SYNOPSIS
REPORT - 2025

AIR ARABIA PJSC

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

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About US

Air Arabia is the first and largest budget carrier (LCC) operator in the Middle East and North Africa, pioneering affordable air travel since its establishment in 2003. Operating from six strategic hubs in Sharjah, Abu Dhabi, Ras Al Khaimah, Morocco, Egypt, and Pakistan (Fly Jinnah). The airline has built an expansive network that connects over 200 destinations across the Middle East, North Africa, Asia, and Europe.

In the first nine months of 2025, Air Arabia transported more than 16 million passengers across its network, contributing to a cumulative total of over 180 million passengers served since inception.

This scale of operations underscores the airline's growing influence and its responsibility to embed sustainability into its long-term business strategy.

With the global aviation industry committed to achieving net-zero emissions by 2050, significant changes are required in how aircraft are designed, fuelled, and operated.

At Air Arabia, we are fully aligned with this ambition and recognize the vital role we play in helping achieve this target. By investing in sustainability today, we are actively contributing to innovations that will shape the future of aviation, reduce emissions, and support a cleaner, greener planet for generations to come.

As the aviation sector becomes increasingly central to the global shift toward a low-carbon economy, Air Arabia has conducted a comprehensive climate risk assessment to inform its strategic response.

The TCFD report has been developed in alignment with the IFRS S2 Climate-related Disclosures Standard. It is structured around the four core pillars of the Task Force on Climate-related Financial Disclosures (TCFD): Governance, Strategy, Risk Management, and Metrics & Targets.

The year 2024 has been established as the baseline for tracking emissions, water usage, and resource efficiency. This foundation enables consistent performance monitoring, supports transparent stakeholder engagement, and reinforces Air Arabia's commitment to global best practices in climate resilience and sustainability reporting.

At Air Arabia we recognize that climate change presents both financial risks and opportunities for our business, stakeholders, and the global economy.

This report provides an overview of Air Arabia's material climate-related financial risks and the strategies in place to mitigate and adapt to these risks, pursuant to the TCFD risk framework.

Our approach to governance, strategy, risk management, and metrics and targets, as outlined in this report, is designed to help our business strategy remain resilient amid evolving regulatory, physical environment, and market conditions.

The METHODOLOGY

A comprehensive multi-step process was deployed following global aviation and climate risk frameworks:

SCENARIO ANALYSIS:

To model plausible climate futures, we combined Representative Concentration Pathways (RCPs) with Shared Socioeconomic Pathways (SSPs) a methodology endorsed by the IPCC and aligned with TCFD (IFRS S2) guidance:

SSP1–RCP2.6:

A low-emissions pathway characterised by green growth, inclusive governance, and strong climate action. This scenario aligns with <2°C warming and supports early transition planning.

SSP2–RCP4.5:

A middle-of-the-road trajectory with moderate development and continued fossil fuel reliance, resulting in ~2-3°C warming. It reflects delayed transition risks and moderate regulatory pressure.

SSP5–RCP8.5:

A high-emissions scenario driven by fossil-fuelled expansion and minimal mitigation, leading to >4°C warming. This pathway highlights severe physical risks and long-term exposure.

TIME HORIZONS:

Consistent with TCFD (IFRS S2) disclosure, risks and opportunities were assessed across four timeframes:

Near-Term (to 2030):

Focused on operational resilience, regulatory readiness (e.g., CORSIA Phase II), and emissions tracking.

Mid-Term (to 2040):

Emphasises infrastructure investment, SAF integration, and supply chain adaptation to meet evolving carbon intensity targets.

Long-Term (to 2050):

Supports strategic transformation toward net-zero alignment, including fleet modernisation and renewable energy sourcing.

Far Future (to 2080):

Considers intergenerational sustainability, long-term climate stabilisation, and legacy impacts on aviation ecosystems.

Organisational
CONTEXT AND SCOPE

The assessment covers 100% of all operational hubs:

Hub	Strategic Role
Sharjah	Primary base and HQ
Abu Dhabi	Regional gateway
Ras Al Khaimah	
Morocco	North African hub
Egypt	North Africa
Pakistan	South Asian expansion

The assessment scope encompasses physical infrastructure (airport facilities and ground handling), fleet operations, supply chains, and corporate offices across the six hubs (Sharjah, Abu Dhabi, Ras Al Khaimah, Morocco, Egypt, Pakistan). Data on jet fuel consumption, emissions (Scope 1 and 2), energy use, water consumption, and waste generation underpin this review.

Climate
SCENARIOS

Air Arabia's scenario analysis integrates climate projections with socioeconomic trajectories to assess future risks and opportunities. Both physical and transition risks are evaluated under the following scenarios:

Scenario	SSP-RCP Combo	Description
Sustainability	SSP1–RCP2.6	Inclusive governance, low-carbon tech, strong mitigation
Intermediate	SSP2–RCP4.5	Moderate inequality, fossil reliance, historical trends
High Emissions	SSP5–RCP8.5	Fossil-fuelled growth, weak climate policy, high warming

This dual-layered approach ensures that both climate physics and human development pathways are considered in strategic planning.

Core Pillars
OF TCFD (IFRS S2)

Air Arabia's climate governance and reporting framework is fully aligned with the TCFD (IFRS S2), ensuring transparency, accountability, and resilience in the face of climate risks and opportunities.

