

RULES AND REGULATIONS OF THE BOARD OF GOVERNORS

I. AUTHORITY

- (1) An Act to Incorporate the International Air Transport Association, Statutes of Canada, 1945, Chapter 51 (assented to December 18, 1945), as amended from time to time ("the Act of Incorporation") provides that IATA may establish an Executive Committee with appropriate executive power.
- (2) The IATA Articles of Association establish a Board of Governors ("the Board") to exercise executive committee functions, accountable to a General Meeting, and authorize the Board to adopt its Rules and Regulations.
- (3) Accordingly, the Board adopts the following "Rules and Regulations of the Board of Governors".
- (4) All definitions contained in the Articles of Association shall apply to these Rules and Regulations.

II. GENERAL

- (1) The Board acts on behalf and in the interests of IATA. In this capacity its members represent IATA as a whole.
- (2) The Board acts in close co-operation and co-ordination with the Director General.
- (3) Individual Board members may be consulted on matters affecting particular subjects and their good offices may be used in the general interests of IATA.
- (4) The Board gives policy directives and guidance to IATA Industry Committees and to their subsidiary bodies and policy guidance to the IATA Traffic Conferences and to industry settlement plans, as may be required.

III. ELECTION — MEMBERSHIP — TERMS OF OFFICE

- (1) The Board is composed of not more than thirty-one (31) persons elected from eligible individuals nominated by Members, who serve without remuneration.
- (2) The seats on the Board will be allocated on a regional basis according to the following geographical regions:
 - (i) Africa (except North Africa) & Indian Ocean;
 - (ii) Asia-Pacific;
 - (iii) Europe;
 - (iv) Latin America & the Caribbean;
 - (v) Middle East & North Africa;
 - (vi) North America;
 - (vii) North Asia.
- (3) The following formula ("the Allocation Formula") will be applied to those geographical regions and used as a guide in the allocation of seats on the Board:
 - (i) the total amount of membership dues paid by Members in that region as a percentage of the total membership dues paid, this factor to be given a 50% weighting;

- (ii) the number of Members in that region as a percentage of the total IATA membership, this factor to be given a 25% weighting; and
- (iii) the total revenue tonne-kilometers performed by Members in that region as a percentage of the total number of revenue tonne-kilometers performed by all Members, this factor to be given a 25% weighting.

(4) The statistics according to which these factors are to be considered should be based on an average of the three (3) most recent years for which such statistics are available at the date when the Allocation Formula is applied.

(5) The allocation of seats on the Board in accordance with the Allocation Formula will be reviewed by the Board every five (5) years, using the Allocation Formula as a tool to guide the discussion and will, in any event, always ensure that each of:

- (i) Africa (except North Africa) & Indian Ocean;
- (ii) Asia-Pacific;
- (iii) Europe;
- (iv) Latin America & the Caribbean;
- (v) Middle East & North Africa;
- (vi) North America;
- (vii) North Asia;

is guaranteed a minimum of two (2) seats on the Board.

(6) Each Board member elected will act as a representative of the interests of the membership as a whole and not as a representative of his or her region or Member airline.

(7) To be eligible for election as a member of the Board, an individual must:

- (i) hold one of the following positions, or similar, allowing for differences of nomenclature:
 - (a) Chair of the Board;
 - (b) President of the Company;
 - (c) Chief Executive;
 - (d) Managing Director;

in either i) a Member or ii) a company that owns a majority of the voting shares in a Member and whose primary business is the management of one or more airlines; and

- (ii) have the requisite knowledge of and experience in the airline industry.

(8) If a Board member ceases to be a representative of the Member which he or she represented at the time of his or her election, or such airline ceases to be a Member, his or her Board membership shall terminate.

(9) Only one Board member may be elected from each Member at any one time. A group of Members that share a common ownership structure may each nominate a candidate for election to the Board.

(10) The election of all Board members, whether recommended by the Nominating Committee in accordance with the Rules of the Nominating Committee or proposed from the floor of the AGM, must be approved by the AGM.

(11) If a vacancy arises between AGMs, the Board will elect a replacement from among representatives of Members and the appointment must be made by a majority of the Board. The interim Board member will hold office as a Board member until the end of the next AGM.

