



Environmental, Social and Governance (ESG) Report

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1. Foundation

1.1. Introduction

Environmental, social and governance (ESG) matters are fundamental part of human life. They have also become a more conscious and explicit part of business life. This report provides an initial snapshot of where Air Arabia stands on ESG performance.

Air Arabia is the first publicly listed airline in the Middle East and North Africa region providing the carrier an independent path to growth and profitability; as part of its Investor Relations, Air Arabia is keen to provide insights about the performance not only through annual reports but through the ESG reports that will help investors form their investment decisions and helps Air Arabia gain exposure to a wider range of regional and international investors.

The ESG reports identify strengths and opportunities for improvement at Air Arabia. What is most important is that they will assist the Board and Management in establishing rational priorities going forward and provide benchmarks for measuring improvement.

1.2. Message from Air Arabia Group

Air Arabia (PJSC), listed on the Dubai Financial Market, is the Middle East and North Africa's leading low-cost carrier (LCC) operator. Air Arabia commenced operations in October 2003 and currently operates a total fleet of 58 new Airbus A320 and A321 aircraft, serving some 170 routes from five hubs in the UAE (Abu Dhabi, Sharjah, RAK), Morocco and Egypt. Air Arabia is an award-winning airline that focuses on offering comfort, reliability, and value-for-money air travel. Air Arabia today consists of a group of airlines and companies offering travel and tourism services across the globe.

OUR VISION: "To be one of the world's leading budget airlines" in terms of:

- Profit Margin • Innovation • Reputation • Operational Excellence

OUR MISSION: "To revolutionize air travel in the region through an innovative business approach offering superb value for money and a safe, reliable operation" to achieve this,

- We will be known for our low fares • Grow our business profitably • Build motivated multi-functional teams • Demonstrate the highest operational standards • Manage our costs ruthlessly

Air Arabia is not only committed to providing affordable air travel but is also dedicated to uplifting the lives of those who are less fortunate. Taking responsibility and lead on social needs of local and international communities has been part of our success.

To that end the carrier has implemented an award winning corporate social responsibility (CSR) program for sustainable development with an emphasis on providing better education and healthcare for underprivileged communities.

1.3. Our Approach to ESG

Air Arabia is developing a holistic approach to sustainability across the five hubs which lead to underline why understanding, anticipating, and effectively managing environmental, social and governance (ESG) matters is critical to delivering on our mission to serve our clients, customers, and communities.

Air Arabia strive to provide clear, transparent information about how we manage and address the range of ESG issues we encounter in our business.

Since ESG issues touch nearly every aspect of our business, day-to-day management of the individual elements is distributed throughout our operations and functions. As part of our effort to take a more integrated approach to ESG management, we have recently taken steps to enhance our leadership and coordination of ESG efforts and reconsider the way these issues are overseen by our Board of Directors. We provide a wide range of updates to our shareholders at AGM to reconsider the way these issues are overseen as well as providing timely disclosures to relevant investors and lenders, promptly makes its financials available to all stakeholders, and is expanding its ESG reporting

Air Arabia is maintaining strong engineering team looking after MRO needs of the aircrafts, which has become a key part of the airline's remarkable success story. This facility and its staff, equipment, stores, materials, and workshops are all 100% dedicated to the Airbus A320 family. Air Arabia integrate sustainable solutions to reduce the carbon footprint with four focus areas: reducing energy usage in facilities (offices); reducing business travel impact, managing e-waste, water conservation, pollution certificate etc.

Air Arabia's approach is in full compliance with the SCA and DFM requirements of issuing reports in accordance with the GRI Standards and in alignment with DFM ESG disclosure guidance. ESG matters are important consideration in how we do business, including our corporate governance systems that runs at every level in the organization, risk management and methodology to serve customers and support for local communities. Our main driver is the sustainability and efficiency embedded in the culture and management of the airline. Equally important, we believe that the core items that are critical of our ESG approach are practiced across the organization through efficient operations and environment friendly practices. For Air Arabia, this means we are leveraging our business and policy expertise, and presence to help drive an inclusive recovery, expand, and accelerate sustainability.

2. Environmental

Air Arabia is proactive on multiple fronts to minimize our facilities' environmental footprint and reduce natural resource consumption. This includes meeting and exceeding the requirements of air quality, water and waste standards, recycling and managing our energy usage.