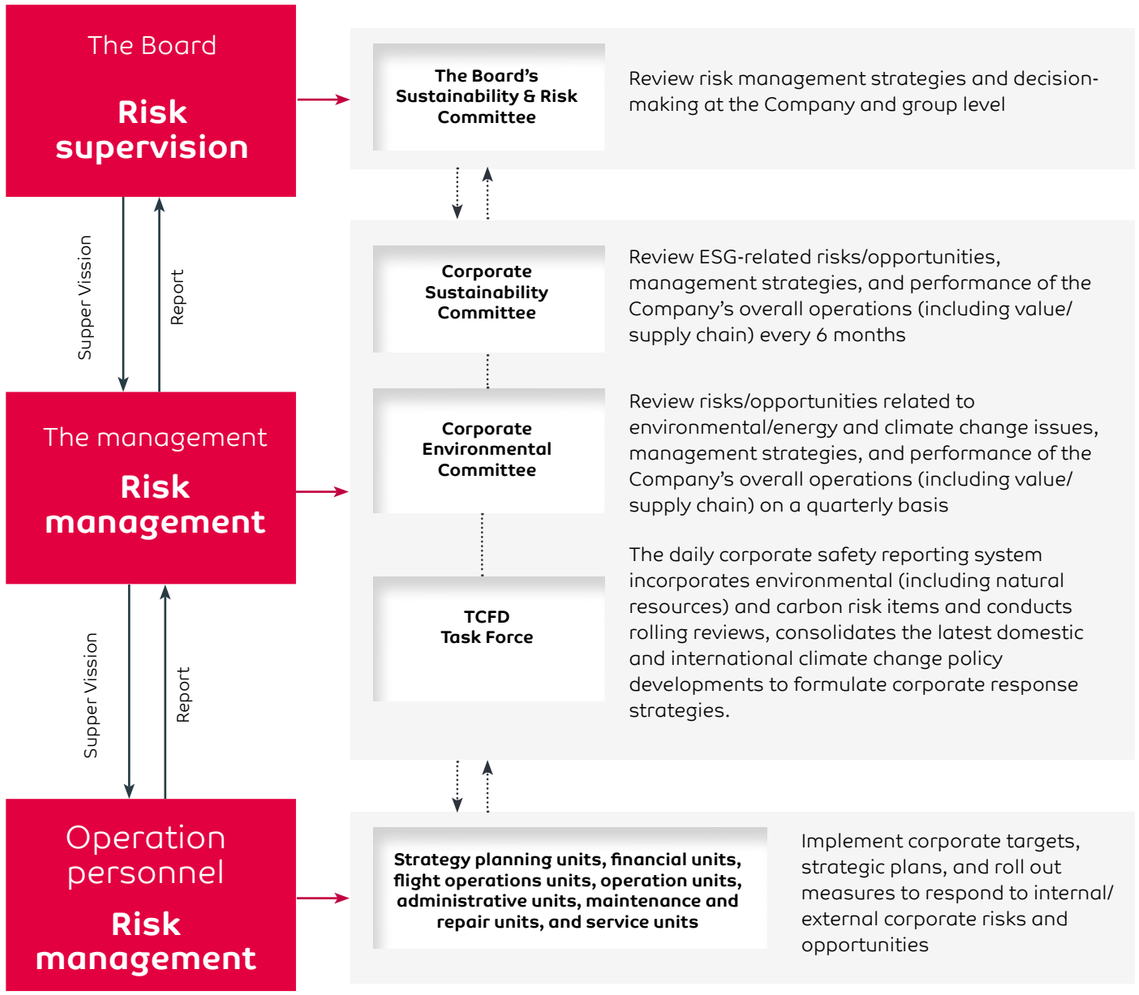
GOVERNANCE

At Air Arabia, a strong governance structure is foundational to our approach to managing climate-related risks and opportunities. Leadership at all levels is actively engaged in managing sustainability and embedding resilience in the corporate strategy, risk management and decision-making processes.

The Board of Directors provides active oversight of Air Arabia's climate-related strategy, ensuring its alignment with the airline's long-term business objectives. Hub-level accountability is embedded across Sharjah, Abu Dhabi, Ras Al-Khaimah, Morocco, Egypt, and Pakistan, where operational teams implement sustainability measures tailored to local climate risks and opportunities. Climate-related considerations are systematically integrated into strategic and financial planning, covering fleet investment, route expansion, infrastructure development, and risk mitigation.

A dedicated board-level committee facilitates cross-functional collaboration, reporting progress and emerging risks directly to executive leadership and the Board. Oversight of climate-related risks and opportunities is governed at the highest level, while delegated responsibilities to operational teams across all hubs ensure consistent implementation and alignment with corporate strategy.

Employees at all levels receive ongoing training on climate risk awareness and sustainability practices. Engagement with regulators, investors, and community stakeholders is maintained through structured communication channels, fostering trust and collaborative progress. Environmental data and processes are subject to regular internal audits to ensure accuracy and reliability. The data is being verified to maintain consistency and integrity. Annual sustainability reports are prepared in accordance with recognised global frameworks such as TCFD/IFRS S2 and GRI, reinforcing transparency and accountability.



STRATEGY

Air Arabia applies climate scenario analysis to evaluate future risks and opportunities, guiding decisions on fleet modernisation, fuel efficiency programs, and sustainable infrastructure upgrades across all hubs.

Stakeholder engagement with regulators, investors, passengers, suppliers, and local communities plays a central role in shaping adaptive strategies that meet both regulatory requirements and customer expectations.

The airline's sustainability approach is aligned with global frameworks such as TCFD/IFRS S2, ICAO's CORSIA, and IATA's net-zero targets, ensuring consistency with industry standards and international commitments. In line with this, Air Arabia is embedding climate resilience into its long-term growth strategies, including regional expansion and hub operations in geographies facing water scarcity and extreme heat challenges.

Air Arabia's business strategy includes addressing material climate-related financial risks, such as regulatory changes, market shifts, and supply chain disruptions. To strengthen business resilience, Air Arabia integrates environmental risk assessments into our investment strategies, research and development (R&D) funding, and operational planning.

Key examples:

Investing in a modern fleet

Valuation of impacts of potential carbon regulatory policies to shape internal strategies

Collaboration on climate resilience strategies for supply chains and production facilities.

Future compliance costs are factored into long-range business planning.

Sustainable Aviation Fuel

Fuel efficiency programs:

- Idle reverse thrust
- Taxi in & out with a single engine
- Best altitude

Our product Strategy:

Our Operations strategy:

These strategies are further characterised in our Sustainability Report. We believe our business strategy is resilient to a changing climate, given our sustained focus and investment in products, services, and operations, as well as enhanced risk management practices for our global operations.