(12) If a Board member fails to attend three (3) consecutive, regular Board meetings, his or her Board membership shall automatically terminate unless he or she presents to the Board, prior to the third meeting, a statement that failure to attend one or more meetings was due to circumstances considered acceptable to the Board.

(13) Subject to Rules III (11) and V (2), each Board member shall normally be elected for a three (3) year term.

(14) Each Board member is eligible to serve three (3) consecutive terms. If an individual has served three (3) consecutive terms, a minimum of two (2) years must expire before that person is eligible again for election to the Board. The period of an interim appointment under Rule III (11) will not count as a term for the purpose of this paragraph. The AGM may exceptionally approve the election of an individual to serve more than three (3) consecutive terms on the basis of that individual's knowledge, experience or current responsibilities on the Board.

(15) Any decision by the Board to establish a maximum number of terms after which an individual is no longer eligible for election to the Board until the expiry of a two (2) year period or to amend the maximum number of terms will only take effect at the closing of the Board meeting at which that decision is taken.

(16) Limits on the length of a Board member's term and the number of consecutive terms permitted apply only to the individual Board member and not to the Member which nominated him or her for election.

IV. MEETINGS

(1) Regular Board meetings

One (1) Board meeting shall be held immediately before each Annual General Meeting (AGM) in the same locality as the AGM and at least one (1) additional regular Board meeting shall be held each year on a date and at a place fixed by the Board.

(2) Special meetings of the Board may be held:

- (i) without prior notice, during or immediately following the AGM, should the Director General, in consultation with the Board Chair or the Chair Committee, determine that circumstances so warrant; or
- (ii) on thirty (30) days' notice, subject to the following conditions:
 - (a) if four (4) Board members so request, supported by a statement as to the purpose of the special meeting; or
 - (b) if the Director General, in consultation with the Board Chair, so requests.

After consulting the Board Chair, the Director General or the Secretary shall circulate the date, time, place and the agenda for a special meeting which shall set out the specific matters for which the meeting was requested.

(3) At any Board meeting, only members of the Board, the Director General, the Secretary, and such other observers as the Board or the Director General may designate, shall be present.

(4) No Board member may vote by proxy or be represented by another individual at a Board meeting.

(5) The Director General shall prepare the preliminary agenda of any Board meeting for approval by the Board Chair with the object of limiting the agenda to matters requiring either:

- (i) decision by the Board;

- (ii) policy guidance to the Director General;
 - (iii) policy directive or guidance to an Industry Committee or to a subsidiary body;
 - (iv) policy guidance to a Traffic Conference or to an industry settlement plan.
- (6) The preliminary agenda, together with the date, time and place of meeting, shall be sent to all Board members by the Secretary at least thirty (30) days prior to a meeting.
- (7) Subject to paragraph 5 above, the final agenda may include any matter suggested by any Board member.
- (8) The final agenda, together with supporting documentation, shall be sent to Board members by the Secretary at least twenty-one (21) days before the date of the meeting.
- (9) Ten (10) members of the Board shall constitute a quorum at any Board meeting but, except as otherwise provided by these Rules and Regulations, decisions of the Board will be valid only when approved by a majority of all Board members. Such approval by members not present at a meeting may be expressed in written or electronic form.
- (10) Between meetings, the Board may decide, by mail vote expressed in written or electronic form:
- (i) matters which any four (4) Board members have requested be put to a mail vote;
 - (ii) matters which in the opinion of the Director General are of such a nature that they can be disposed of by mail vote;
 - (iii) to validate matters approved at a Board meeting without a quorum of Board members present.
- (11) In presenting a matter for mail vote, the Director General or the Secretary shall:
- specify the issue to be decided;
 - stipulate the date by which votes should be received.
- (12) The Secretary shall inform each Board member of the result of any vote.
- (13) A summary of action taken by the Board at each meeting shall be circulated by the Secretary to all Members.
- (14) Upon request by a Board member, the Board Chair or the Director General may authorize that Board member to be accompanied by a personal interpreter for a specific Board meeting or for discussion on a specific agenda item.

V. BOARD CHAIR

- (1) The Board Chair shall be elected by the Board from among the current Board members. Where there is more than one (1) candidate, the election will be held by secret ballot conducted by the Secretary and the election will require a majority of the Board members present and voting. The Board Chair will serve a three (3) year term in the order stated below:
- (i) One (1) year on the Chair Committee as the Board Chair-elect;
 - (ii) One (1) year as both the Board Chair and the Chair Committee Chair;
 - (iii) One (1) year on the Chair Committee as Past Board Chair.

