

Robin Hayes
Chair's Report to the 78th AGM
20 June 2022

- I am pleased to be able to present to the IATA General Meeting my second, and last, report as Chair of the IATA Board of Governors. I am honored to have had the opportunity to support Willie Walsh and the IATA team for an extended term as Chair as they helped us all navigate the unprecedented turbulence of the past two years.
- This period has witnessed the deliberate shutdown of global aviation connectivity that had its beginnings in 1914, with the first flight of the St. Petersburg-Tampa Airboat Line, the world's first airline. We celebrated the 100-year anniversary of that momentous occasion when we met here in Doha in 2014. How fitting that we are again in Doha celebrating the rebirth of aviation connectivity as governments around the world open borders and lift travel restrictions.
- Now as the world reconnects, Russia's invasion of Ukraine poses a new challenge to the post-Cold War geopolitical order that threatens further destabilization of the globalized world that aviation helped to create.
- The good news is that our industry has a proven track record of successfully navigating the effects of wars, pandemics, terrorism and economic uncertainties. I am confident that commercial aviation and our association are prepared to tackle the future, whatever it may bring.
- Let me now turn to an overview of the matters that the Board has spent its time considering on behalf of the membership since the 2021 AGM last October in Boston.
- In our meeting yesterday, the Board continued the discussions from the Chair and Audit Committee meetings held since the invasion. The focus was on the impact on IATA's operations and the various issues of concern to members arising from it. The Board appreciates the challenges facing IATA as it continues to navigate the unprecedented number of complex sanctions and countermeasures that have been announced while maintaining the safety and security of IATA staff and operations in both Russia and Ukraine. This is necessary to support members and other industry participants who continue to operate in those markets - a task that becomes more difficult with each passing day.
- The Board then turned to a review of IATA's assessment of the financial health of the commercial airline industry and its prospects for the rest of the year. The Board noted that notwithstanding the challenges brought on by the outbreak of the highly contagious Omicron variant and the conflict in Ukraine, the industry recovery is slightly ahead of what was projected in October 2021, though still in a net loss position.

- The Board acknowledged that all indications are that total passenger volumes will recover their 2019 levels by 2024, with some improving more quickly due to their large domestic markets. However, this assumes no fundamental global geopolitical shifts which alter international trade, investment and air transport flows.
- The Board also discussed the impact of higher cost inputs, potential recession and a skills shortage – subjects that will be covered in depth by Marie Owens Thomsen, IATA's Chief Economist, later today.
- Turning to the COVID-19 industry recovery, the Board thanked IATA for its global campaign to encourage governments to remove remaining travel restrictions as part of their overall economic recovery programs.
- The Board noted that 46 of the top 50 countries representing 77% of 2019 international RPKs are now open to vaccinated travelers without quarantine. China, Hong Kong SAR, Chinese Taipei and Japan are the outliers. The Board supported IATA's particular focus on removing mask mandates for aviation as they are removed in other non-aviation environments.
- The Board expressed concern that ICAO is not moving forcefully enough to provide clear guidance to governments on relaxing remaining measures and preparing for future pandemics where shutting borders should not be seen as a viable or effective option. The Board encouraged IATA to use the opportunity of the 41st ICAO Assembly in September 2022 to push for more aggressive action.
- I turn now to the critical issue of sustainability, which is particularly important this year owing to the afore mentioned ICAO Assembly at which environment sustainability goals will be presented for review and discussion. The Board confirmed its continued strong commitment to the collective target of achieving net zero carbon emissions by 2050. This also includes the more near-term target of maintaining the ICAO Carbon Offsetting and Reduction Scheme for International Aviation, or CORSIA.
- The Board was briefed on progress toward the IATA target of increasing the readiness of member airlines for the transition to Sustainable Aviation Fuel, or SAF. To that end, the Board directed IATA to prepare SAF readiness profiles for each IATA member airline, which include resource, training and supply chain recommendations.
- The Board discussed in detail the strategy to secure the ICAO Assembly's continued support for the CORSIA 2019 baseline as well as to set a Long-Term Aspirational Goal that is aligned with the industry's net zero commitment by 2050. While these will not be easy deliberations at the Assembly, consensus is critical if we hope as an industry to continue to be able to grow in an environmentally sustainable manner.

