

ARAB AIR CARRIERS ORGANIZATION

COMPETITION LAW COMPLIANCE

POLICY July 2012

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AACO COMPETITION LAW COMPLIANCE POLICY

MESSAGE FROM THE SECRETARY GENERAL

It is AACO's policy that all of its activities be carried out in full compliance with applicable competition/antitrust laws ("competition laws"). AACO is fully committed to ensuring that this Policy is adhered to and has implemented procedures to educate its members and staff on, and to monitor compliance with, such laws. Issuance of this Policy is an important part of those procedures.

In an abundance of caution, the requirements and prohibitions set forth in this Policy may in some instances exceed those that would apply under applicable competition laws. This is a further reflection of AACO's commitment to ensure that neither AACO nor its members or representatives ever come even close to a violation of such laws.

All employees, consultants, and elected representatives/officials of AACO are under an obligation to conduct all activities in accordance with any applicable competition laws. Each AACO employee, consultant and official is also required to read and adhere to this Policy.

AACO members are under an obligation to conduct all activities connected with AACO in accordance with any applicable competition laws. In the unlikely event that a member knowingly fails to comply with this Policy, AACO may consider suspension or termination of membership.

Abdul Wahab Teffaha
Secretary General
Arab Air Carriers Organization

AACO COMPETITION LAW COMPLIANCE POLICY

1. WHY IS COMPETITION LAW COMPLIANCE IMPORTANT?

AACO plays a key role in promoting and defending its members' interests. The association carries out many valuable and lawful functions and provides public benefits. Because AACO's member airlines are companies likely to be in competition with each other, there is a risk that activities conducted under AACO's auspices can breach competition law. It is essential, therefore, that AACO and its members remain fully informed of the requirements of competition law and take a proactive role in ensuring that all joint activities are conducted in a way that fully complies with those requirements.

The consequences of infringing competition law are very severe, and can include:

- Fines;
- Unenforceability of contracts;
- Private damages actions;
- Director disqualification;
- Criminal convictions;
- Adverse reputational impact;
- Diversion of management time; and
- Legal costs.

This Policy provides a basic overview of the competition law rules that govern AACO's activities, together with guidelines on how to comply with those rules in the key risk areas facing AACO.

IMPORTANT - PLEASE NOTE: The guidelines set forth in this manual are necessarily general in nature. Whenever doubt arises regarding the lawfulness of a joint activity, legal advice should be sought before proceeding.

2. EXCHANGING COMPETITIVELY SENSITIVE INFORMATION

Information exchange is a common feature of AACO's activities and may generate various types of efficiency gains and customer and consumer benefits. However, the exchange of competitively sensitive information can also lead to a reduction in competition in particular in situations where companies may become aware of their competitors' market strategies. The competitive effects, if any, of such an exchange depend on the characteristics of the market in which it takes place -- for example, whether the market is concentrated or fragmented, or whether the participating competitors represent a large percentage of the market. Other relevant factors may be the type of information that is exchanged and the manner in which it is exchanged. For example, the age, detail, level of aggregation, and competitive sensitivity of the information are all factors that will bear on the lawfulness of the information exchange.

In order to avoid an exchange of competitively sensitive information between competing members, any collection of individual participants' data and the preparation of market survey or benchmarking reports will be carried out either by the AACO Secretariat or by an independent third party that is not involved in competition with the participating airlines and is authorized by the AACO Secretariat.

AACO will maintain proper safeguards to ensure that competitively sensitive information about one member is not passed to or discussed with other members. In that connection, AACO will:

- (a) establish a secure procedure and/or facility for collecting members' competitively sensitive information from which such information can be retrieved only by authorized members of the AACO Secretariat staff or by a third party authorized by the AACO Secretariat;
- (b) ensure that members provide any competitively sensitive information that might be essential to the conduct of legitimate AACO joint activities only to the AACO Secretariat or to an authorized third party through the secure procedure and/or facility established pursuant to (a) above; and
- (c) aggregate and anonymize potentially competitively sensitive information before circulating it to members to ensure that information pertaining to a particular member is not disclosed to other members.

When circulating information developed through any AACO-sponsored study or survey of market conditions and/or industry performance, AACO will ensure that it:

- clearly identifies the legitimate objectives and subject matter of the survey;
- does not report on any competitively sensitive matter that relates to fewer than 3 members and preferably not fewer than 5;
- covers a period long enough, or a quantity of business activity large enough, to obscure the identity of the actual participants;
- reports only aggregated and anonymous data; and
- reports historic (rather than current or future) information, such as information on past market conditions.

3. **CONDUCTING AACO MEETINGS**

AACO's meetings and events create circumstances in which competing companies might inadvertently discuss market strategies and exchange competitively sensitive company data. Member airlines' representatives are under a continuing obligation to refrain from engaging in such discussions.

To reinforce compliance with this obligation, AACO will endeavor to prevent members that are competing companies from discussing information that has strategic significance the sharing of which might compromise the independence with which member airlines formulate and implement their individual commercial policies and decisions.