Our strategy to achieve our goals is centred around key pillars:

Drive fuel efficiencies and innovation in flight

Aim to reduce our conventional jet fuel consumption and GHG emissions by optimising our fleet and operations while studying available lower carbon technologies.

Integrate sustainability efforts at every altitude

Strive to reduce our environmental footprint by seeking to embed more sustainability across our enterprise and through innovation.

Collaborate with partners

Work with policy leaders, airports, communities, employees and other stakeholders across our value chain to advance the future of a more sustainable flight.

Measures adopted by Air Arabia

Air Arabia has already adopted multiple proactive measures to reduce its climate impact and enhance sustainability across its operations. These initiatives reflect the airline's commitment to minimising environmental footprint while ensuring operational resilience and efficiency.

Transition to 100% Biodegradable Onboard Products

As part of its ongoing commitment to sustainability, Air Arabia has transitioned its onboard service to biodegradable and recyclable materials across all flights. Traditional plastic cutlery has been replaced with biodegradable alternatives, while all packaging, including sandwich boxes, casserole dishes, and salad containers, is now 100% recyclable. This initiative significantly reduces in-flight waste, minimises the carrier's environmental impact, and aligns with Air Arabia's broader ESG agenda and holistic approach to responsible aviation.

By choosing sustainable materials for its in-flight products and operating a modern, fuel-efficient fleet, Air Arabia continues to demonstrate its commitment to reducing its carbon footprint and driving a more sustainable future for the aviation industry.

Biodegradable materials not only decompose naturally but also support our broader commitment to circularity and environmentally friendly operations. By prioritising biodegradable waste management, Air Arabia demonstrates that environmental responsibility can be seamlessly integrated into the passenger journey without sacrificing efficiency or service quality.

Fleet Modernization & Emissions Reduction

Air Arabia currently operates a modern fleet of 93 Airbus A320 and A321 aircraft, with an average age of 11 years. To further advance its decarbonisation strategy, the airline has started to receive the new aircraft from its existing order with Airbus, which includes 73 A320neo, 27 A321neo, and 20 A321XLR.

In the end of 2025, Air Arabia received five brand-new Airbus A320neo aircraft, powered by CFM LEAP-1A engines equipped with Airbus's signature Sharklets, the A320neo family offers a 20% reduction in fuel burn and CO_2 emissions compared to previous-generation aircraft.

The addition of these next-generation aircraft underscores Air Arabia's commitment to minimising its environmental footprint, enhancing fuel efficiency, and supporting its broader sustainability agenda while maintaining operational excellence and delivering value-driven air travel.

By integrating these aircraft into our operations, we are not only lowering our environmental footprint but also enhancing operational performance, route flexibility, and cost efficiency. The A320neo's reduced noise profile and improved range further support our commitment to sustainable growth, enabling us to serve more destinations with lower impact.

This investment reflects Air Arabia's long-term vision: to align fleet strategy with global climate goals, regulatory expectations, and passenger demand for responsible travel, demonstrating that low-cost aviation can lead in both affordability and environmental stewardship.

Digital Transformation for Sustainability

Our transition to digital systems has turned sustainability into a driver of innovation. Through the AMOS maintenance platform, engineering is now managed digitally with seamless precision, while the Electronic Flight Bag (EFB) equips our pilots with real-time data, eliminating bulky paper manuals.

This has drastically reduced paper waste, but the impact goes deeper: improved accuracy, faster communication, and enhanced operational efficiency.

Energy and Water Conservation Initiatives

To enhance efficiency and promote conservation in water and electricity usage, Air Arabia has implemented a comprehensive suite of initiatives across its operations. In all washrooms, advanced sensors have been installed to automatically control lighting and water flow, ensuring that energy and water are only used when necessary.

Beyond infrastructure, Air Arabia actively fosters a culture of sustainability among its crew members through targeted awareness campaigns. These programs, conducted in Air Arabia accommodations, educate and encourage staff to consistently switch off lights, air conditioning, and other electrical devices when not in use, particularly during travel or in shared spaces. By combining innovative technology, operational diligence, and employee engagement, the airline ensures that resource conservation is embedded into daily practices, reinforcing its commitment to sustainable operations and environmental responsibility.

Fuel Efficiency Initiatives

Every kilometre in the air carries environmental weight, which is why we have committed to smarter flying. Using advanced route optimisation tools, we continuously refine our flight paths to shorten distances, avoid congested air corridors, and reduce fuel consumption.

These efforts not only cut greenhouse gas emissions but also ensure smoother journeys for passengers and more efficient operations for the airline. Each optimised route becomes a win for both climate responsibility and service excellence.

Sustainability Engagement

Air Arabia's sustainability engagement strategy is built on two pillars: community empowerment and customer-centric innovation. These efforts are deeply integrated into the airline's climate resilience and ESG roadmap, aligning with TCFD principles of stakeholder inclusion, risk responsiveness, and long-term value creation.

Community Engagement through Charity Cloud

Air Arabia's flagship CSR initiative, Charity Cloud, exemplifies its commitment to social sustainability.

The program has delivered over 100+ projects across 19 countries, including clinics, schools, and water supply systems in underserved regions such as Sudan, Yemen, Bangladesh, India, Sri Lanka, and Egypt. These projects have supported over 120,000 beneficiaries annually, focusing on healthcare access, education, and disaster relief.

Customer Engagement and Experience

Air Arabia integrates sustainability into its customer experience strategy through ethical marketing, feedback systems, and service innovation:

Mystery Shopping Program:
In 2025, Air Arabia deployed trained mystery shoppers across 432 flights from six hubs to assess real-time service quality. This initiative yielded an overall performance score of 80%, with targeted insights into airport procedures, inflight experience, and arrival services. These findings inform continuous improvements in operational efficiency and customer satisfaction.

Customer Feedback & Resolution:
Air Arabia maintains a robust CRM system to track and resolve complaints across multiple channels, such as, call centres, airport counters, website, and mobile app. Post-resolution surveys ensure accountability and service refinement.

Ethical Marketing Practices:
The airline ensures transparency in fare structures, sustainability messaging, and passenger rights. All promotional materials comply with EU261 and consumer protection laws.