(2) Upon election of a Board member to the position of Board Chair-elect, his or her term on the Board will automatically be extended if necessary to ensure that he or she can serve the three (3) year term described in Rule V (1). The extension to his or her term will not count as a new term for the purposes of Rule III (14).

(3) The Board Chair shall preside at meetings of the Board and of the Chair Committee and carry out such other duties and functions as the Board or the Chair Committee may prescribe.

(4) An individual can only serve one term as Board Chair after which he or she will be ineligible for this role. However, if the current Board Chair is unable to fulfill his or her responsibilities at any time during his or her term, the Board can agree that a previous Board Chair may exceptionally act as Board Chair on an interim basis.

VI. OFFICERS OF THE ASSOCIATION

(1) The Director General:

- (i) advises and makes recommendations to the Board on matters affecting the air transport industry, including initiatives to be taken and planning required;
- (ii) expresses and implements the policies of IATA in conformity with its Mission and Aims and as decided by the Board in relation to particular matters which may arise from time to time;
- (iii) has overall responsibility for the efficient organization and functioning of IATA, including preparation of the budget and control of all funds. Within the budget, he or she has authority to engage and dismiss IATA staff and to determine their duties, except for the:
 - (a) appointment and termination of the Corporate Secretary and the Chief Financial Officer which shall be subject to approval by the Board; and
 - (b) rules, regulations and procedures for the issuance of passes for free and reduced air fare transportation for IATA employees which are subject to Board approval under Resolution 788;
- (iv) provides guidance to the Traffic Conferences to ensure that Board policies are taken into account, and has authority to appoint a Commissioner to exercise jurisdiction over certain matters in accordance with Passenger and Cargo Agency Conference Resolutions. Any such appointment will be notified to the Board;
- (v) acts in conformity with administrative responsibilities which may be assigned by a Traffic Conference in connection with programs established by Conference Resolutions;
- (vi) in conformity with Board policy guidance, ensures the financial integrity and efficient management of industry settlement plans;
- (vii) in consultation with the Financial Committee on policy issues, shall supervise the IATA Clearing House (ICH);
- (viii) solicits and receives candidates for the position of Board Chair from among Board members and circulates the names of all such candidates to the Board.

(2) The Corporate Secretary is appointed by the Board on the recommendation of the Director General. Subject to the supervision and authority of the Director General, he or she acts as Secretary and records the proceedings of General Meetings and the Board and carries out such other duties and responsibilities as may be assigned to him or her.

(3) The Chief Financial Officer is appointed by the Board on the recommendation of the Director General. Subject to the supervision and authority of the Director General, he or she is responsible for

the accounts and financial records of IATA, for the custody and protection of its funds and carries out such other duties and responsibilities as may be assigned to him or her.

VII. OTHER COMMITTEES

Committees of the Board

(1) The Board has established the following Committees:

- the Chair Committee;
- the Audit Committee;
- the Strategy and Policy Committee.

(2) Subject to these Rules and Regulations and the Rules adopted by the Board in relation to the individual Committees, each Committee may adopt its own rules of procedure.

Industry Committees

(3) Subject to the approval of the Board, the Director General may establish Industry Committees.

(4) The following Industry Committees are approved by the Board:

- (i) Cargo;
- (ii) Environment;
- (iii) Financial;
- (iv) Industry Affairs;
- (v) Legal; and
- (vi) Operations.

(5) The Rules and Regulations and the Mandates of Industry Committees shall be established by the Director General, subject to approval by the Board.

(6) Members of the Industry Committees shall be appointed for a two (2) year term by the Director General on the basis of nominations by Members. Prior to the AGM which coincides with the expiry of the terms of the Industry Committee members, the Corporate Secretary shall request nominations to fill the vacancies and prescribe the date up to which nominations will be accepted.