Air Arabia use technological advancements to improve operations, products, services, and solutions for the benefit of the society. For many years we have been working on reducing the emissions by using less fuel as a response to the energy conservation act. Air Arabia is taking steps to mitigate the emission of fuel, including progressively transitioning its fleet with an average age of 4 to 5 years to the newest and most fuel-efficient aircraft on the market today and disposing of older, less fuel-efficient aircraft.

Air Arabia recognizes the considerable impact of its air transportation business on the environment and is working to reduce that environmental impact and protect the environment through a range of measures in all aspects of its business activities. Air Arabia collaborates with different organizations to advance sustainable development as well as raising awareness about sustainability among employees by engaging in activities that has positive socio-economic impacts and promotes the vision of the company.

Air Arabia is effectively using limited resources through promoting the 3Rs (Reduce, Reuse, Recycle) on board by providing inflight bag across the entire fleet and applying the same in the offices. We continue to conduct activities such as reducing printed manuals, recycling beverage cans from aircraft cabins and offices. We strive to minimize our direct impacts on the environment while concurrently enhancing our services and solutions to help customers to improve their environmental and carbon performance toward meeting their sustainability objectives.

2.1. Emissions and Climate Change

While the aviation industry is not the highest contributor to global emissions, it does make a significant contribution to the global response to climate change as well as emissions from flights that stay in the atmosphere and warm it for several centuries. Because aircraft emissions are released high in the atmosphere, they have a potent climate impact, triggering chemical reactions and atmospheric effects that heat the planet.

Climate change is a pressing global challenge, Air Arabia recognizes that responding to climate change is a particularly important issue for the sustainability of society. That is why we have incorporated climate change goals in our operations by adopting a policy of adding only brand-new aircraft that includes both Airbus 320 and Airbus 321 neo LR to our fleet with four years average

fleet age to avoid unwanted emissions. While ambition is important, we know that what matters most is that we have a clear roadmap — with both a long-term vision and intermediate milestones — for how we will achieve it.

Efficiencies gained through operational improvements can make a big difference. At every step of a plane's operations there are opportunities to reduce fuel burn and consequently, emissions. Adopting a fleet strategy that consists of new aircraft is considered a key component of emission reduction, if not the most important element. Newer fleets are more fuel efficient and new aircraft also reduce maintenance costs which eventually contributes to less emissions and higher efficiency. We also save fuel through more efficient procedures and weight reduction measures. These can range from ensuring the plane's engines are clean to developing and using new arrivals procedures. For example, we taxi to the runway using just one engine instead of two. Airports, airlines and air navigation service providers are also working together on so-called 'green departures' where aircraft can take off and climb at a steady rate to reach the most efficient phase of flight – the cruise – faster.

Despite their size, aircraft still burn less fuel when they have less weight on board, so airlines are finding ways to reduce the weight of a vast array of items carried – everything from food service trolleys to seats and carpets, to loading just the right amount of water for each flight, rather than filling the tanks each time. This results in significant savings, and we are considered one of the leading airlines worldwide adopting such measures.

OPERATIONAL EFFICIENCY OPPORTUNITIES



Carefully tailored techniques, which take advantage of sophisticated navigation technologies, are also being developed to determine the most appropriate flightpaths into airports, specifically those with difficult runway approaches – either in mountainous areas or to avoid flying over communities. These approach techniques can save millions of fuel tonnes and CO₂, as well as reducing the impact of aircraft noise around airports.

2.2. Waste Management and Recycling

Solid waste management and disposal is one of the most significant issues in the environmental management of the airline industry. The economically sound and environmentally acceptable disposal of municipal solid waste is a major concern in many industrialized countries.

In 2015 Air Arabia has signed an MOU with Bee'ah – the leading environmental management company in Sharjah. The MoU will have Air Arabia and Bee'ah collaborate and share knowledge and expertise in several key areas relating to both commercial activities and corporate social responsibility (CSR) projects.

As part of its dedication to the environment, Air Arabia works with Bee'ah to enhance its green credentials, augmenting its programme of recycling and waste disposal. It is anticipated that the MoU will encourage sustainable environmental practices to help engender a more prosperous and greener Sharjah.