Sustainable Packaging:
Air Arabia has transitioned to 100% recyclable inflight packaging, including rPET water bottles and biodegradable service items, enhancing environmental awareness among passengers.

Operations

Air Arabia is working to make its daily flight operations more fuel-efficient and environmentally friendly. The airline has implemented several innovative practices that help save fuel, reduce emissions, and enhance overall performance.

One major initiative is optimising how aircraft climb, cruise, and descend. Since climbing uses more fuel than cruising or descending, pilots carefully select the optimal altitude and speed to minimise fuel consumption, resulting in an average annual fuel savings of 10%. On the ground, aircraft taxi using only one engine when possible, saving around 20 kg of CO_2 per aircraft per year. After landing, reverse thrust is used to slow down the aircraft with minimal brake use, helping conserve fuel and lower emissions.

Landing procedures have also been improved. By using reduced flap settings, pilots minimise drag and noise, which leads to up to 30 kg of CO_2 savings annually. Air Arabia also collaborates with air traffic control to fly shorter, more direct routes to the runway, resulting in savings of up to 150 kg of CO_2 per aircraft per year. During take-off, pilots reduce engine power slightly earlier to minimise drag and fuel consumption, resulting in an annual CO_2 savings of 70 kg. Additionally, turning off the Auxiliary Power Unit (APU) during take-off reduces engine load and fuel consumption while extending engine life.

Aerodynamic upgrades further support these efforts. Wingtip devices—curved extensions at the ends of wings, help reduce drag and improve fuel efficiency by up to 4%. These small changes across many flights add up to a significant reduction in emissions.

Together, these operational improvements reflect Air Arabia's strong commitment to sustainability, showing that smart flying can be both eco-friendly and cost-effective.

Future Strategies

To effectively address the distinct climate challenges faced by a multi-hub airline operating across climate-sensitive regions, Air Arabia has implemented a comprehensive strategy encompassing mitigation and adaptation measures across infrastructure, operations, governance, technology, and stakeholder engagement.

Infrastructure

Air Arabia's infrastructure strategy will focus on enhancing climate resilience across its head office and operational facilities, which serve as essential hubs for administrative and support functions.

At the head office, targeted upgrades and improvements will be implemented to enhance the facility's resilience and sustainability.

To address climate-related risks, such as heavy rainfall and flash floods, drainage systems will be strengthened and protective barriers will be installed, ensuring that critical operational areas remain functional and protected.

With rising regional temperatures and frequent heatwaves, enhancements are being introduced to improve thermal resilience.

The head office will incorporate heat-resistant materials where feasible and upgrade cooling systems with advanced, energy-efficient technologies.

These measures will ensure a comfortable working environment for staff while reducing overall energy demand. In parallel, rainwater harvesting and recycling systems will be integrated to promote sustainable water management, reducing reliance on municipal supplies and supporting efficient consumption.

As part of this journey, rooftop solar panels will be installed to generate renewable electricity, directly contributing to the reduction of Scope 2 emissions from purchased power.

This shift not only lowers the facility's carbon footprint but also delivers long-term energy savings.

Further initiatives include the adoption of energy-efficient lighting, smart climate control systems, waste segregation programs, and the creation of green spaces within and around the head office.

Through these continuous improvements, the Air Arabia head office will evolve into a flagship facility that demonstrates resilience, efficiency, and environmental stewardship, setting a benchmark for sustainable corporate operations in the aviation sector.

Governance

Air Arabia has established robust governance practices to manage climate and sustainability risks across its operations and hubs. Climate risk assessment is embedded within the enterprise risk management (ERM) framework, with oversight at the Board level and accountability delegated to hub management. Regular climate stress tests are conducted to evaluate potential vulnerabilities, including heatwaves, flooding, and evolving regulatory requirements. Clear reporting lines link climate performance metrics with management incentives, ensuring accountability and responsible decision-making across all levels of the organisation.

At the operational level, hubs are being encouraged to adopt sustainable practices, including reducing single-use plastics, improving waste management, enhancing water efficiency, and promoting energy conservation. The airline also ensures that its facilities are not located in biodiversity hotspot areas and will continue to adhere to this principle for any future expansion, thereby safeguarding sensitive ecosystems. Sustainability considerations are increasingly integrated into supplier management. Currently, major suppliers are assessed based on key sustainability KPIs, and Air Arabia plans to expand this assessment to cover more than 50% of suppliers over the next 2 years. This will help ensure that environmental and social responsibility extends throughout the supply chain.

Looking ahead, Air Arabia aims to advance its sustainability framework by implementing a full-scale GHG inventory and setting targets for emissions, energy, water, and waste reduction. Energy management will be a key focus, including optimising energy efficiency at all operational sites, leveraging renewable energy solutions such as solar installations, and reducing emissions.

These initiatives collectively strengthen governance, enhance operational sustainability, and reinforce Air Arabia's commitment to long-term environmental stewardship and climate resilience.

Stakeholder Engagement

Looking ahead, Air Arabia plans to strengthen collaboration with aviation regulators and airport authorities to co-develop advanced regional adaptation frameworks and establish more scalable, resilient supply chains for sustainable aviation fuels (SAF).

The airline envisions deeper partnerships with local communities to promote water conservation, climate education, and broader environmental awareness, thereby empowering communities to participate actively in climate action initiatives.

For employees, Air Arabia aims to implement comprehensive sustainability awareness and training programs, equipping its workforce with the knowledge and skills to drive operational sustainability and champion eco-friendly practices across all touchpoints.

Passengers will also be engaged through forward-looking campaigns designed to encourage responsible travel behaviours, including reducing single-use plastics and supporting greener travel choices. Through these initiatives, Air Arabia aims to foster a collaborative ecosystem of stakeholders, regulators, communities, employees, and passengers, working together to achieve long-term sustainability goals and enhance the airline's role as a climate-conscious leader in the aviation sector.

Technology

Accelerating the Adoption of Sustainable Aviation Fuel (SAF)

Recognising the current limitations in SAF availability, cost, and production scalability, Air Arabia is actively building regional partnerships across MENA and South Asia to unlock supply chains, support infrastructure development, and enable early adoption. These efforts are complemented by ongoing engagement with regulators, fuel producers, and airport authorities to ensure SAF integration is both operationally viable and economically sustainable.

