Marjorie Scardino	0	120	0	0	0	20	0	89	229	195
Alberto Terol	0	120	0	0	0	0	0	36	156	153

(ii) Share-based remuneration systems

Willie Walsh <i>Performance Share Plan-PSP 2014</i>												
Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017							
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period				
March 6, 2014	379,310	379,310	0	Performance period: 2014-2016; shares vested to be delivered in 2017	0	0	0	—				
Conditions: The PSP 2014 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting 50 per cent) and total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting 50 per cent).												
Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	
0	0	0	0	189,655	189,655	1,192	189,655	0	0	0	—	
Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. See section A.7 of this Report.												

Willie Walsh <i>Performance Share Plan-PSP 2015</i>												
Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017							
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period				
May 28, 2015	309,091	309,091	0	Performance period: 2015-2017; holding period: 2018-2019; exercise period: 2020-2024	0	0	0	—				
Conditions: The PSP 2015 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting one-third), total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting one-third), and return on invested capital (RoIC) (weighting one-third).												
Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	
0	0	0	0	0	0	0	0	309,091	309,091	0	Performance period: 2015-2017; holding period: 2018-2019; exercise period: 2020-2024	
Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. See section A.7 of this Report.												

Willie Walsh <i>Performance Share Plan-PSP 2016</i>												
Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017							
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period				
March 7, 2016	314,233	314,233	0	—	0	0	0	Performance period: 2016-2018; holding period: 2019-2020; exercise period: 2021-2025				
Conditions: The PSP 2016 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting one-third), total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting one-third), and return on invested capital (RoIC) (weighting one-third).												
Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	
0	0	0	0	0	0	0	0	314,233	314,233	0	Performance period: 2016-2018; holding period: 2019-2020; exercise period: 2021-2025	
Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. See section A.7 of this Report.												

Willie Walsh <i>Performance Share Plan-PSP 2017</i>												
Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017							
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period				
March 6, 2017	0	0	0	—	311,355	311,355	0	Performance period: 2017-2019; holding period: 2020-2021; exercise period: 2022-2026				
Conditions: The PSP 2017 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting one-third), total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting one-third), and return on invested capital (RoIC) (weighting one-third).												
Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	
0	0	0	0	0	0	0	0	311,355	311,355	0	Performance period: 2017-2019; holding period: 2020-2021; exercise period: 2022-2026	
Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year performance period, except if the Executive Director is granted Good Leaver status. See section A.7 of this Report.												

Willie Walsh*Incentive Award Deferral Plan-IADP 2014*

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

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

Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
149,353	6.29	939	0	0	0	0	0	0	0	0	---

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

Willie Walsh												
<i>Incentive Award Deferral Plan-IADP 2015</i>												
Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017							
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period				
May 28, 2015	151,111	151,111	0	Deferral period finishes on March 8, 2018	0	0	0	—				
Conditions: The IADP 2015 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.												
Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	
0	0	0	0	0	0	0	0	151,111	151,111	0	Deferral period finishes on March 8, 2018	
Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive Director is granted Good Leaver status. This is described in more detail in section A.7 of this Report.												

Willie Walsh												
<i>Incentive Award Deferral Plan-IADP 2016</i>												
Date of Implementation	Ownership of Options at the beginning of 2017					Options assigned during 2017						
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period		No. of Options	Shares affected	Exercise Price (€)	Exercise Period			
March 7, 2016	125,693	125,693	0	–		0	0	0	Deferral period finishes on March 7, 2019			
Conditions: The IADP 2016 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.												
Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	
0	0	0	0	0	0	0	0	125,693	125,693	0	Deferral period finishes on March 7, 2019	
Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive Director is granted Good Leaver status. See section A.7 of this Report.												

Willie Walsh*Incentive Award Deferral Plan-IADP 2017*

Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2017	0	0	0	–	51,893	51,893	0	Deferral period finishes on March 6, 2020

Conditions: The IADP 2017 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.

Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	51,893	51,893	0	Deferral period finishes on March 6, 2020

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

Enrique Dupuy de Lôme
Performance Share Plan-PSP 2014

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

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

Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	68,965	68,695	434	68,966	0	0	0	---

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

Enrique Dupuy de Lôme
Performance Share Plan-PSP 2015

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

Conditions: The PSP 2015 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting one-third), total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting one-third), and return on invested capital (RoIC) (weighting one-third).

Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	112,364	112,364	0	Performance period: 2015-2017; holding period: 2018-2019; exercise period: 2020-2024

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

Enrique Dupuy de Lôme
Performance Share Plan-PSP 2016

Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 7, 2016	145,647	145,647	0	—	0	0	0	Performance period: 2016-2018; holding period: 2019-2020; exercise period: 2021-2025

Conditions: The PSP 2016 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting one-third), total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting one-third), and return on invested capital (RoIC) (weighting one-third).

Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	145,647	145,647	0	Performance period: 2016-2018; holding period: 2019-2020; exercise period: 2021-2025

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

Enrique Dupuy de Lôme
Performance Share Plan-PSP 2017

Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 6, 2017	0	0	0	—	147,198	147,198	0	Performance period: 2018-2019; holding period: 2020-2021; exercise period: 2022-2026

Conditions: The PSP 2017 consists of an award of the Company's shares which vests subject to the achievement of pre-defined performance conditions: earnings per share (EPS) (weighting one-third), total shareholder return (TSR) performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (weighting one-third), and return on invested capital (RoIC) (weighting one-third).

Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	147,198	147,198	0	Performance period: 2018-2019; holding period: 2020-2021; exercise period: 2022-2026

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

Enrique Dupuy de Lôme
Incentive Award Deferral Plan-IADP 2014

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

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

Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
50,862	6.29	320	0	0	0	0	0	0	0	0	---

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

Enrique Dupuy de Lôme
Incentive Award Deferral Plan-IADP 2015

Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
May 28, 2015	50,252	50,252	0	Deferral period finishes on March 8, 2018	0	0	0	—

Conditions: The IADP 2015 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.

Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	50,252	50,252	0	Deferral period finishes on March 8, 2018

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

Enrique Dupuy de Lôme
Incentive Award Deferral Plan-IADP 2016

Date of Implementation	Ownership of Options at the beginning of 2017				Options assigned during 2017			
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
March 7, 2016	44,665	44,665	0	–	0	0	0	Deferral period finishes on March 7, 2019

Conditions: The IADP 2016 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.

Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017			
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period
0	0	0	0	0	0	0	0	44,665	44,665	0	Deferral period finishes on March 7, 2019

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

Enrique Dupuy de Lôme <i>Incentive Award Deferral Plan-IADP 2017</i>												
Date of Implementation	Ownership of Options at the beginning of 2017					Options assigned during 2017						
	No. of Options	Shares affected	Exercise Price (€)	Exercise Period		No. of Options	Shares affected	Exercise Price (€)	Exercise Period			
March 6, 2017	0	0	0	–		22,080	22,080	0	Deferral period finishes on March 7, 2020			
Conditions: The IADP 2017 operates over 50 per cent of the Annual Incentive Award. It is designed to align the interests of Executives with shareholders by providing a proportion of the annual incentive in deferred shares. No other performance metrics apply because it is based on performance already delivered.												
Shares delivered during 2017			Options exercised in 2017				Op. vested and not exercised	Options at the end of 2017				
No. of Shares	Price	Amount	Exercise Price (€)	No. of Options	Shares affected	Gross Benefit (m€)	No. of Options	No. of Options	Shares affected	Exercise Price (€)	Exercise Period	
0	0	0	0	0	0	0	0	22,080	22,080	0	Deferral period finishes on March 7, 2020	
Other exercise conditions: The shares will be subject to forfeiture if the Executive leaves during the three-year deferral period, except if the Executive Director is granted Good Leaver status. See section A.7 of this Report.												

(iii) Long-term saving systems

Name	Contribution for the year by the company (thousands €)		Amount of accumulated funds (thousands €)	
	2017	2016	2017	2016
Willie Walsh	0	12	289	289
Enrique Dupuy de Lôme	0	0	31	31

(iv) **Other benefits (in thousands of €)**

Willie Walsh					
Remuneration in the form of advance payments, credit facilities granted					
<i>Interest rate of the transaction</i>		<i>Essential characteristics of the transaction</i>		<i>Amounts possibly repaid</i>	
—		—		—	
<i>Life insurance premiums</i>				<i>Security granted by the company for directors</i>	
2017	2016	2017		2016	
11	12	—		—	

Enrique Dupuy de Lôme					
Remuneration in the form of advance payments, credit facilities granted					
<i>Interest rate of the transaction</i>		<i>Essential characteristics of the transaction</i>		<i>Amounts possibly repaid</i>	
—		—		—	
<i>Life insurance premiums</i>				<i>Security granted by the company for directors</i>	
2017	2016	2017		2016	
6	7	—		—	

