

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5099  
**COMPANY NAME** : AIRASIA GROUP BERHAD  
**FINANCIAL YEAR** : December 31, 2020

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The board of directors ("the Board" or "Directors") of AirAsia Group Berhad ("AAGB" or "the Company") is responsible for the oversight of the overall management of the Company and retains full and effective control over the affairs of the Company. The duties, powers and functions of the Board are governed by the Constitution of the Company, the Companies Act 2016, Capital Markets and Services Act 2007, Malaysian Code on Corporate Governance 2017 ("MCCG"), Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and other regulatory guidelines and requirements.</p> <p>The Board is guided by the Board Charter in discharging its duties and responsibilities effectively, whilst certain functions have been delegated to the Chief Executive Officer of the Company ("CEO"), senior management and the committees, namely the Audit Committee ("AC"), Nomination and Remuneration Committee ("NRC"), Risk Management Committee ("RMC"), and Group Safety Review Board ("SRB") (collectively, referred to as "Committees"). The delegation of authority to the Committees, the CEO, Executive Directors and senior management are set out in the Board Charter and in the terms of reference ("TOR") of the respective Committees, as well as the governance structure set out in the Corporate Governance Overview Statement on page 140 of the Annual Report 2020. The Board Charter and TORs are available on the Company's website at <a href="https://ir.airasia.com/home_ir.html">https://ir.airasia.com/home_ir.html</a>.</p>

***(a) Promote good corporate governance (“CG”) culture***

The Board together with the CEO and senior management are committed in promoting good CG culture within AAGB’s group of companies (“the Group”), by reinforcing ethical, prudent, and professional behaviour and has also devoted considerable effort to identify and formalise best practices. The Board believes that sound and effective CG practices are fundamental to ensuring smooth and transparent operations of a company to attract investment, sustain long-term shareholder value while safeguarding the interests of stakeholders.

The Board in discharging its duties and responsibilities is governed by the Board Charter and Limits Of Authority (“LOA”), which clearly sets out the relevant matters and applicable limits, including those reserved for the Board’s approval, and those which the Board may delegate to the Committees, the CEO and senior management. Some matters reserved for the Board’s approval include the Group’s strategic plans, major capital expenditure, and approval of new business activities and ventures of the Company, corporate governance issues, dividend policy and external financial reporting.

***(b) Guide the strategic business directions of the Group and oversee the conduct of the Group’s businesses and investments***

The CEO is responsible, amongst other things, to steer and direct the business direction of the Group; to develop, implement and monitor strategies for the Group, and in view of current age of digital transformation, to explore new business opportunities within digital, aviation, digital-related or aviation-related industries.

The Board however, also plays an active role in the development of the Company’s strategy, and monitors the performance and implementation through its Board meetings. The Board meets at least five (5) times a year, with additional meetings convened as required. The Board reviews and/or approves amongst others, quarterly financial results and operating performance of the Group against the annual budget and business plan for that year; strategic investments; and the Group’s risk profile.

The Board also reviews, challenges and decides on management’s proposals for the Group, and monitors its implementation by management, to ensure that the strategic plan of the Group supports long-term value creation, which includes strategies on economic, environmental and social considerations underpinning sustainability. Details of the Group’s sustainability efforts for the year ended 31 December 2020 (“Financial Year”) is set out in the Sustainability Statement on pages 90 to 137 of the Annual Report 2020.

The Chairperson of the AC informs the Board, of any salient matters raised at the AC meetings, which requires the Board’s notice or

direction. The AC assists the Board in the discharge of its fiduciary duties, overseeing the financial reporting process and ensuring that the results of the Company's operations are fairly presented in its financial statements. The full AC Report is set out on pages 147 to 150 of the Annual Report 2020.

***(c) To supervise and assess management performance to determine whether the business of the Company is being properly managed***

The Board delegates responsibility for the day-to-day operation of the business to the CEO to ensure that the Company operates within a framework of prudent and effective controls. The management's performance under the leadership of the CEO is monitored by the Board through a status report which is tabled to the Board and includes a comprehensive summary of the Group's operating drivers and financial performance during each quarterly reporting meeting.