While SAF alone cannot meet all future climate targets, its deployment alongside next-generation aircraft technologies and operational efficiencies positions Air Arabia at the forefront of responsible aviation.

As the technology matures, the airline remains committed to embedding SAF into its fuel mix, reinforcing its pledge to reduce emissions without compromising performance, safety, or affordability.

Air Arabia is fast-tracking the integration of Sustainable Aviation Fuel (SAF) as a cornerstone of its long-term decarbonisation strategy. SAF, derived from renewable feedstocks, offers a transformative solution to aviation's climate impact capable of reducing life-cycle greenhouse gas emissions by up to 80% compared to conventional jet fuel.

As the only commercially available technology today that can significantly reduce emissions from flight operations, SAF plays a crucial role in achieving the industry's 2050 net-zero goals, as outlined by IATA.

Implement Advanced Fuel Management Systems

To further enhance fuel efficiency, Air Arabia has deployed an advanced fuel management system that monitors consumption on every flight. This system provides pilots and dispatchers with real-time analytics based on payload, altitude, trajectory, and wind conditions, enabling precise adjustments that reduce unnecessary fuel burn.

By integrating flight data with operational planning, the airline ensures that every sector flown is optimised for environmental and economic performance.

This initiative supports both emissions reduction and cost control, reinforcing Air Arabia's commitment to smart, sustainable aviation.

Adopt Noise Mitigation Measures and Quieter Technologies

In line with its environmental stewardship goals and community engagement strategy, Air Arabia is implementing noise mitigation measures and adopting quieter aircraft technologies to reduce the impact of aviation noise near operational zones. Air Arabia's fleet is powered by CFM LEAP-1A engines and equipped with Airbus's signature Sharklets, known for their reduced acoustic footprint during take-off, approach, and landing, which reflects the airline's commitment to minimising disruption for airport-adjacent communities.

Combined with optimised flight paths and operational procedures, these technologies help address health and well-being concerns linked to prolonged noise exposure, strengthening trust and cooperation with local stakeholders while supporting cleaner, quieter skies.

Adopt Noise Mitigation Measures and Quieter Technologies

Air Arabia is harnessing the power of digital transformation and artificial intelligence to optimise operational efficiency and environmental performance.

Through predictive maintenance platforms, the airline can anticipate technical issues before they arise, reducing unscheduled downtime and improving fuel efficiency. AI-driven route optimisation tools shorten flight paths and minimise fuel burn, while real-time emissions monitoring enables dynamic resource management and regulatory compliance.

These technologies form the backbone of Air Arabia's data-centric sustainability strategy, enabling informed decisions that reduce waste, emissions, and operational risk.

RISK MANAGEMENT

Air Arabia is exposed to a range of climate-related risks, categorised into physical and transition risks. Physical risks arise from acute and chronic climate events such as extreme heat, flooding, water scarcity, and sandstorms, which can disrupt operations, damage infrastructure, and affect passenger safety across its multi-hub network. Transition risks stem from the evolving regulatory landscape, market shifts toward low-carbon aviation, technological advancements, and changing stakeholder expectations.

Risks	Potential Financial Impact	Horizon	Management Method
Transitional Risks			
Carbon pricing mechanisms and new regulations	Fuel and related costs are among Air Arabia's largest operational expenses, influenced by factors such as market conditions, geopolitical events, carbon pricing and climate change regulations. Air Arabia and the airline industry are also subject to new and evolving laws, including in relation to climate change and GHG emissions, such as the federal and provincial carbon pricing mechanism and related initiatives. This also includes ICAO's (the UN agency for aviation) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the stated purpose of which is to achieve carbon-neutral growth from 2020 (with 2019 as the adjusted baseline).	The cost associated with applicable carbon taxes and purchase carbon offset credits under CORSIA	Short-term	To lessen the financial impact of CORSIA, which implements a cap on annual emissions from international flights through a carbon pricing mechanism, Air Arabia is working toward reducing its GHG emissions. Actions that support our efforts to reduce emissions include: • Air Arabia is advancing its environmental performance by further renewing its fleet with an ongoing transition to more fuel-efficient aircraft. Air Arabia has added brand-new A320neo aircraft to its fleet, with further deliveries of A321neo and the extra-long-range A321XLR expected in the coming years. This new aircraft type is anticipated to have a lower environmental impact than the aircraft it is replacing. • Air Arabia pilots engage idle reverse thrust landing (small panels that open on an aircraft's engines after landing) to slow the plane down, minimise fuel consumption and reduce CO2 emissions. • To conserve fuel during ground operations, we taxi in and out of airport parking bay with a single engine when conditions permit. • An aircraft burns more fuel per minute during take-off and ascending phases of a flight. Our pilots choose the best altitude and speed during climb, cruise, and descent phases. • Aircraft wings are equipped with movable flaps that generate lift during extra drag. By using reduced-flap landings, pilots can minimise drag, burn less fuel, and reduce noise. • We turn off the air conditioning during take-off to reduce the load on the engines This procedure not only reduces fuel consumption but also extends engine life. • We adjust engine power and reach cruising speed a bit earlier during take-off. This move reduces drag, saves fuel, and keeps our engines running smoothly, all while cutting down on emissions. • Most of our fleet are equipped with curved extensions (sharklets) at the wing tips of our aircraft increase the effective wingspan of the aircraft and reduce wing tip drag which improves fuel efficiency by up to 4%. • The lighter the aircraft the less fuel it burns. Our aircraft are equipped with light weight carpets and seats to help reduce fuel consumption and emissions. Reducing 100kg of weight in our aircraft results in a monthly fuel burn reduction of 104,000 kg.