(7) The Director General shall make the appointments to Industry Committees, subject to the approval of the Board and taking into consideration:

- (i) industry expertise;
- (ii) potential contribution to the Industry Committee's work;
- (iii) regional balance;
- (iv) airline alliance balance (including non-alliance airlines);
- (v) size of Member airline balance;
- (vi) a combination of continuity and rotation in the Industry Committee membership;
- (vii) representation of the membership across all of the Industry Committees;
- (viii) seniority within the airline of the candidate concerned;
- (ix) candidates from airlines that share a common ownership structure; and
- (x) the views of the current members of the Industry Committee concerned.

Working Groups and ad hoc Task Forces

(8) Working Groups and ad hoc Task Forces may be established by the Director General or by the Industry Committees subject to the approval of the Director General.

VIII. IATA INTEREST GROUPS

- (1) On the recommendation of the Director General, the Board:
 - (i) approves the guidelines for activities of interest groups; and
 - (ii) confirms the establishment or dissolution of any IATA interest group.
- (2) The Director General:
 - (i) monitors the activities of any interest group and ensures that it conducts its affairs in accordance with the guidelines; and
 - (ii) reports annually to the Board on interest group activities.

IX. THE CLEARING HOUSE

As provided in the IATA Clearing House (ICH) Regulations, certain Regulations may be abolished by the Board, while others may be amended or abolished by the Director General, subject to prior consultation with the Financial Committee.

X. APPROVAL OF MEMBERSHIP IN IATA

- (1) Subject to the Articles of Association, the Board shall prescribe the form and content of the application for IATA membership.
- (2) Subject to confirmation by the Corporate Secretary that an application is in order, it shall be considered expeditiously by the Board.
- (3) Upon payment of all applicable Fees and Dues and approval by the Board, membership shall be effective.
- (4) If the application is rejected by the Board, the Director General shall advise the Applicant Airline of its right to appeal as provided for in the Articles of Association, the date and place of the next General Meeting and the procedures for pursuing an appeal to the General Meeting.

XI. MEMBERSHIP DUES

- (1) The Board, through the Director General, may require Members to submit such reports and data as may be necessary to calculate the Dues for the next year.
- (2) Subject to approval of the AGM, the Board shall determine the Dues to be paid by each Member and the currency or currencies of payment.
- (3) The rate of interest on arrears of dues shall accrue and be payable at a rate equal to the daily rate charged by IATA's primary bank operating lender from time to time, as determined by the Board or the Director General upon the Board's delegation to him or her, plus 1% per annum thereon. The Board or the Director General upon the Board's delegation to him or her may waive this requirement because of exceptional circumstances.
- (4) If a Member is unable to obtain the currency in which its Dues, or any other financial obligations, are payable and this is established to the satisfaction of the Director General, the Director

General is authorized to accept payment in any other currency acceptable to him or her, provided that this is in conformity with any applicable exchange control laws.

XII. BUDGET

The Director General shall submit a proposed annual budget to the Board.

XIII. PROVISIONS FOR THE CONDUCT OF THE IATA TRAFFIC CONFERENCES

The Provisions for the Conduct of the IATA Traffic Conferences may be amended by the Board. Nevertheless, the Board shall first obtain the approval of the AGM before making any amendment to Sections VIII and IX of said Provisions, the effect of which would be to alter the requirement for a unanimous vote of all the voting members of a Traffic Conference.

XIV. GENERAL MEETINGS

(1) On the recommendation of the Director General, the Board shall determine the agenda of and program for the AGM and may at any time propose items for consideration.

(2) The Board shall submit to the AGM a report of its activities since the last AGM, designed to inform Members of important subjects and significant items, including those considered by the Industry Committees during the preceding year.

(3) The Director General shall immediately bring to the attention of the Board any request for a Special General Meeting and shall make recommendations as to date, time, place, and agenda.

XV. AMENDMENTS OF THE RULES AND REGULATIONS

The Board may from time to time amend these Rules and Regulations provided that the Secretary has circulated any proposed amendment together with an explanatory paper to all Board members at least twenty-one (21) days prior to the meeting which will consider the amendment in accordance with Rule IV (8). Any such amendment will only take effect at the close of the meeting at which the amendment is decided by the Board unless the Board specifically decides otherwise.

COMMITTEES OF THE BOARD OF GOVERNORS

I — CHAIR COMMITTEE

1. Basic Function

The Chair Committee acts on behalf of and is accountable to the Board of Governors (“the Board”) with respect to the duties and authority delegated to it by the Board. It is responsible for overseeing financial performance and governance of the Association.