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

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

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

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

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

Name	Remuneration earned at the Company				Remuneration earned at the group companies				Total		
	Total cash remuneration	Amount of shares granted	Gross profit of the options exercised	Total 2017 company	Total cash remuneration	Amount of shares granted	Gross profit of the options exercised	Total 2017 group	Total 2017	Total 2016	Contribution to saving systems during the year
Antonio Vázquez	680	0	0	680	0	0	0	0	680	546	–
Willie Walsh	2,152	939	1,192	4,283	0	0	0	0	4,283	6,245	–
Marc Bolland	126	0	0	126	0	0	0	0	126	65	–
Patrick Cescau	197	0	0	197	0	0	0	0	197	158	–
Enrique Dupuy de Lôme	1,226	320	434	1,980	0	0	0	0	1,980	3,074	–
Baroness Kingsmill	67	0	0	67	0	0	0	0	67	147	–
James Lawrence	133	0	0	133	0	0	0	0	133	138	–
María Fernanda Mejía	137	0	0	137	0	0	0	0	137	123	–
Kieran Poynter	161	0	0	161	0	0	0	0	161	166	–
Emilio Saracho	146	0	0	146	0	0	0	0	146	69	–
Dame Marjorie Scardino	229	0	0	229	0	0	0	0	229	195	–
Alberto Terol	156	0	0	156	0	0	0	0	156	153	–

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

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

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

	Number	% of total
Votes cast	1,419,239,541	100%

	Number	% of votes cast
Votes against	120,810,395	8.512%
Votes in favor	1,246,756,022	87.847%
Abstentions	51,673,124	3.641%

E. OTHER INFORMATION OF INTEREST

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

The table below shows the binding vote on the directors' remuneration policy at the 2015 annual Shareholders' Meeting:

	Number	% of total
Votes cast	1,313,200,803	100

	Number	% of votes cast
Votes against	49,560,764	3.774
Votes in favor	973,503,807	74.132
Abstentions	290,136,232	22.094

Executive Directors' remuneration corresponding to 2017 (single total figure)

As:

- (i) the IAG PSP 2015 performance period finished on December 31, 2017 (although the shares vested under this plan will be delivered during 2018), whereas the IAG PSP 2014 performance period finished on December 31, 2016 (although the shares vested under this plan were delivered during 2017), and
- (ii) the 2017 Annual Incentive Award is paid 50 per cent in cash and the remaining 50 per cent is deferred into shares under the 2018 Incentive Award Deferral Plan (IADP),

in order to provide more complete information, the table below sets out the breakdown by remuneration item for each Executive Director, including the shares that have vested under the IAG PSP 2015 (to be delivered in 2018) and not including the shares vested under the IAG PSP 2014 (although delivered during 2017, as they were considered remuneration of 2016 in this same table produced for the 2016 Directors' Remuneration Report) and the full amount of the 2017 Annual Incentive Award (whether to be paid in cash or in deferred shares under the 2018 IADP). An explanation of how the figures are calculated follows the table.

Director ('000)	Base salary	Taxable benefits	Pension related benefits	Annual incentive award	Long-term incentive vesting	Total for year to December 31, 2017
Executive directors						
Willie Walsh (GBP) ¹	850	25	213	1,580	1,286	3,954
Willie Walsh (euro)	974	29	244	1,810	1,474	4,531
Enrique Dupuy de Lôme (GBP) ¹	547	20	137	732	467	1,903
Enrique Dupuy de Lôme (euro)	627	23	157	839	535	2,181
Total (€'000)	1,601	52	401	2,649	2,009	6,712

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

Additional explanations in respect of the single total figure table for 2017

Each director has confirmed in writing that they have not received any other items in the nature of remuneration other than those already disclosed in the table above.

Base salary

Salary paid in year for executive directors.

Taxable benefits

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

Pension related benefits

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

Annual incentive plan

Annual incentive award for the period ended December 31, 2017 (accrued at December 31, 2017, but cash payments (50 per cent of the award) not paid until March 2018). The outcomes of the performance conditions which determined the award are described in the next section. Half of the annual incentive award is deferred into shares for three years (Incentive Award Deferral Plan (IADP)). For the 2017 annual incentive plan, these will vest in March 2021.