Risks		Potential Financial Impact	Horizon	Management Method
Transitional Risks				
Policy &Legal transition Risk	Legal requirements on products, services and/or operations	An increase in climate-related legal requirements or restrictions may lead to increased compliance and operating costs for Air Arabia	Medium-term	• Air Arabia may face increased cost exposure from evolving carbon pricing mechanisms, including mandatory cap-and-trade schemes, fuel taxes, and sustainable aviation fuel (SAF) blending quotas. • Regulatory fragmentation across regions could lead to uneven carbon pricing and compliance burdens, especially for airlines operating across multiple jurisdictions. • Emerging "non-CO_2" regulations targeting contrails and nitrogen oxides (NOx) may introduce additional operational constraints and financial risks.
Transition to lower emissions technology and products	Airline industry emissions are hard to abate and new technologies such as hydrogen, electric and hybrid aircraft are not yet in market on a commercial scale.	The financial impact will include operating conventional jet-fuelled aircraft while waiting for alternative aircraft to come to market as well as the cost of sourcing and implementing new technologies. The potential impact is dependent on multiple factors and cannot be estimated with a reasonable degree of certainty.	Long term	• Unlike other transport sectors, aviation lacks commercially viable low-emission propulsion technologies in the short to medium term, making decarbonisation more complex and cost-intensive. • The scalability, safety, and cost of alternative propulsion systems such as hydrogen or electric aircraft remain uncertain, posing long-term strategic challenges for airlines. • Air Arabia actively monitors emerging technologies and is committed to supporting their commercial scale-up when feasible, while prioritising safety, operational performance, and regulatory compliance.
Reputational Risks	Risks related to inaction (or perceived inaction) in respect of the environment.	An increased environmental awareness across stakeholders may have broad implications on the business. Public perceptions of aviation's impact on climate change could result in reduced demand for Air Arabia's service in favor of lower emissions travel alternatives, leading to decreased revenues, and/or lead to increased shortage of prospective talent in the future.	Short-term	• Air Arabia maintains a formal environmental policy and ensures full compliance with applicable laws and regulations across its operating regions. • The airline emphasises transparency in its sustainability disclosures, ensuring that all environmental claims are substantiated, verifiable, and aligned with recognised reporting frameworks. • A perceived lack of climate action or insufficient progress on decarbonisation could pose reputational risks, potentially affecting stakeholder trust and brand value.
Changing customer behaviour and expectations	Some organisations or leisure travellers may be focused on decreasing their travel to lower their overall carbon footprint. The evolving nature of business models and remote-work practices, such as the use of video conferencing and other remote-work technologies, as well as the interest in more sustainable practices could impact demand for air travel	Decreased revenues due to reduced demand for products and services	Medium-term	Air Arabia recognises its customers' concerns and expectations. We communicate and disclose our climate action strategy and performance through various communications methods. Air Arabia fully adheres to all applicable regulations and remains compliant with industry standards. The airline may also consider introducing options such as an emissions calculation tool to provide accurate carbon estimates for commercial passenger flights, or a feature allowing passengers to offset their emissions when booking directly on the Air Arabia website, if such measures become mandatory by regulatory authorities.
Market & Competitive Risk	Risk of losing market share or facing increased competition from airlines that are perceived as more sustainable or that are more advanced in adopting low-carbon technologies (like SAF) or efficiency measures. This also includes the risk of being excluded from green financing or investment funds that have strict sustainability criteria.	Decreased revenue, higher cost of capital, inability to secure favorable financing for fleet renewal.	Medium-term	Develop a clear public-facing sustainability strategy and roadmap. Actively communicate emissions reduction progress. Explore eligibility for green bonds or sustainability-linked loans to finance fleet renewal. Benchmark against competitor actions and industry best practices.

Risks		Potential Financial Impact	Horizon	Management Method
Physical Risks				
Acute weather events	Climate change (e.g., temperature rise) could increase both the severity and intensity of weather-related events such as turbulence, thunderstorms and other disruptive weather events, jet stream, floods (rain fall) and forest fires.	Increased indirect operating costs, due to flight disruptions and loss in revenue	Short-term	Through its Integrated Operations Control centre (IOCC), Air Arabia monitors acute weather events to ensure a safe operation and to plan and respond to potential disruptions in service.
Rising sea levels may necessitate adaptation expenditures	Higher sea levels, which could cause runways and taxiways to become inaccessible at key locations which require hardening of airport infrastructure by airport authorities, which could pass those costs down to Air Arabia through lease agreements or rates and charges. We are not able to reasonably predict the extent of such financial impacts.	Potential increase in lease costs, airport fees, or charges passed down to Air Arabia, while the precise financial magnitude cannot be reasonably quantified at this stage	Long-term	Coordination with airport authority partners on efforts such as long-term planning and maintenance of key station infrastructure is normal course of business for Air Arabia. Relative to operations, Air Arabia is engaged with local airport authorities on an ongoing basis to ensure airport runway capacity and operating capabilities.
Potential increase of extreme heat on infrastructure and operations	Elevated temperatures affecting aircraft performance, ground operations and passenger comfort	Potential cost increase and loss of revenue	Long-term	Regarding the increase in heatwaves, potential impacts have been identified in the Air Arabia Group's value chain. These effects can affect both the upstream value chain and own operations. For example, the disruption of supplier operations due to heatwaves may delay the delivery of essential (replacement-) parts or products, which in turn may lead to increased OpEx associated with sourcing alternative supplier routes and amending flight/maintenance schedules. Heatwaves can also result in loss of revenue due to disruptions to airport operations resulting in flight delays, cancellations and/or diversions due to reduced runway performance (thermal expansion), air traffic congestion and malfunction of heat-sensitive equipment. This can affect all passenger airlines as well as cargo/freight carriers and lead to higher OpEx costs for passenger compensation. In addition, prolonged high temperatures can affect aircraft performance, reduce engine efficiency and lift capacity. This may result in increased fuel consumption, longer take-off distances and weight restrictions.
Temperature Rise & Operational Efficiency	Beyond acute heatwaves, a long-term increase in average temperatures can persistently affect operations. Hotter air is less dense, which can lead to routine payload restrictions (requiring fewer passengers or less cargo to achieve take-off), longer take-off rolls, and reduced engine performance on many routes, especially from hot-and-high airports.	Persistent loss of revenue due to payload restrictions, increased fuel consumption on a recurring basis.	Long-term	Factor changing climate data into long-term network and fleet planning. Consider the performance characteristics of new aircraft (like the A321neo) in hotter climates. Invest in advanced weather modeling for more accurate performance calculations.

