

INTERNATIONAL AIRLINES GROUP ('IAG')

TAX STRATEGY

PUBLISHED ON BEHALF OF ALL IAG COMPANIES

SCOPE

This Tax Strategy is published in compliance with UK tax legislation found at paragraph 19 and 22 of Schedule 19 to the Finance Act 2016. It is consistent with the Tax Principles and Policies document that has been adopted by the Board of Directors of International Consolidated Airlines Group SA ('ICAG') on behalf of all members of IAG and that applies to all IAG tax related activity, whether in the UK or elsewhere in the world.

PURPOSES OF THE IAG TAX PRINCIPLES AND POLICIES

The purposes of the Tax Principles and Policies are to provide a consistent framework for the Group to achieve effective and efficient decision making on tax issues and to ensure that the Group's tax risk is managed appropriately. The purposes include ensuring that tax related obligations are fully understood internally and are complied with and to provide clarity around the management of tax matters to stakeholders such as senior management, tax authorities and other external stakeholders. The purposes also include articulating the Group's tax risk appetite within the context of external reputation.

GOVERNANCE IN RELATION TO TAXATION

The ICAG Board have agreed a set of Tax Principles and Policies for IAG companies and the Audit and Compliance Committee ('ACC') has oversight of the content of this document. The ACC has reviewed a tax governance framework that supports the application of these Policies and Principles across IAG. As part of wider financial risk reporting, the ACC receives updates on the financial aspects of tax risk within the Group and it is kept apprised of any developments relating to tax risk and governance that are relevant to IAG.

Senior executive management in both ICAG and the main operating companies are involved in tax governance through their membership of the IAG Management Committee ('the MC'). The MC approved the development of the Tax Principles and Policies and the internal tax governance framework. From a tax perspective, they ensure that management decisions are in accordance with the requirements of the agreed Tax Principles and Policies.

PRINCIPLES

The five Tax Principles centre on integrity, commercial purpose, openness, maximising stakeholder value and engagement with government and regulators.

IAG is committed to acting with integrity in all tax matters and only undertaking transactions that a reasonable person would consider have a substantive commercial purpose underlying them. We seek to work openly with tax authorities and if disputes occur, work with them to resolve them promptly and honestly. We also seek to maximise value for stakeholders (customers, employees and shareholders and the wider society in which IAG operates) whilst complying with all relevant tax practice, laws and regulations. Where there are tax matters that could materially affect IAG and the wider commercial airline industry, we take an active role in discussions with governments and regulators.

POLICIES

There are four main areas contained in the IAG Tax Policy: internal engagement with tax, compliance with tax obligations, attitude to tax planning and reputation and transparency.

Internal Engagement with Tax

The Tax function engages with senior management on tax issues and has clearly defined internal controls (e.g. reporting lines, limits of authority) that operate effectively. The Tax function employs appropriately qualified, trained and experienced tax professionals to ensure that tax obligations are properly discharged within the broader framework of compliance with the Group's governance framework, including its Tax Principles and Policies.

Compliance with Tax Obligations

All relevant facts are freely disclosed, in full, to tax authorities. Tax returns are submitted and tax liabilities are paid on a timely basis. Supporting documentation is retained to evidence the integrity of submitted tax returns and tax processes and procedures are fully documented and include controls which are regularly checked, tested and, if necessary, updated.

Tax Planning

The Tax function works with the business to understand the substantive commercial and after-tax economic rationale of a transaction. The full range of outcomes of proposed tax planning is measured to assess tax risk and reputational impact under any reasonable interpretation of the underlying facts. Where appropriate, external advice is sought. Open discussions with tax authorities are undertaken including seeking, where possible, pre-clearance of technical aspects of any significant transaction that is undertaken. Any transaction which might have a significant financial or reputational tax risk requires IAG Management Committee or IAG Board approval before it is implemented.

Reputation and Transparency

All transactions undertaken by the business must have what a reasonable person would consider to be a substantive commercial purpose. No transaction is knowingly structured to facilitate aggressive tax structuring by a counterparty. The Group presents clear statements and financial disclosures of its tax position in its Annual Report and other public documents. On tax issues that are material to IAG, or the wider airline industry, the Group takes an active role in discussions with government and other relevant bodies.