2. Duties and Responsibilities

The Chair Committee shall:

- (1) monitor the performance of IATA and provide administrative guidance to the Director General;
- (2) recommend to the Board the annual budget and the Membership Dues Assessment Formula;
- (3) recommend to the Board arrangements regarding payment of Members’ outstanding financial obligations;
- (4) approve non-budget expenditures up to amounts authorized by the Board;
- (5) monitor the overall financial performance of IATA;
- (6) on the advice of the Director General, recommend to the Board compensation policies, appointment of the Chief Financial Officer and the Corporate Secretary and pension management and funding;
- (7) monitor the performance of the Director General and recommend to the Board changes in his or her remuneration;
- (8) recommend to the Board the agenda for any General Meeting;
- (9) make recommendations to the Board with respect to appointments to Board Committees;
- (10) review and determine the eligibility of any nominee for Board membership;
- (11) monitor the effectiveness of the governance practices of IATA and make recommendations to the Board;
- (12) carry out any other duties that may be referred to it from time to time by the Board.

3. Membership

- (1) The Chair Committee consists of six (6) Board members:
 - (i) the Board Chair;
 - (ii) the Board Chair-elect;
 - (iii) the Past Board Chair;
 - (iv) the Chair of the Strategy and Policy Committee (SPC);
 - (v) two (2) Additional Members of the Board elected in accordance with the process described in paragraph (2) below.
- (2) The two (2) Additional Members from the Board will be elected from a list of candidates compiled by the Director General who will take into account the following factors in compiling this list:
 - (i) Regional balance;
 - (ii) Alliance balance (including non-alliance airlines);
 - (iii) The role of individuals in the industry as either global or regional leaders;

- (iv) No more than one individual from a group of Member airlines that share a common ownership, common ownership meaning two or more Member airlines of whom the majority of the voting shares are held by another company whose primary business is the management of those Member airlines; and
- (v) A reasonable mix of continuity and rotation.

The Chair Committee will review this list of candidates and present it to the Board for election.

The two (2) Additional Members from the Board will have terms of one (1) year at a time that can be renewable up to a maximum of three (3) years in total.

- (3) Should a member of the Chair Committee no longer be eligible or able to serve on the Board, the Board shall fill the vacancy on the Chair Committee from amongst the Board members.
- (4) The Board Chair shall act as Chair of the Chair Committee.
- (5) The Director General shall appoint a member of the IATA Secretariat to act as Secretary to the Chair Committee.

4. Meetings

The Chair Committee is available, on call, for consultation with the Director General either by means of a meeting or through teleconference, video conference or other electronic means. It shall meet at least twice a year, including one (1) meeting on a date appropriate to preparation of the budget.

5. Quorum and Majority

- (1) Three (3) members shall constitute a quorum at any meeting;
- (2) Decisions taken at a meeting will be deemed valid only if approved by a majority of the members present at such meeting;
- (3) Decisions taken by mail vote will be deemed valid if approved by a majority of the Committee.

II — AUDIT COMMITTEE

1. Basic Function

The Audit Committee of the Board of Governors is responsible for reviewing the financial reporting process, the system of internal control and management of financial risks, the audit process and the process of monitoring compliance with laws and regulations.

2. Duties and Responsibilities

The Audit Committee shall:

- (1) recommend to the Board the appointment of the external auditors;
- (2) review the audited annual consolidated financial statements with the external auditors and, upon reaching a determination that they are in order, approve the statements, cause them to be signed, and submit them to the Board for ratification prior to the Board's presentation of the statements to the AGM;
- (3) review from time to time the adequacy of key financial and accounting policies and recommend changes to the Board as and when required;
- (4) monitor the commercial risks of IATA operations and provide guidance to the Director General as and when required;
- (5) review potential conflicts of interest arising from non-audit services provided by the external auditor;

- (6) ensure that all potential material claims against IATA, or any litigation in which IATA is involved, have been properly evaluated and accounted for;
- (7) review with management the effectiveness of internal controls;
- (8) review significant findings and recommendations of the internal auditor;
- (9) deal with reports of material violations or breaches of fiduciary duties;
- (10) deal with any differences between the management of IATA and the external auditors;
- (11) report to the Board on a regular basis and make such recommendations with respect to the above and other matters as the Committee may deem appropriate.