Long-term incentive vesting

This relates to the IAG PSP 2015 award based on performance measured to December 31, 2017, although the shares vested will not be delivered until March 2018. For the purposes of this table, the award has been valued using the average share price in the three months to December 31, 2017 of 624.0 pence. The outcomes of the performance conditions which determined vesting are described below.

For the year to December 31, 2017, €:£ exchange rate applied is 1.1461.

Notes on the above forward-looking policy tables

The 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 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.

Approach to recruitment remuneration

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

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

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

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

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

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

Consideration of employment conditions elsewhere in the Group

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

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

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

Consideration of shareholder views

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

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

Executive Directors' conditional awards

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

Director	Plan	Date of award	Number of awards at January 1, 2017	Awards vested during the year	Awards lapsed during the year	Awards made during the year	Number of awards at December 31, 2017
Executive directors							
Willie Walsh	IAG PSP	March 6, 2014	379,310	189,655	189,655	-	-
Enrique Dupuy de Lôme	IAG PSP	March 6, 2014	137,931	68,965	68,966	-	-

The award granted on March 6, 2014 was tested at the end of the performance period, and as a result 50 per cent of the award vested.

The values attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2014 PSP award was 435 pence.

Executive Directors' share options

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

Director	Date of grant	Number of options at January 1, 2017	Exercise price	Options exercised during the year	Options lapsed during the year	Options granted during the year	Exercisable from	Expiry date	Number of options at December 31, 2017
Executive directors									
Willie Walsh	May 28, 2015	309,091	-	-	-	-	January 1, 2020	December 31, 2024	309,091
	March 7, 2016	314,233	-	-	-	-	January 1, 2021	December 31, 2025	314,233
	March 6, 2017	-	-	-	-	311,355	January 1, 2022	December 31, 2026	311,355
Total		623,324	-	-	-	311,355			934,679
Enrique Dupuy de Lôme	May 28, 2015	112,364	-	-	-	-	January 1, 2020	December 31, 2024	112,364
	March 7, 2016	145,647	-	-	-	-	January 1, 2021	December 31, 2025	145,647
	March 6, 2017	-	-	-	-	147,198	January 1, 2022	December 31, 2026	147,198
Total		258,011	-	-	-	147,198			405,209

The performance conditions for each of these PSP awards above will be tested to determine the level of vesting. For each of these awards, one-third of the award is subject to TSR performance measured against an index, one-third is subject to adjusted EPS performance, and one-third is subject to RoIC performance. The performance conditions will be measured over a single three year performance period. For each of these awards, following the performance period there is an additional holding period of two years.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the dates of the PSP awards were as follows: 2017: 546 pence; 2016: 541 pence; and 2015: 550 pence.

Incentive Award Deferral Plan for Executive Directors

The following directors held conditional awards over ordinary shares of the Company granted under the IAG IADP (awarded as a result of IAG performance for the periods that ended December 31, 2014, December 31, 2015 and December 31, 2016).

Director	Relates to incentive award earned in respect of performance	Date of award	Number of awards at January 1, 2017	Awards released during the year	Date of vesting	Awards lapsing during the year	Awards made during the year	Number of awards at December 31, 2017
Executive directors								
Willie Walsh	2013	March 6, 2014	149,353	149,353	March 6, 2017	-	-	-
	2014	May 28, 2015	151,111	-	March 8, 2018	-	-	151,111
	2015	March 7, 2016	125,693	-	March 7, 2019	-	-	125,693
	2016	March 6, 2017	-	-	March 6, 2020	-	51,893	51,893
Total			426,157	149,353		-	51,893	328,697
Enrique Dupuy de Lôme	2013	March 6, 2014	50,862	50,862	March 6, 2017	-	-	-
	2014	May 28, 2015	50,252	-	March 8, 2018	-	-	50,252
	2015	March 7, 2016	44,665	-	March 7, 2019	-	-	44,665
	2016	March 6, 2017	-	-	March 6, 2020	-	22,080	22,080
Total			145,779	50,862		-	22,080	116,997

There are no performance conditions to be tested before vesting for the IADP, except that the director must still be employed by the Company at the time of vesting, or have left as a Good Leaver.

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2017 IADP award was 546 pence (2016: 541 pence; 2015: 550 pence; and 2014: 435 pence).