Opportunities	Potential Financial Impact	Horizon	Management Method
Our activities in seeking to adapt or mitigate the effects of climate change may create the opportunities noted below:			
Fleet efficiency	Use of more efficient aircraft: Air Arabia's new, more fuel-efficient fleet will help mitigate the intensity of its GHG emissions.	The actual impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.	Medium-term	Air Arabia's renewed and more modern fleet further advances Air Arabia's fuel efficiency efforts. The carrier will retire certain older and less fuel-efficient aircraft from its fleet, reducing Air Arabia's cost structure and help mitigate its carbon footprint. Air Arabia is acquiring brand-new A320neo and A321neo aircraft in addition to extra long-range versions of the Airbus A321XLR aircraft. The delivery of these new aircraft commenced in September 2025 and will continue progressively over the coming years. This new aircraft type is anticipated to have a lower environmental impact than the aircraft it is replacing.
Use of new technologies	Air Arabia recognises the critical role that technology and innovation play in shaping the future of the airline industry. By embracing advanced solutions and digital transformation across its operations, the airline continues to enhance efficiency, improve customer experience, and reduce its environmental footprint.	The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially	Short-term	Air Arabia continues to embed innovation and advanced technologies across its operations to enhance efficiency, optimise resources, and reduce environmental impact. By leveraging smart navigation procedures, digital transformation, and fuel optimisation initiatives, the airline is strengthening its contribution to sustainable aviation while maintaining high standards of operational performance. Examples of these initiatives are: • Introduced RNP (Required Navigation Performance) visual procedures at Sharjah, Abu Dhabi, and Ras Al Khaimah airports, approved by the UAE GCAA, to enhance landing efficiency and reduce fuel burn and emissions. • Air Arabia pilots use advanced navigation systems to fly shorter, more direct approaches to the runway. By working with local authorities to optimise these routes, we reduce fuel consumption and cut emissions. • Air Arabia has adopted a "Paperless Approach" within its engineering department, replacing all paper-based maintenance records with a fully digital process using the advanced AMOS system. • In 2024, the airline successfully deployed phase one of its enhanced fuel management systems to further optimise fuel efficiency across the group, contributing to a continued reduction in emissions.
Development of new products or services through R&D and innovation	Air Arabia looks to offer customers products and services to mitigate the impact of their flight.	The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially	Short-term	Air Arabia is looking into ways to offer a voluntary program that allows travellers to offset GHG emissions associated with their flights through contributions to select offset projects. Through this program, Air Arabia is providing opportunities for passengers to support GHG mitigation projects. Yet this option is not active on the website as it is still in the implementation phase.
Use of low-carbon energy sources	Although these facilities make up a small fraction of our overall emissions, Air Arabia is actively evaluating energy transition measures for its facility operations.	The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially	Short-term	Air Arabia's Renewable Energy Taskforce identifies opportunities to reduce GHG emissions from facilities. • Renewable energy initiatives are being explored, including the potential installation of solar panels at Air Arabia facilities to generate clean energy and achieve long-term cost savings. • Advanced sensors have been installed to automatically control lighting and water flow, ensuring that energy and water are only used when necessary. • Crew sustainability awareness campaigns are conducted regularly in Air Arabia accommodations to promote responsible energy use. • Staff engagement programs encourage crew members to switch off lights, air conditioning, and other electrical devices when not in use, particularly during travel or in shared spaces.
Access to Green Financing & Incentives	Lower cost of capital for fleet renewal and green projects, access to government (where and when available) subsidies or tax incentives for sustainable investments.	The impact of this opportunity has not been assessed or quantified financially.	Medium-term	Actively explore and apply for green bonds, sustainability-linked loans (SLLs), and other ESG-focused financial instruments. Ensure the company's ESG performance meets the criteria for these favorable financing options.

METRICS & TARGETS

As the Middle East and North Africa's first and largest low-cost carrier (LCC) operator, we align with industry standards and are aiming to measure our impacts, where reasonably possible.

Air Arabia has been monitoring, reporting, and verifying (MRV) emissions, which contribute to its carbon footprint, targets, and climate strategy, all of which were reported through the CDP. Established in 2000, the CDP is a global disclosure system used to help investors, companies, states, regions and cities manage their environmental impacts. The CDP questionnaire incorporates elements of the TCFD framework. We have engaged a third-party auditor to perform an independent, limited assurance engagement on certain 2024 indicators, including the Scope 1 and Scope 2 emissions contained in this summary. For information regarding the scope of the assurance and statement, please refer to Air Arabia's 2024 Sustainability Report.

Environmental performance is closely monitored through integrated dashboards that track key indicators, including greenhouse gas emissions, energy consumption, water usage, and waste generation. These metrics enable timely decision-making, support continuous improvement, and allow for the assessment of progress against established sustainability targets.

Air Arabia has established internal targets to track emissions, water consumption, and overall resource efficiency across all its hubs. Key Performance Indicators (KPIs) are in place to measure energy use, water withdrawal and consumption, waste generation, and GHG emissions. Performance data is disclosed annually, providing stakeholders with transparent and comparable insights into Air Arabia's environmental progress.

Disclosure procedures for the data contained herein are documented (including how the data should be gathered and analysed by the responsible parties with appropriate subject matter expertise) and reviewed. This is monitored and reviewed periodically for effectiveness. The Corporate Sustainability team is also responsible for monitoring ESG disclosures, commitments, and progress at the corporate level. Periodic reports are shared with the relevant Board committees having oversight over ESG matters.