Bee'ah supplied the recyclables collection containers such as Desk-side blue recycling bins to be placed at Air Arabia Head offices to develop and promote green offices and to encourage people to become more environmentally friendly and to promote recycling: paper, newspapers, cardboard, bottles, cans, plastic, and all other garbage. Additionally, all industrial waste generated by Air Arabia's maintenance hangar is collected and recycled in Bee'ah's world class waste management facility.

As part of the MOU, Bee'ah has endorsed a Recycle awareness campaign to promote the Reduce, Reuse and Recycle making sure to receive all recyclables and handle materials according to the environmental regulation and standards.

Moreover, installing the reverse vending machine (RVM) in Air Arabia's head office; which is a device that takes empty and used bottles or cans, then returns money or other forms of incentivization to the recycler, depending on the quantity of receptacles recycled.

2.3. Indoor Quality

It is a real challenge to provide a quality indoor environment at a reasonable energy cost. Current efforts to improve building energy efficiency, including goals of sustainability and net-zero energy use, are bringing more focus on how to simultaneously achieve energy efficiency and good indoor air quality (IAQ). While energy efficiency and IAQ are sometimes viewed as incompatible, there are many strategies than support both ends.

Air Arabia focuses on the quality of indoor air as it is initial to health and wellbeing through incorporating the environmental guidelines and operating platforms in the design of the aircraft in

the early stages. Our fleet is equipped with high-protection HEPA filters that efficiently remove 99.99% of viruses and bacteria in the air. Air Arabia combines all new developments with standards and energy efficiencies that meet best in class practices and consider filtration, relative humidity, fresh air, and temperature control to ensure consistently high levels of air quality.

3. Social

3.1. Ethics and Human Rights

Ethics and integrity are considerable components of entrepreneurial practice at Air Arabia. It is a matter of fact for the Group to adhere to current laws and voluntary commitments, and to consciously respect ethical principles. An important consideration is that business conduct characterized by integrity is a key prerequisite for the Company's long-term success.

Air Arabia has focused on many corporate social responsibility projects and initiatives around the world as part of its dedication towards the community and the environment. The main objective of these projects and initiatives is to improve the quality of life for children, provide healthcare for elderly and raise funds to support communities.

"Charity Cloud" was implemented in 2007, as part of Air Arabia's CSR program, in collaboration with the Sharjah Charity International, to support economic development of underprivileged communities around the world. "Charity Cloud" is built on donations from passengers on-board and employees. The money raised from this charity is re-invested in educational and medical care establishments in different countries around the globe. Air Arabia also has a sport sponsoring program and a partnership with "Sharjah Humanitarian City" to help underprivileged communities.

Additionally, Air Arabia partnered with the Sharjah Humanitarian City (SHC) to help people of determination who are flying with the airline and to assist them at airports.

3.2. Team Building

Air Arabia depends on the dedication of our talented team members, who are committed to provide best-in-class service and reliability for our customers. Our culture is defined by our core values, which impact how we interact with each other, our users, our communities, and other stakeholders every day.

For an organization that is home to 90 different nationalities working together, Air Arabia is keen to provide a workplace that is inspiring, motivating, and above all, respectful. Across all our buildings, we incorporate high ceilings, natural light, and good ventilation to support the comfort and health of our users and employees.

Another aspect of team building is the continuous learning and motivation of the employees by understanding what motivates employees, identifying opportunities to improve processes and systems. Continual education and training are seen as a large part of Air Arabia's employees' development and growth through our dedicated Learning and Development (L&D) department as well as our training schools. We offer a variety of opportunities for team members to continue to develop their skills and remain up to date with industry trends.

3.3. Community Engagement

At Air Arabia, our purpose is to advocate people on life's journey – a mission that revolutionize air travel in the region through an innovative business approach offering superb value for money and a safe, reliable operation

Community engagement is important and can lead to great outcomes, Air Arabia believes in responsibility towards team members and users, who, in turn, share their aspirations, concerns and values.