3. Membership

- (1) The Audit Committee consists of five (5) Board members:
 - (i) the Board Chair-elect;
 - (ii) the Past Board Chair;
 - (iii) one (1) other member of the Board who is not a member of the Chair Committee and who shall act as Chair of the Audit Committee for a three (3) year term.
 - (iv) two (2) additional members of the Board who are not members of any other Committee, each to serve as members of the Audit Committee for a three (3) year term.
- (2) The Chair of the Audit Committee and the two (2) additional members shall be elected by the Board on the recommendation of the Director General.
- (3) The Director General shall appoint a member of the IATA Secretariat to act as Secretary to the Audit Committee.

4. Meetings

- (1) The Audit Committee is available, on call, for consultation with the Director General either by means of a meeting or through teleconference, video conference or other electronic means. It shall meet at least twice a year, including one (1) meeting on a date appropriate to facilitate review and approval of the audited annual consolidated financial statements.
- (2) The Board Chair shall receive the agenda and documentation of each meeting of the Audit Committee at the same time as it is received by Audit Committee members and shall be invited to attend the meetings of the Audit Committee as an observer, at his or her discretion.

5. Quorum and Majority

- (1) Three (3) members shall constitute a quorum at any meeting;
- (2) Decisions taken at a meeting will be deemed valid only if approved by a majority of the members present at such meeting;
- (3) Decisions taken by mail vote will be deemed valid if approved by a majority of the Committee.

III — STRATEGY AND POLICY COMMITTEE

1. Basic Function

The Strategy and Policy Committee (SPC) acts on behalf of the Board with respect to the duties and authority delegated to it by the Board. Subject to review and approval by the Board, it has overall responsibility for industry policy and for providing policy directives and guidance to the Industry

Committees and subsidiary bodies and policy guidance to the IATA Traffic Conferences and to industry settlement plans.

2. Duties and Responsibilities

The SPC shall:

- (1) establish overall industry policy guidelines and approve industry policies brought forward by the Director General or by the Industry Committees and subsidiary bodies;
- (2) develop the long-term strategy for IATA and ensure that the Director General and the Industry Committees are appropriately tasked to implement the strategy;
- (3) monitor the performance of the Industry Committees.

3. Membership

- (1) The SPC consists of a maximum of eleven (11) members to be elected by the Board and will include the Board Chair. The Board Chair-elect and the Board Past Chair are eligible for election to the SPC in accordance with the process outlined in paragraph (2) below.
- (2) The SPC will be elected from a list of candidates compiled by the Director General who will take into account the following in compiling this list:
 - (i) Regional balance;
 - (ii) Alliance balance (including non-alliance airlines);
 - (iii) The role of individuals in the industry as either global or regional leaders;
 - (iv) No more than one individual from a group of Member airlines that share a common ownership, common ownership meaning two or more Member airlines of whom the majority of the voting shares are held by another company whose primary business is the management of those Member airlines;
 - (v) A reasonable mix of continuity and rotation.

The Chair Committee will review this list of candidates and present it to the Board for election.

- (3) The length of an individual's term on the SPC will be the same as the remaining length of his or her term on the Board. If that individual is re-elected to the Board, he or she will also be eligible for re-election to the SPC.
- (4) The Chair shall be elected by the SPC from among its members. Where there is more than one (1) candidate, the election will be held by secret ballot conducted by the Secretary and the election will require a majority of the SPC members present and voting. The length of the Chair's term will be the same as the remaining length of his or her term on the Board. If the individual is re-elected to the Board, he or she will also be eligible for re-election as Chair of the SPC provided that his or her total term as Chair of the SPC does not exceed five (5) years.
- (5) The Director General shall appoint a member of the IATA Secretariat to act as Secretary to the SPC.

4. Meetings

The SPC is available, on call, for consultation with the Director General either by means of a meeting or through teleconference, video conference or other electronic means. It shall meet at least twice a year.

5. Quorum and Majority

- (1) Six (6) members shall constitute a quorum at any meeting.

- (2) Decisions of the Committee will be valid only if approved by a majority of its members. Such approval by members not present at a meeting may be expressed in written or electronic form.