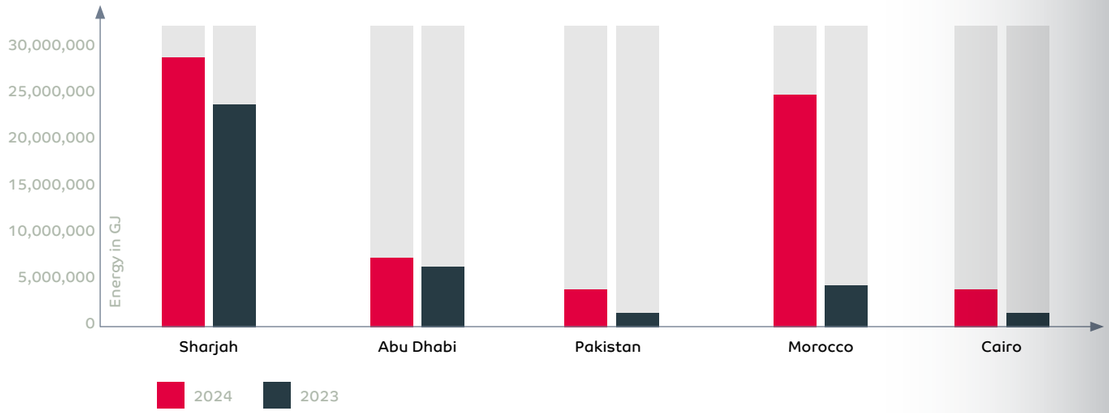
Finally, Air Arabia is currently reviewing how it may further develop and mature its control environment, including by leveraging automation to advance data extraction, validation and internal controls regarding key climate data.

Emission & Resource Footprint Overview

Jet Fuel Consumption (GJ)

In 2023, 16.7 million passengers flew with Air Arabia. In 2024, this number increased to 18.8 million. As a result, jet fuel consumption rose by 93%, mainly due to more flights, more extended airtime, and higher passenger loads.

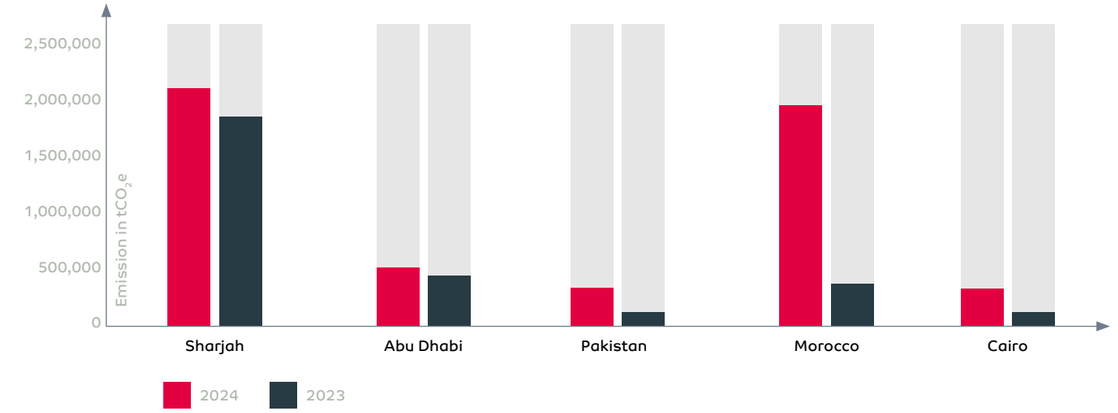
Jet Fuel Consumption in Air fleets



Jet Fuel Emissions (tCO_2e)

Jet fuel emissions rose along with energy consumption, increasing by 72% due to more flights, longer routes, and a rise in passengers from 16.7 million in 2023 to 18.8 million in 2024. Air Arabia has also expanded its operations by adding new aircraft and new routes, which contributed to higher emissions.

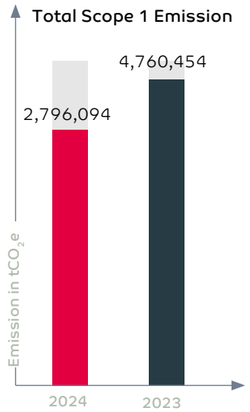
Scope 1 Emissions through Air fleets

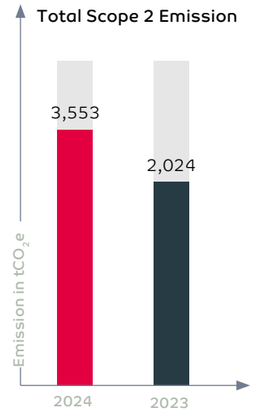


Scope 1 and Scope 2 Emissions (tCO_2e)

Scope 1 emissions nearly doubled in 2024, primarily due to higher jet fuel consumption as Air Arabia expanded its flight operations. In addition to aircraft fuel, emissions from staff vans and fuel tankers also contributed to the rise in direct emissions.

Scope 2 emissions, which cover electricity consumption across all corporate and operational hubs, declined by 43%. This reduction indicates that Air Arabia has made significant improvements in energy sourcing and efficiency at its facilities, such as optimising electricity use, upgrading equipment, and implementing energy-saving measures.





Conclusion and FORWARD OUTLOOK

Air Arabia's climate risk assessment highlights the need for a comprehensive and forward-looking approach to climate resilience. The airline operates in regions increasingly affected by weather events, water stress, and evolving regulatory requirements. These challenges demand strategic adaptation and operational agility.

To address these risks and meet stakeholder expectations, Air Arabia is advancing its sustainability agenda through targeted actions:

- Strengthening governance structures to embed climate considerations into decision-making
- Upgrading fleet efficiency and exploring low-carbon technologies
- Enhancing resource management across energy, water, and waste streams
- Reinforcing infrastructure resilience at key operational hubs

Looking ahead, the airline will continue to refine its climate strategy, establish organisation wide targets and pursue innovation through partnerships and technology. These efforts will support long-term operational continuity, regulatory compliance, and leadership in sustainable aviation across the region.

About this report:

This report primarily contains information that has already been disclosed by Air Arabia Group (e.g., within its Annual Report 2024, or as part of its CDP Climate reporting 2025). Air Arabia Group has primarily taken information from these existing disclosures and supplemented them selectively with additional information to provide a more accurate picture of the current state of its efforts. Potential climate risks and opportunities have been further analysed by conducting a qualitative and quantitative scenario analysis.

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