

## Air Arabia Governance report for the 2013

### 1. Practices of corporate 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 (Federal Law No. (8) Of 1984 concerning Commercial Companies and subsequent resolutions and amendments or interpretations or clarifications issued by the Securities & Commodities authority and any other official authorities later till date, covering all activities and dealings. The company is also committed to the strict application of Ministerial Decree No. (518) for the year 2009 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.

To reflect the above, Air Arabia had issued the corporate governance manual, which besides many other details, covers the following:

1. Shareholder Communication Statement
2. Code of Ethic and Conduct
3. Share Dealing Policy
4. Whistle Blowing Policy
5. Corporate Social & Environmental Responsibility
6. Dividends Policy

The full manual is posted on the company's intranet and is available for all employees to refer to at any point of time.

## **2. Board members trades in Air Arabia shares:**

The Board of Directors of Air Arabia and senior management are well briefed, informed and aware of the importance of the rules and procedures that govern the dealings of board members and senior managers of the company who, by virtue of their responsibilities, possess information that is not yet available to the public. In order to raise the level of transparency and disclosure and to allow equal opportunity to all shareholders when dealings in the company's shares, equal even to insiders from within the company, the company issued a statement internally which is included within the corporate governance manual, which sets the conditions and restrictions of insider trading, and the importance to disclose any inside trading in this report.

The company aspires through these actions being taken to protect the rights of all parties concerned, as well as maintaining the company's reputation and enhancing the confidence of shareholders and investors of the company.

In 2013, the board members did not personally trade in Air Arabia shares.

## **3. Board of Directors:**

### **a. Composition of the board:**

Air Arabia board of directors consists of 7 board members. Nomination for the membership of Air Arabia's board was opened on the 22<sup>nd</sup> of January 2011 for 30 days as per the governing rules and regulations. It was announced in different local newspapers (English and Arabic) in addition to the websites of Air Arabia and DFM. Lists of candidates and their curriculum vitae were published for the legal period of time required prior to the AGM. The AGM convened on the 21<sup>st</sup> of March 2011, a secret cumulative voting was supervised by the representative of the Securities Authority, independent auditor, vote collector and the corporate secretary. The board of directors was elected for a period of three years and composes of:

1. Sheikh Abdullah Bin Mohammed Al Thani	Chairman of the Board
2. Adel Abdullah Ali	Executive member
3. Dr. Ghanem Mohammed Al Hajri	Independent member
4. Taryam Mattar Taryam	Independent member
5. Abdulwahab Mohammed Al Romi	Independent member
6. Aref Naqvi	Non-Executive member
7. Sheikh Mohammed Bin Abdullah Al Thani	Independent member



Summary biographies of the members:

**1. Sheikh Abdullah Bin Mohammad Al Thani- Air Arabia Chairman since 2003**



His Excellency Sheikh Abdullah Bin Mohammed Al Thani holds several prominent positions in UAE. He served as member of the Executive Council of Sharjah and as Chairman of Sharjah Civil Aviation Department. He has a well-known track record in contributions towards developing air transport sector in UAE, as well as significant contributions and support to Economic & Tourism development in Sharjah.

**2. Adel Abdullah Ali (Chief Executive Officer & Air Arabia Board Member since 2003)**



Mr. Adel Ali received award for the best CEO of low-cost carrier in the world for the years 2007, 2008, 2009, 2010 & 2011 in recognition of his efforts in founding the first low-cost carrier in the Middle East and North Africa. He is also selected as the best business man for the year 2011.

Ali has more than 28 years in aviation world & strategic planning, His deep knowledge in tourism and commercial operations are well reflected in Air Arabia's performance since 2003.

Before Air Arabia, Mr. Ali served in various aviation positions; he served as vice president of the commercial & customer services in Gulf Air where he played a key role in restructuring the company. He also served for more than 20 years in different management positions with British Airways last of which was General Manager of the Middle east and Africa.

**3. Dr. Ghanem Al Hajiri (Air Arabia Board Member since 2003 & former Chairman of Sharjah Airport Authority)**



Dr. Ghanem Al Hajiri last served as the Chairman of Sharjah International Airport; Dr. Al Hajiri assumed various posts in the aviation sector locally and internationally. He served as Director General of Sharjah International Airport for over 15 years and he also serves as Secretary General of the Gulf Airports Services Association & Arabs Airports Council.

Besides that Dr. Ghanem Al Hajiri is a board member of the Airports Council International (ACI) since 1991 & served in numerous management positions there till he was elected as deputy chairman, before assuming the position of

Airports Council International Chairman. Dr. Ghanem is one of the first UAE Nationals holding a PhD in Air Transport; he was awarded the degree in United Kingdom. He also has a master's degree in Airport Planning, and a bachelor's degree in management.

