


Compliance Policy

IBERIA LÍNEAS AÉREAS DE ESPAÑA S.A. OPERADORA S.U.

25 October 2016

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Version control

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Approvals

Governing body/senior management	Version	Date	Signature
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Related documents

Name	Type	Relationship	Most recent version	Link/Appendix



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1. Introduction


IBERIA'S leadership position is the result of many years of effort and work. Nevertheless, the inappropriate behaviour of just one employee may potentially damage its image and reputation in a very short period of time. In this context, IBERIA must actively prevent and avoid this possibility by establishing a robust compliance culture within the Company, driven in any case by the Directors and Senior Management.

In order to do so, all employees and collaborators must carry out their activities with the firm commitment of compliance with applicable legislation and regulation, the values and ethical principles contemplated in the Company's Code of Ethics, its policies and all procedures and internal controls applicable to the Company.

In accordance with the above, subsequent to the reform of the Criminal Code enacted by Organic Law 5/2010 of 22 June, and especially following the amendment enacted by Organic Law 1/2015 of 30 March, the need arises for companies to have guidelines on criminal risk prevention; in other words, control systems to prevent, detect and react to the perpetration of crimes within a company.

This need is accentuated by recent legal doctrine and case law such as Circular 1/2016 on Criminal Liability of Legal Persons, of the State Prosecutor's Office and the recent Supreme Court rulings regarding the need for guidelines on criminal risk prevention within legal persons.

As a consequence of these latest legislative amendments and in line with its compliance culture, IBERIA has developed a Compliance and Criminal Risk Prevention Manual and has compiled the procedures and controls which are already implemented for the effective prevention, detection and reaction in matters of criminal risks in the so-called Compliance and Criminal Risk Prevention Manual.

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2. General Behaviour Guidelines

The purpose of this Policy is to inform IBERIA management and employees, as well as third parties who have a relationship with the Company, of the strong message of opposition to the perpetration of any illegal or criminal act or of any other kind. Likewise, IBERIA is prepared to fight these acts and prevent an eventual deterioration of the Company's image and reputation.


Additionally, the behaviour guidelines included in the Company's Code of Ethics, and which constitute an IBERIA model for action in accordance with a number of procedures and ethical values adapted to its activity, are also applicable.

3. Pillars of the Compliance and Criminal Risk Prevention Model

Iberia's Compliance and Criminal Risk Prevention Model is a compilation of the procedures and controls currently existing for the prevention and mitigation of criminal risks. This Model rests on the following pillars:

Bodies and committees:

- Compliance Committee: This Committee is a body created by Iberia which performs the main function of oversight of the functioning and compliance of the criminal risk prevention model currently in the process of implementation. It therefore assumes the condition of body of the legal entity with legal powers of initiative and control for the purposes of the Criminal Code.
- IAG Audit Function: Iberia is subject to internal audits in accordance with the planning approved by the IAG Audit Committee. Scope of these audits are: verification of compliance, security and operative efficiency of the product, strategy and organisation areas, accounting, finance and controlling, production and quality, engineering, materials management, sales, human resources, Safety and Environment and reporting processes.


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- Compliance Officer: Iberia has included a position in its organisation chart, the Compliance Officer, which is the Committee's support unit and is entrusted with the oversight of the functioning of and compliance with the Criminal Risk Prevention Model, currently in the process of implementation.
- IAG Compliance Working Group: Iberia applies IAG's policies regarding the Compliance Working Group, which is made up of the heads of the various Compliance areas of companies of the IAG Group, and works on progressively developing an ethical culture at Group level, as well as on sharing and continually improving cross-cutting compliance procedures.