The value attributed to the Company's ordinary shares in accordance with the plan rules on the date of the 2014 IADP award was 435 pence. The share price on the date of the vesting of this award (March 6, 2017) was 548.5 pence. The money value of the shares received was the share price on the date of the vesting multiplied by the number of shares in respect of the award vested, as shown in the table above.

Statement of directors' shareholding and share interests

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

Under the Group's shareholding guidelines, the CEO of IAG is required to build up and maintain a shareholding of 250 per cent of salary. This will increase to 350 per cent of salary from 2018, subject to shareholder approval of the new Directors' Remuneration Policy at the 2018 annual Shareholders' Meeting. Other executive directors are required to build up and maintain shareholdings of 200 per cent of salary. In addition, they are required to retain the entire 100 per

cent of shares (net of tax) which vest from share plans until their respective shareholding requirement is attained. The Committee has reviewed executive directors' progress against the requirements and notes that both executive directors are well above the shareholding requirement. There has been a significant improvement in shareholding for the executive directors over the past four years, as a result of PSP awards vesting, and deferred shares awards from annual incentive plans.

Shares which count towards the guideline include shares already held by the executive, vested and exercised shares, vested and unexercised shares, and unvested deferred annual incentive shares. The table below summarises current executive directors' interests as of December 31, 2017:

Executive director	Shareholding requirement	Shares owned	Shares already vested from performance share plans	Shares already vested from deferred annual incentive plans	Unvested shares from deferred annual incentive plans	Total qualifying shareholding
Willie Walsh	250 per cent of salary (350 per cent of salary from 2018)	72,000	1,562,759	209,781	174,209	2,018,749 (1,116 per cent of salary)
Enrique Dupuy de Lôme	200 per cent of salary	100	452,305	81,013	62,008	595,426 (569 per cent of salary)

External non-executive directorship

The Company's consent is required before an executive director can accept an external non-executive appointment and permission is only given in appropriate circumstances. During the reporting period in question no executive director held a directorship from which they retained a fee. Willie Walsh is a non-executive director of the Irish National Treasury Management Agency, for which he has declined a fee. He is also a member of the IATA Board of Governors. Enrique Dupuy de Lôme is Chairman of Iberia Cards.

Directors' interests in shares

	Total shares and voting rights	Percentage of capital
Antonio Vázquez	512,291	0.025
Willie Walsh	1,844,540	0.090
Marc Bolland	0	0.000
Patrick Cescau	0	0.000
Enrique Dupuy de Lôme	533,418	0.026
James Lawrence ¹	752,300	0.037
Maria Fernanda Mejía	100	0.000
Kieran Poynter	15,000	0.001
Emilio Saracho	0	0.000
Dame Marjorie Scardino	100	0.000
Alberto Terol	26,537	0.001
Total	3,684,286	0.179

¹ Held as IAG ADSs (one IAG ADS equals two IAG shares).

There have been no changes to the shareholdings set out above between December 31, 2017 and the date of this Remuneration Report, other than Nicola Shaw (joined the Board on January 1, 2018) who purchased 1,495 shares on January 2, 2018.

Share scheme dilution limits

The Investment Association sets guidelines that restrict the issue of new shares under all the Company's share schemes in any ten year period to 10 per cent of the issued ordinary share capital and restrict the issues under the Company's discretionary schemes to 5 per cent in any ten year period. At the annual Shareholders' Meeting on June 18, 2015 the Company was given authority to allocate up to 67,500,000 shares (3.31 per cent of the share capital) in 2015, 2016, 2017 and 2018. Of this a maximum of 7,650,000 shares could be allocated to executive directors under all

IAG share plans for awards made during 2015, 2016, 2017 and 2018. At December 31, 2017, 2.33 per cent of the share capital had been allocated under the IAG share plans.

The highest and lowest closing prices of the Company's shares during the period and the share price at December 31, 2017 were:

At December 31 2017	651p
Highest in the period	670p
Lowest in the period	441p

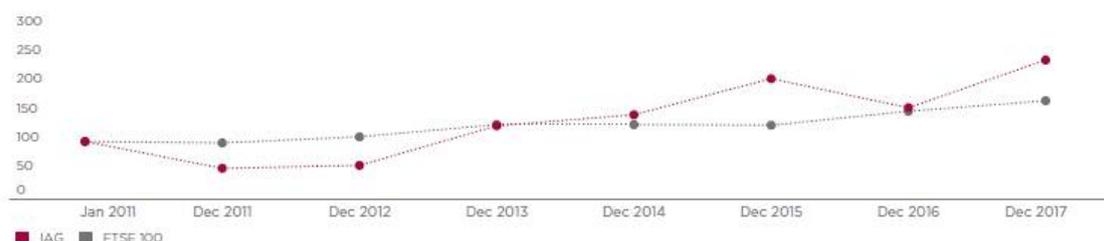
Company performance graph and Chief Executive Officer of IAG 'single figure' table

The chart shows the value by December 31, 2017 of a hypothetical £100 invested on listing compared with the value of £100 invested in the FTSE 100 index over the same period. A spot share price has been taken on the date of listing, and a three month average has been taken prior to the year ends.