In that connection, members shall seek the prior approval of legal counsel before discussing any of the following with another member in conjunction with any AACO activity:

- prices, price lists, discounts, price schedules (rates and dates), credit terms or other terms of sale, delivery conditions, after-sales services, etc.;
- information regarding sales volumes and profitability;
- information relating to their individual customers and/or suppliers or other third parties;
- capacity or other measures of volume, costs, investment decisions (capacity, advertising, R&D investments, etc.);
- anticipated sales campaigns;
- territories, routes, markets or customers that a member serves or intends to serve;
- bids on contracts to provide particular products or services and the procedures for replying to bid invitations;
- the particular suppliers, customers, or other third parties with which individual members deal or intend to deal and the terms governing such relationships;
- plans for the launch of new technology or services which are being developed independently, the timing of such launches, and/or the terms on which they will be made available;
- whether individual members should or will choose to exceed minimum legal compliance requirements in their individual business activities (for example, whether they will choose to reduce emissions or to increase their fuel economy performance or safety measures further than legally required);
- any other competitively sensitive information about their individual business activities and policies;
- any announcement of a member's strategy or future market behavior prior to its effective date or in a manner that is not normally accessible to competitors or consistent with this Policy; or
- information about other initiatives the sharing of which might be seen as diminishing the pressure to innovate normally engendered by robust competition.

Preparation for AACO meetings

Prior to every association meeting, the AACO Secretariat will distribute an agenda which has been prepared in keeping with this Policy.

The agenda --

- will include only items that are not objectionable from a competition law perspective;
- will be drafted in clear and unambiguous wording; and
- will include all items that are going to be discussed in the meeting.

Behavior during AACO meetings

At the beginning of every meeting of airlines or other commercial entities conducted under AACO's auspices, a representative of the AACO Secretariat or, if no such representative is present, the presiding participant, will instruct the participants that, because they are actual or potential competitors, it is essential that the meeting be conducted in a way that is fully consistent with this Policy and that, accordingly, does not violate competition law requirements.

If spontaneous comments are made during the meeting which could potentially lead to a discussion or situation that could violate this Policy or competition law, either the senior AACO Secretariat representative or the presiding participant will intervene immediately, make clear that such matters cannot be discussed absent advance approval of counsel, suspend the discussion, and ensure that the discussion moves on to other agenda items.

If the discussion continues despite the foregoing warning, either the senior representative of the AACO Secretariat or the presiding participant will terminate the meeting completely and with immediate effect.

Minutes

Minutes of every meeting of AACO member airlines will be recorded such that the main points of discussion are easily verifiable. Absent further guidance of counsel, the minutes will simply identify the subjects discussed and the decisions made or actions taken without further elaboration. They will also avoid stating the substance of any privileged legal advice that was given but may note instances in which such advice was given.

Meeting minutes shall be drafted and circulated to members promptly following the conclusion of every meeting. Minutes shall be accurate and written in clear and unambiguous language. Members should promptly and carefully verify the accuracy of the minutes and ensure that they agree with their contents.

4. JOINT PURCHASING

Joint purchasing occurs when two or more independent companies come together to purchase goods or services jointly. Such activities can offer significant efficiencies and other benefits to purchasers and vendors alike and are not inherently anti-competitive. However, they can potentially raise competition law concerns if:

- they do not offer any significant efficiencies or other pro-competitive benefits;
- the participating purchasers have such a large combined share of total purchases of the product or service in question in the relevant market that they have "market power" that enables them effectively to depress output of the product or service in the market to below competitive levels;
- participation in the joint purchasing removes the ability or incentive for participants to compete effectively in a downstream market; or
- the joint purchasing initiatives result in an exchange of competitively sensitive information about the individual participating purchasers that leads to a reduction of whatever competition would otherwise exist between them as competing purchasers or sellers of some product or service.

All joint purchasing arrangements with which AACO is associated will be carefully reviewed in advance to ensure that they are consistent with applicable competition law requirements.

5. **COLLECTIVE BOYCOTTS**

A collective boycott or concerted refusal to deal may potentially occur in some circumstances when two or more competitors agree not to do business with a particular third party or to do so only on certain terms. Thus, in many circumstances, competing companies should not engage in any discussion or enter into any agreement or arrangement (whether formal or informal, whether or not in writing) regarding whether they will or should deal with a particular third party or the terms on which they will or should deal. Absent prior approval of legal counsel, AACO will not permit any such discussions at AACO meetings and other activities.

AACO and other trade associations often inform their members of issues or developments that are of specific relevance to the industry and that may involve discussion of third parties. Although this is an important and legitimate role for an association, it is important that it be carried out in a manner that does not result in any inappropriate coordinated decision-making among individual members. AACO will remind members in conjunction with any such discussion that the discussion is intended solely to provide information members may need to make more informed individual decisions and that, absent contrary prior legal guidance, each member must decide independently how it will proceed and must not indicate to other members what its decision will be or what their decisions should be.

6. **MEMBERSHIP DECISIONS**

Membership in AACO shall be available on a non-discriminatory basis. The Executive Committee retains authority to review applications for membership in AACO and to endorse or decline membership. The Executive Committee will consider applications for membership on the basis of objective membership criteria established in AACO's Articles of Association, applied fairly and consistently in a manner that neither discriminates nor has the appearance of discriminating against or in favor of any applicant. Expulsions from membership shall be similarly justified on the basis of established, objective criteria, fairly and consistently applied.

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