#### 4. Taryam Matar Taryam (Air Arabia Board Member since 2003)



Mr. Taryam has a long & wide experience in the private business sector; he has served for over 15 years in the region's leading telecommunications company (Etisalat) in numerous Management positions, concluding it in the post of Director General of the telecommunications sector.

He then served for over 10 years as Director General of Sharjah Airport International Free zone, during which the Free Zone witnessed phenomenal growth and expansion. Mr. Taryam holds a bachelor's degree in Business Administration.

#### 5. Abdulwahab Mohammed Al Roomi (Air Arabia Board Member since 2003)



Engineer Abdulwahab Mohammed Al Roomi assumed different managerial positions with the finest oil companies in UAE. H.E. then moved to serve for several years as Director of Sharjah Civil Aviation, before taking over as Director General of Sharjah Civil Aviation. Engineer Abdulwahab holds a degree in Chemical and Petroleum Engineering from Al Ain University. H.E. is a member of Air Arabia since inception in 2003.

#### 6. Arif Naqvi (Air Arabia Board Member since 2007, Founder and Chief Executive Officer of Abraaj Capital)



Mr. Arif Naqvi is the founder and Vice Chairman & Chief Executive Officer of Abraaj Capital one of the Leading institutions in private equity management in Middle East, North Africa and South Asia, beside that he is a board member in many companies and social institutions.

Mr. Naqvi has been selected as one of the "50 most influential in Private Equity" in the world

He has been honored with the highest and most prestigious Medal by the President of the Islamic Republic of Pakistan in 2006. Mr. Naqvi holds a Bachelor's Degree in Economic Planning.



**7. Sheikh Mohammed Bin Abdullah Al Thani- Air Arabia Board Member since March 2011,  
Chairman – Sharjah Statistics Center.**



H.E. Sheikh Mohammed Al Thani is one of the young leaders in Sharjah, and a businessman, with positive footprints in many business fields especially travel and tourism. H.E. assumed the role Director of His Highness Sharjah Ruler's Office in the American University of Sharjah. Late 2011, he was appointed Director General of Sharjah Statistics Center.

Besides that, he also serves as Chairman of Gamma Aviation, AM Holding Company, Al Nawras Catering Company, Santos International Company, Ascent Advertising Company and Universal Tourism Company; he is also the deputy chairman Sharjah Golf & Shooting Club.

**b. Membership in other Companies:**

1. **Shk Abdullah Bin Mohammed Al Thani:** Besides chairing Air Arabia board of directors, H.E. is a board member of Al Buhairah Insurance Company.
2. **Arif Naqvi:** is a board member at Aramex PJSC.
3. **Taryam MAttar** is a board member of Mawashee

**c. Board Remuneration:**

1. In **2013** the AGM approved **AED 3.85 M** as remuneration for the year **2012**.
2. The board of directors recommended **AED 3.850/-** as remuneration for the year **2013**.
3. As per the Articles of Association of Air Arabia, board members do not receive “attendance allowance” or any other allowance for that matter. Only a lump sum is distributed after the approval of the AGM.

**b. Board meetings and attendees:**

A table detailing the dates and attendees of the board meetings is attached, under appendix 1.

**c. Boards Duties & Responsibilities:**

Referring to the duties and responsibilities of the board of directors, the Board oversees the company strategically, reviews the strategies and implementation with the executive management, while the Executive management is authorized to run the day to day activities of the company, and report to the board the expansion plans, challenges and future objectives.

**d. Transactions with related parties:**

No material transactions with related parties, other than those disclosed in the audited financial statements.

**e. Senior Staff Pay details:**

Group CEO: AED3.6M per year which includes accommodation and transportation.

Senior Management team: which is formed of 9 members, and their total remuneration is AED 8.875M which includes, Salaries, 2012 Bonus, Allowances, and children's education.

In 2013, the board approved 2 weeks basic pay bonus for the year 2013.

**4.External Accounts Auditor:**

**KPMG (the external auditor in 2013):**

KPMG was appointed as external auditors in 2013 for a Total remuneration of AED 455,000/- and they were not appointed for any other services.

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operate in 155 countries and have more than 155,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG in the UAE is a member firm of KPMG International. It was established in 1973 and now consists of about 750 staff members, including 30 partners. In addition to providing audit and accounting services, the nature of work performed by the UAE offices of KPMG includes Internal Audit, Accounting Advisory, Tax, IT Advisory, Executive Search & Selection, Corporate Finance, Transaction Services, Business Performance Services, Business Performance Outsourcing and Forensic Services. The KPMG member firm in UAE and Oman, are part of the KPMG Lower Gulf cluster.



Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

On its 14/2/2013 meeting, the Board had recommended to appoint KPMG as independent auditors and had recommended total fees of AED 455,000/-. The Annual General Meeting is yet to approve the same.

Deloitte was not requested for furthermore services. On the other hand PKF is assisting as an independent authority to assess goodwill and intangible assets.

### **5. Audit Committee:**

This committee was formed in accordance with the rules and regulations governing corporate governance and is composed of three members:

Sheikh Mohammad Al Thani	Chairman
Mr. Abdulwahab Mohammed Al Roomi	Member
Mr. Taryam Matar Taryam	Member

The committee submits its reports and recommendations to the Board of Directors.

### **The general duties of the committee are as follows:**

- Adopt a policy for appointing and contracting with the external auditor;
- Reviewing and auditing the financial statements.
- Articulate the control and audit measures.
- Articulate fiscal and audit policies.
- Issue general audit reports
- Follow whistle blowing policies.
- Consider assignments from the board of directors.

The corporate governance manual dictates the detailed duties and responsibilities of the committee.

### **b. Table with meeting dates and attendees:**

Furthermore, appendix 2 contains the committees meetings and attendance in 2012.

## **6. Nominations and Remuneration committee:**

This committee was formed in accordance with the rules and regulations governing corporate governance and is composed of three members:

Dr. Ghanem Mohammed Al Hajri	Chairman
Mr. Abdulwahab Mohammed Al Roomi	Member
Mr. Arif Naqvi	Member

**The committee report to the board of directors its views and recommendations, and is responsible for the following tasks:**

- A) Ensure that independent directors continue to be independent for the duration of their terms of office.
- B) Review and approve salaries and bonuses, allowances and salary policies and review these policies annually in view of market and economic conditions.
- C) Identify the company's needs of senior executive management, and other members of the management team and defining the criteria of selection.
- D) To annually review the human resources policies, and adopt the human resource policies and training, and ensure proper implementation.
- E) Articulate a policy governing board members remuneration, staff bonuses, benefits, incentives and salaries; this is to be reviewed on an annual basis.  
The committee shall ensure that the rewards and benefits granted to the executive management of the company's senior directors are reasonable and are directly proportional to the company's performance.
- F) Organizing, implementing and following up the procedures for board nominations and elections, in accordance with the laws, and regulations.

The corporate governance manual contains details of the functions, duties and responsibilities of the committee. Appendix No. 3 contains a schedule of meetings with dates and attendance in 2011.



## **7. The internal control system**

The internal control system is an integrated system that imposes procedures, conditions and administrative laws, and monitors their practical implementation throughout the company's operations. This system is not a hindrance and an obstacle to the effectiveness of the work and speed of delivery and performance, but on the contrary, it ensures the company's development of effective performance and the effectiveness of risk management and internal control system.

The system measures the compliance with policies and procedures, protection of property, economic and effective use of resources. The Board has acknowledged its responsibility for internal control system in the company and the periodic review effectiveness.

Air Arabia has set up an "Internal Control Department" which is headed by Mr. Mohammed Al Basha, who is a chartered accountant and a certified internal auditor, with over 25 years of experience in the field of internal and external audit.

Mr. Al Basha joined Air Arabia at the start of 2013, carrying lengthy and valuable experience having served at international financial institutions.

### **Objectives of Internal Control department:**

The overall Objective of the Internal Audit is to evaluate and improve the effectiveness of control, governance process and risk management within AIR ARABIA.

Internal Audit assists all members of the Management of the Company and the Board of Directors in the effective execution of their responsibilities. To this end, the department provides independent examinations, consultancy, investigations, evaluations, recommendations and comments on areas and activities reviewed. Furthermore it works in partnership with management and adds value to the organization through advices, guidance and recommendations. The scope of activity extends to group / associate companies also.

**Key Accountabilities:**

Develop company-wide audit programs to assure protection of corporate assets and be responsible for ensuring the integrity of information; compliances with company policies, procedures and regulations; evaluation of organizational performance; optimization of opportunity / risk; best utilization of resources and formulation of internal control system.