The FTSE 100 was selected because it is a broad equity index of which the Company is a constituent, and the index is widely recognised.

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

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



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

	CEO of IAG - 'total single figure' of remuneration	Annual incentive	Long-term incentive
2011	£1,550,000	Includes annual incentive payment of £302,000 (18 per cent of maximum).	Includes £251,594 value of long-term incentives vesting (35 per cent of maximum).
2012	£1,083,000	No annual incentive payment.	Zero vesting of long-term incentives.
2013	£4,971,000	Includes annual incentive payment of £1,299,375 (78.75 per cent of maximum).	Includes £2,593,569 value of long-term incentives vesting (100 per cent of maximum).
2014	£6,390,000	Includes annual incentive payment of £1,662,222 (97.78 per cent of maximum).	Includes £3,640,135 value of long-term incentives vesting (85 per cent of maximum).
2015	£6,455,000	Includes annual incentive payment of £1,360,000 (80 per cent of maximum).	Includes £4,405,185 value of long-term incentives vesting (100 per cent of maximum).
2016	£2,462,000	Includes annual incentive payment of £566,667 (33.33 per cent of maximum).	Includes £807,741 value of long-term incentives vesting (50 per cent of maximum).
2017	£3,954,000	Includes annual incentive payment of £1,579,583 (92.92 per cent of maximum).	Includes £1,285,819 value of long-term incentives vesting (66.67 per cent of maximum).

Single total figure of remuneration includes basic salary, taxable benefits, pension related benefits, annual incentive award and long-term incentive vesting.

2011 figure includes 20 days of remuneration in January 2011 paid by British Airways.

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

The table below shows how the remuneration of the Chief Executive Officer of IAG has changed for 2017 compared to 2016.

This is then compared to a group of appropriate employees. It has been determined that the most appropriate group of employees are all UK employees in the Group, comprising around 40,000 employees in total. To make the comparison between the CEO of IAG and employees as meaningful as possible, it was determined that as large a group as possible of employees should be chosen.

The selection of all UK employees in the Group (roughly two-thirds of the entire Group's employees) meets these criteria. The majority of the 40,000 UK employees in the Group are employed by British Airways, but there are also a number of employees from all other companies in the Group based in the UK. It was determined that employees outside the UK would not be considered for the comparison, as very different employment market conditions exist in other countries.

	Chief Executive Officer of IAG	UK employees
Basic salary	No basic salary increase for 2017.	Basic salary awards in 2017 at UK companies in the Group averaged around 2 per cent.
Annual incentive	Increase from £566,667 in March 2017 (covering the 2016 performance period) to £1,579,583 in March 2018 (covering the 2017 performance period). This represents a 179 per cent increase.	Changes in overall annual incentive payments for 2017 versus 2016 varied considerably around the Group, depending on the incentive design, financial performance, and non-financial performance at each individual company.
Taxable benefits	No change in benefits policy. Actual payments increased to £25,000 in 2017 from £24,000 in 2016.	No change in benefits policy. Overall costs 2017 versus 2016 increased very slightly in line with inflation.

Relative importance of spend on pay

The table below shows, for 2017 and 2016, total remuneration costs, operating profit, and dividends for the Company.

	2017	2016
Total employee costs, IAG	€4,740,000,000	€4,731,000,000
Total remuneration, directors (including non-executive directors)	€8,744,000	€6,561,000
IAG operating profit (before exceptional items)	€3,015,000,000	€2,535,000,000
Dividend declared	€256,000,000	€495,000,000
Dividend proposed	€298,000,000	-

This annual report on remuneration has been approved by the company's board of directors, at its meeting of February 22, 2018.

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

No

Name or corporate name of the members of the board of directors who have not voted in favor of the approval of this report	Reasons (against, abstention, absent)	Explain the reasons