We achieve community engagement through various initiatives across multiple countries. Such initiatives are driven by staff and include employees from different departments and positions within the organization. An example to such community initiatives is when Air Arabia collaborated with Sharjah Social Empowerment; a foundation that helps renovate the homes of those who are in need. A team of 14 Air Arabia employees helped renovate the house of a widow and her 3 children in Sharjah. The employees joined hands with social workers and on-site professionals to take the project forward and complete the task. Another initiative involved a trip to Bangalore in India and included employees who visit 2 orphanages and a home for the elderly. Air Arabia staff visited the sites during which clothes, dates and basic necessities, from food to soap, were distributed. Another initiative took place in Egypt where to young Egyptian children, Mahmoud and Jana, who are patients at the 57357 Children's Cancer Hospital in Egypt, have realized their dreams of taking to the skies, thanks to an initiative by Air Arabia staff. Air Arabia staff are involved in tens of initiatives every year and so far, covered over 15 countries since the start.

4. Governance

Air Arabia has been one of the leading companies in applying the principles of corporate governance among the public companies. Air Arabia strongly believes in the importance of the practical application of governance practices and the strong adherence to the related laws & regulations and the operations within the general framework of the principles of corporate governance which preserves the rights and interests of the company, its investors, its management, and the investment environment surrounding it.

Therefore, Air Arabia, and all its subsidiaries and group companies are committed to all laws and regulations imposed upon them as a global aviation and as a public joint stock company. This covers the Commercial Companies Law number 2 of 2015 and law number 26 of 2020 pertaining to commercial companies. The company is also committed to the strict application of Ministerial Decree No. (518) for the year 2009 followed by the resolution number 7 for the year 2016, and resolution number 3 of 2020 issued by the Minister of Economy and Chairman of the Securities and Commodities Authority regarding corporate governance and corporate discipline, and any decisions that may be issued or amended in future. This cultivates confidence of those major investment bodies around the globe to occupy a position within the owners of Air Arabia.

4.1. Board of Directors

Air Arabia board of directors consists of 7 board members. The current board was appointed by the AGM of 2020 for three years:

1. Sheikh Abdullah Bin Mohammed Al Thani - Chairman of the Board
2. Adel Abdullah Al Ali - Executive member
3. Sheikh Mohammed Bin Abdullah Al Thani - Independent member
4. Sheikh Khalid Bin Issam Al Qassimi - Independent member
5. Waleed Ibrahim Al Sayegh - Independent member
6. Matar Al Blooshi - Independent member
7. Samer Katerji - Independent member

4.2. Board Code of Ethics

Air Arabia is fully committed to the highest standards of ethical conduct in running its business and in the personal behavior of its employees, members of the Senior Management Group and members of the board of directors and has issued this Code to provide guidance for you, as an employee to uphold these standards.

This Code covers all individuals working for Air Arabia at all levels and grades including directors, senior managers, members of the Senior Management Group, employees (including permanent, temporary, and part-time employees), trainees, home workers, agency staff and contractors (collectively referred to as employees in this Code).

Air Arabia's code of ethics includes the following:

- a) Conflicts of interest
- b) Protection of confidential information and other assets
- c) Disclosure and compliance with Listing Rules
- d) Compliance with laws, rules, and regulatory regimes
- e) Reporting
- f) Money laundering and terrorist financing
- g) Competition and fair dealing
- h) Interaction with media shareholders
- i) Personal Conduct

4.3. *Corporate Governance Policies*

Air Arabia is dedicated to keeping its shareholders fully informed of developments and important information affecting the Company. Air Arabia endeavors to ensure that all shareholders have access to information about the Company's business and that they have the opportunity to meet and hold positive discussions with the board of directors during the Company's General Assembly.

At present, Air Arabia uses the following channels to provide its shareholders with information about the Company:

1. In the agenda, explanatory notes and the directors and auditors' financial statements reports accompanying the notice of the Company's Annual General Assembly.
2. At the Annual General Assembly where the shareholders can direct questions to the Chief Executive Officer, to the Chairman of the board of directors and to the external auditors about anything concerning the Company's business.
3. In disclosures made to the Dubai Financial Market and the Emirates Securities and Commodities Authority.
4. At the "Investor Relations" section on Air Arabia's website –www.airarabia.com which contains the following information:
 - Quarterly financial statements
 - Studies and reviews on Air Arabia
 - Updated information about the board of directors
 - Press releases
 - The governance report and information about corporate governance in general
 - Information regarding the last Annual General Assembly.
 - In at least 3 to 4 road shows and conferences locally and internationally to advise the public on its latest updates

- In the Annual report in both hard copy and soft copy which is available online for the public
- At the end of every quarter via a conference call with Air Arabia investors which is attended by the Chief Executive Officer and Director of Finance.

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