**Major duties include:**

1. Develop and maintain Company-wide audit policies and practices.
2. Develop Company-wide internal audit plans and programs and Participate in and monitor execution of internal audits programs / assignments.
3. Ensure consistent application of corporate financial and accounting policies and practices.
4. Reviewing the reliability and integrity of the financial, operating and other management information systems and means used to identify measure, classify and report such information.
5. Reviewing the means of safeguarding assets and as appropriate verifying the existence of such assets.
6. Appraising the economy and efficiency with which company's resources are employed and identifying opportunities for improving operating performance.
7. Observe and review the proceedings/functions of various committees as required by Audit Committee so as to express an independent view.
8. Co-ordinate with External/statutory auditors.
9. Review and approve all significant changes in financial and accounting systems, practices and procedures to ensure that internal control.
10. Carry out investigations and audits as suggested by the Senior Management or by the CEO / Board of Directors, in order to determine the facts and causes of suspected irregularities.
11. Ensure that improvement to existing policies, practices and procedures are developed in order to improve the controls and to safeguard the assets of company.



12. Report to the Board, about the adequacy and effectiveness of the company's system of internal administrative, accounting and financial controls and the quality of operating performance when compared with established standards.
13. Follow-up the status of audit reports and recommendations and submit follow-up Report to the Board and the Audit Committee.
14. Design and schedule the Department's annual audit plans and implement them after Board approval.
15. Make presentation on audit activities and studies on company and subsidiary organizations as required by Audit Committee, Board of Directors / Management.
16. Prepare the Department's annual plans and capital and operating budgets and, once approved, control expenditure and staffing against these plans and budgets.
17. Exercise effective management of the Department's staff in terms of selecting, training, motivating, evaluating and disciplining in appropriate liaison with HR function.
18. To ensure that the resources of the departments are effectively utilized.
19. Fully responsible for co-source / outsource of audit assignments.

#### **8. Details of violations committed**

None.

#### **9. Air Arabia's commitment and contribution towards the society and environment:**

Air Arabia places the community very high on its priority and importance list. The company strongly believes that working with the surrounding community and paying back to it, is one of the most important pillars it relies on towards its success.

From this standpoint, the company established the "Charity Cloud" initiative, which considers such community investments, and this project has produced to date fully equipped medical clinic in Sudan, two schools in Sri Lanka, a school in Nepal, a school in India, a medical clinic in Yemen, vaccination campaign for children in Sudan, a campaign in Yemen for the treatment of children with weak hearts, and another campaign in Sri Lanka for the treatment of blind children.

On the other hand, Air Arabia participates continuously and effectively in the community by sponsoring activities and local events such as festivals, programs, and others.

Finally, as an effort towards contributing to and preserving the environment, Air Arabia adopts a policy of adding only brand new aircraft to the fleet to avoid unwanted emissions and reduce it to the minimum.

The company also follows a policy of minimizing printed paper and heavily depend on recycled in order to preserve forests.

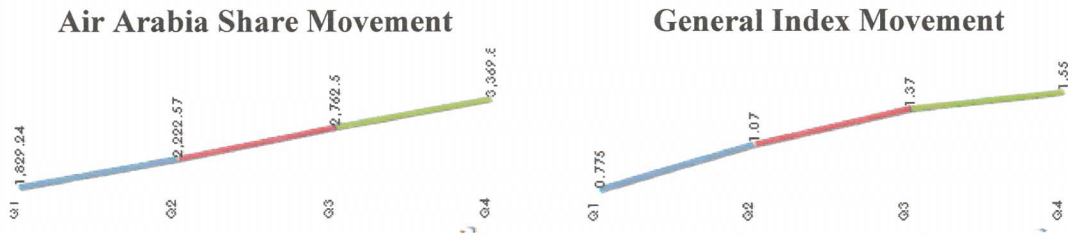
## 10. General Information:

### a) Air Arabia Share price details every month in 2013:

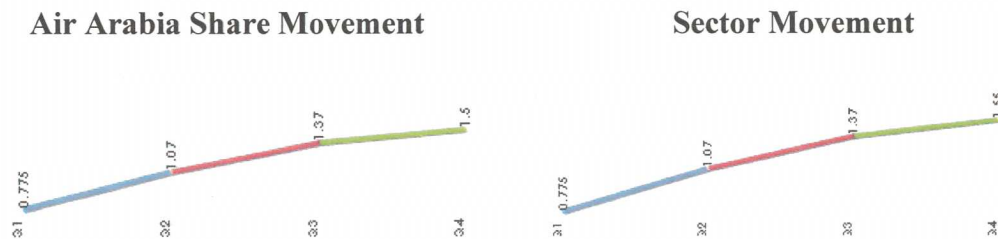
Lowest Price	Highest Price	Last closing price	Month
0.835	0.910	•.870	Jan 2013 يناير
•.872	•.945	•.881	Feb 2013 فبراير
•.775	•.932	•.٧٢٠	Mar 2013 مارس
•.751	1.01	•.760	Apr 2013 أبريل
•.950	1.15	•.971	May 2013 مايو
1.06	1.19	1.16	Jun 2013 يونيو
1.07	1.39	1.09	Jul 2013 يوليو
1.21	1.47	1.40	Aug 2013 أغسطس
1.15	1.39	1.38	Sep 2013 سبتمبر
1.35	1.52	1.36	Oct 2013 أكتوبر
1.34	1.5	1.46	Nov 2013 نوفمبر