- The Board then turned to a discussion of the work that IATA is undertaking to address challenges facing the IATA Industry Settlement Systems on which we have all come to rely.
- The Board discussed the IATA Smart Services Program, or SSP, the objective of which is to explore the development of a fit for purpose, flexible revitalized settlement portfolio that supports airlines that wish to embrace and adapt to the rapid changes occurring in passenger and cargo distribution and payment. This work is focused on providing benefits to the industry in the key areas of: Cost, risk management, portfolio unbundling, operational simplification, flexible settlement services and the creation of new capabilities. IATA will present its recommendation to the Board at its meeting in December.
- On a related front, the Board discussed continued industry progress toward true airline retailing, meaning travelers are able to see the value of what is being offered by the airlines, beyond the base fare, and have access to it whether they are shopping via the airline website or through a travel agent. It also means putting customers in control of their own data, by moving to a unique identifier to replace PNRs, e-tickets and EMDs. Customers will have a single order number permitting them to effortlessly consume any service offered by our members.
- The Board agreed that true airline retailing is a major business change that requires a cohesive program across many and varied business domains. This change includes a complete overhaul of the technology infrastructure upon which airline distribution currently rests.
- The Board directed IATA to undertake this effort with the support of relevant IATA councils under an umbrella program called "Unlocking value creation by putting the customer first."
- The Board discussed the troubling trend of governments around the world that see the exit from COVID-19 restrictions as a starter flag to relaunch costly and potentially counterproductive regulatory initiatives. The Board strongly endorsed the Chair Committee's recommendation that IATA prioritize key advocacy themes over the next three years. These include environmental sustainability, ensuring airlines' financial stability by fighting industry taxation and charge increases and promoting operational efficiency through slot coordination, better use of airspace capacity and improved ground handling processes.
- On diversity and gender diversity in particular, Willie noted the importance of IATA's 25 by 2025 initiative, one of IATA's 2022 targets approved by the Board in December. We may all be at different stages of integrating Diversity & Inclusion into our business objectives and the focus on gender is often a first step to building a holistic Diversity & Inclusion program. I join Willie in urging any member who has not signed on to this commitment do

so by the end of the year, or better still during this AGM. The time is long past for excuses not to have our industry represent the society that we serve.

- Turning to safety and security, I am pleased to report that despite numerous operational challenges, the airline industry improved its safety performance in several key areas in 2021 compared to both 2020 and to the five years 2017-2021. These include reductions in the total number of accidents, the all-accident rate and the number of fatalities. At the same time, we must not become complacent. Our record over the last year is not perfect. There have been aviation tragedies that compel us to always strive to be safer.
- The Board discussed the ongoing challenge of ensuring the safe carriage of Energy Storage Devices, including lithium batteries, which are often undeclared or mis-declared by shippers. The Board approved targets in relation to this issue for IATA to deliver on in 2022 and endorsed a wider plan to enhance existing safety measures. These include increased penetration of cargo safety controls across the aviation supply chain, the development of standards for supplementary onboard fire protection, a step up in data collection and information sharing and an advocacy campaign to regulators. I look forward to the lithium battery panel tomorrow morning where this important issue will be further discussed.
- With regard to security, the Board continues to recognize the challenges facing the industry from cyber threats, particularly as aviation systems become progressively interconnected; and the critical importance of maintaining a proactive strategy on cybersecurity.
- In addition to this identification of advocacy priorities, the Board endorsed the recommendations of the Chair Committee to revise the Rules and Regulations of the IATA Advisory Councils to ensure they are better positioned to advise the Board and work with IATA Management on issues referred to them by the Board and Director General. The Board also approved the new membership of each of the 9 Advisory Councils, which is renewed every 3 years.
- Turning finally to the business of IATA, the Board reviewed the report of its Audit Committee and approved the financial statements of IATA for 2021 and the appointment of Ernst & Young as IATA's external auditor for 2022. Both items are the subject of resolutions that will be put to the membership today for approval. I am pleased to report that the Association continues to enjoy a sound financial position with a debt free balance sheet and effective internal controls and processes.
- The Board also approved the recommendation of the Chair Committee that the 2023 membership dues be maintained at 12.6 million dollars and that the 2023 Membership Financial Assessment Resolution be presented to the IATA AGM for approval.
- That concludes my Chair report on the deliberations of the Board since our last Annual General Meeting. I would like to thank Willie and the IATA team for its great support during

my extended term as Chair of the IATA Board of Governors. I am delighted that Mehmet Nane, Vice Chairperson and Managing Director of Pegasus Airlines, will succeed me as Chair upon the close of this morning's AGM. I am sure Mehmet will do an outstanding job in this important role.

- Thank you and I will now turn the floor back to the AGM President.