Policies, Codes and Protocols:

- Code of Ethics: Iberia has a Code of Ethics which includes the basic principles, and conduct, compliance and control rules, as well as their interpretation and possible amendments. The basic principles governing the Company are integrity, legality, loyalty and good faith, transparency, responsibility and social commitment. The most important rules of conduct for employees can be summarised in the following areas:
 - Human rights and public freedoms
 - Equal opportunities and no discrimination
 - Priority of Iberia Group interests
 - Use and protection of assets
 - Corporate image and reputation
 - Related-party transactions
 - Conflicts of interest
 - Confidential information
 - Behaviour with third parties: clear information; unfair competition; corruption and bribery; customer relation; investor relations; supplier relations; Government and public authorities relations.
 - Commitment to society
 - Environmental protection
 - Social projects

In terms of compliance and control policies, employees must always be mindful of the principle of legality, and


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if in doubt, they must refer to the Company's Legal Department or the Compliance Officer. Any breach of the Code of Ethics will be studied in accordance with the disciplinary procedure in force in the Company.

- Code of Ethics for Suppliers: Iberia has a Code of Ethics for Suppliers which includes the principles, rules of conduct, compliance and control of suppliers. The Code is made available to suppliers in order to inform about the principles of integrity and transparency in the supply chains within IAG Group. Iberia also requires proof of receipt, reading and acceptance of the contents of the Code by suppliers.
- Anti-Corruption Rule: Iberia has an Anti-Corruption Rule applicable to the Company's employees, which establishes specific criteria for action regarding facilitation payments, political parties relations, technical assistance, cash movement control, private-to-private corruption, fraud through related-party transactions and other procedures. This rule is regularly reviewed and updated.
- Protocol of action in the event of breach of the criminal risk prevention model: Iberia has a protocol to be followed in the event of non-compliance with the Criminal Risk Organization and Management Model, which is regularly reviewed by the Compliance Officer and which regulates the Company's Ethics Reporting Channel as well.


Procedures, tools and other control activities:

- Ethics Reporting Channel: Iberia has configured an Ethics Reporting Channel in the Company and has prepared a draft procedure for the regulation thereof, to be applied in the future. This procedure is a corporate tool offered to all Company professionals, employees, customers or suppliers in order to facilitate the safe formulation of any consultation on the scope and applicability of the Iberia Compliance and Criminal Risk Prevention Model, as well as to report or whistle blow infringements or risks of infringement of the Criminal Code or of the Compliance and Criminal Risk Prevention Model.
- Compliance direct channel: Iberia has established an email address(cumplimientonormativo@iberia.es) which

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allows any professional, customer, supplier of the Company or third party which has contact with it or is the recipient of its services to notify Iberia of any irregular conduct that may be detected.

- Disciplinary system: Iberia has a disciplinary system, attached to the Compliance and Criminal Risk Prevention Model, which is complementary to the legal system of offences and penalties established in applicable legislation, and which must be interpreted in a way that is compatible with the Spanish Workers' Statute and the Collective Bargaining Agreements applicable to Iberia employees.
- General Training on the Code of Ethics: Iberia provides online training for its employees on the Company's Code of Ethics.
- Compliance Training: Iberia provides regular training to its employees on compliance with the Criminal Code.
- Awareness activities: Iberia runs awareness activities with its employees on various core issues of the Company, such as compliance, competition or data protection, sending communications and emails in order to make its employees aware of the importance of compliance with policies and rules.
- IAG External Auditor Services Policy: Iberia applies the Group (IAG) External Audit services policy, effective since May 2011, which was approved by the Group's Audit and Control Committee. This policy mainly regulates the services that the external auditor cannot provide and what are considered audit services, i.e. financial audits and advice on interpretation of accounting policies, principally.
- Several procedures, policies and controls detailing the Compliance and Criminal Risk Prevention Model implemented by Iberia and aimed at mitigating the criminal risks that have been identified.

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4. Review, approval and dissemination of the Compliance Policy

This Policy and the Compliance and Criminal Risk Prevention Manual will be subject to continuous improvement where legislative, social, business or other circumstances make it necessary.

This Policy was approved by the Iberia Board of Directors on October 25, 2016 and made available to its employees on the company's intranet.