### b) Air Arabia Share price performance vs. market and sector:

Air Arabia Share movement VS Index:



Air Arabia Share movement VS sector:





c) Air Arabia Ownership breakdown as of end 2013:

الجنسية	التصنيف	الملكية
Arab	Banks	0.24%
GCC	Banks	0.18%
Others	Banks	0.15%
UAE	Banks	1.83%
Arab	Corporates	0.14%
GCC	Corporates	19.63%
Others	Corporates	3.42%
UAE	Corporates	42.81%
الإمارات	Governments	0.66%
Arab	Individuals	3.77%
GCC	Individuals	2.61%
Others	Individuals	1.80%
UAE	Individuals	21.70%
Others	Sole proprietorship	0.00%
UAE	Sole proprietorship	0.66%

• Source: DFM

d) Air Arabia shareholders owning 5% of above:

Shareholder	Ownership Percentage
Sharjah Asset Management	17.4%
Al Maha Holding Company	9.21%
IGCF SPV 4 Limited	6.43%

e) Major events in 2012:

1. **Arab Aviation & Media Summit:** Conceptualized and launched by Air Arabia in 2011, the summit is emerged as a flagship event in the Middle East aviation and tourism industry. Aimed at providing a platform for insightful discussions on the current trends and challenges faced by the aviation sector.

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The year 2013 has witnessed the 3<sup>rd</sup> edition, which was took place in June in Salala, Oman; the summit again puts the spotlight on travel and tourism in the wider Arab region through discussions and debates by industry thought leaders and regulators. It was attended by over 200 participants comprising industry participants, academia and pan-Arab media and a white-paper summarizing the discussions and recommendations is distributed to various regulatory bodies in the region.

2. **7 New Aircraft:** 7 new aircraft joined Air Arabia fleet in 2013
3. **Engineering Accomplishment:**
  - One of our engines, CFM manufactured, achieved over 1,000,000 hours of flying.
  - Our engineering team achieved upgrading the entire fleet with Sharklet technology.
  - Got it approved and implemented the electronic pilots bag.
  - Approved T3CAS moder technology to avoid air collision.
  - Renovated the Line Maintenance facility.
4. **Information Technology Accomplishment:** Air Arabia IT departments and IT systems have been ISO certified, being the second Airline in the region to achieve this recognition (ISO 20000).
5. **XBRL Financial Filing:** Air Arabia was one of the first companies in UAE that complied with and successfully filed the full year audited statements through XBRL system.
6. **IOSA:** Air Arabia successfully passed IOSA (IATA Operations Safety Audit).



**Sheikh Mohammed Al Thani**  
Chairman of the Board



• Appendix 1

**Meetings Dates & Attendees of Air Arabia Board Of Directors in 2012:**  
“Y”, “N”

Board Meeting number	Date	Shk. Abdullah	Dr. Ghanem	Adel Ali	Shk. Mohammed	Abdulwahab AlRoomi	Taryam Mattar	Arif Naqvi
1	2.2.2012	Y	Y	Y	Y	N	Y	Y
2	23.2.2012	Y	Y	Y	Y	Y	Y	Y
3	25.2.2012	Y	Y	Y	Y	Y	Y	Y
4	6.5.2012	Y	N	Y	Y	Y	Y	Y
5	6.8.2012	Y	Y	Y	Y	Y	Y	Y
6	12.11.2012	Y	Y	Y	Y	Y	Y	Y
7	19.12.2012	Y	Y	Y	Y	Y	Y	N

• Appendix 2

**Meetings Dates & Attendees of the Audit Committee and attendance:**  
“Y”, “N”

Audit Committee Meeting	Date	Shk. Mohammed	Abdulwahab	Taryam
1	2.2.2012	Y	Y	Y
2	6.5.2012	Y	Y	Y
3	6.8.2012	Y	Y	Y
4	9.10.2012	Y	Y	Y
5	12.11.2012	Y	Y	Y

• Appendix3

**Meetings Dates & Attendees of the Committee on Nominations and Remuneration:**  
“Y”, “N”

Remuneration Committee Meeting	Date	Dr. Ghanem	Abdulwahab	Arif
1	30.10.2012	Y	N	Y