The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance. Relevant members of the management attended the Board meetings to support the CEO in presenting the updates on the progress of key initiatives, business targets and achievements to date, and to provide clarification on the queries and issues raised by the Board. The Chief Legal Officer was also in attendance of the Board meetings to respond to any enquiries by the Board on legal and regulatory matters of the Group.

***(d) To ensure that senior management has the necessary skills and experience and there are measures in place for the orderly succession planning of the Board and senior management***

The Board through the NRC is responsible to ensure that there is effective and orderly succession planning of the Board and senior management in the Company and the Group. The NRC is responsible to make recommendations on the nomination policy, succession planning framework, training programmes, to report on the performance and areas of improvement to the Board at the end of each fiscal year; and any related matters for Directors and senior management.

***(e) Adopt a sound framework for risk management and internal controls***

The Board is committed to oversee the internal controls and risk management systems within the Group, including the review of its adequacy, integrity and effectiveness to safeguard shareholders' interests and the Group's assets.

The RMC was established to oversee the risk management activities of Company and the Group. It supports the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group.

	<p>The RMC reviews and recommends for the Board’s approval the annual Corporate Risk Profile which specifies the key enterprise risks in light of the strategic objectives of the Group. The RMC then monitors the key risks facing the business in order to stay current on governance practices relating to the risk, and also oversees the compliance with regulatory and statutory requirements.</p> <p>The Board is satisfied that risk management policies and procedures designed and implemented by the senior management of the Company through the RMC is prudent in ensuring that an effective internal control and risk management systems are in place to enable risk to be assessed and managed. The Statement on Risk Management and Internal Control is set out on pages 151 to 158 of the Annual Report 2020.</p> <p><b><i>(f) Effective communication for stakeholder engagement</i></b></p> <p>The Board is committed in providing effective and timely communication with its stakeholders. The Group uses a number of formal channels for effective dissemination of information to the public, namely the annual report, announcements, quarterly financial results and media statements, which are released to Bursa Malaysia and published on AAGB’s website. The contact page on AAGB’s website provides the email addresses for investor relations inquiries, share registry, etc.</p> <p><b><i>(g) Ensuring integrity of the Company’s financial and non-financial reporting</i></b></p> <p>In carrying out its governance oversight, the Board emphasised the importance of embracing the integrity and ethical values across the organisation. The same applies to the Company’s financial and non-financial reporting to ensure reliability, timeliness, transparency and compliance with the relevant standards. With reference to the adoption and implementation of AAGB’s Anti-Bribery and Anti-Corruption Policy (“ABAC Policy”), which was put in place since 1 June 2020, and the management had conducted a gap analysis to ensure that this ABAC Policy is applied in the all dealings that could give rise to bribery and/or corruption.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>YBhg Datuk Kamarudin bin Meranun, a Non-Independent Executive Director is the chairman of the Board ("Chairman") and his profile is set out in the profile of Directors on page 35 of the Annual Report 2020.</p> <p>The key responsibilities of the Chairman, amongst others, is to take the lead in engaging with the Government, aviation regulators and airport authorities in Malaysia, to lead the Board in setting the values and standards of AAGB, steering effective, productive and comprehensive discussions among Board members and management on strategic, business and other key issues pertinent to the business and operations of the Group, ensuring constructive relations are maintained between the Board and management and instilling good CG practices in AAGB.</p> <p>The Chairman with the assistance of the CEO and the Company Secretaries sets the board agenda for each meeting based on the dates of scheduled Board meetings in the annual meeting calendar, and the same is circulated to the Board members accordingly.</p> <p>During the Board meetings, the Chairman leads the discussion, allowing sufficient time for deliberations on key issues and complex matters. He also encourages active participation and allows views, including dissent to be freely expressed.</p> <p>The Chairman also plays a key role in the conduct of general meetings. Besides ensuring the proper flow of resolutions tabled at the meeting, he manages the communication on the floor and encourages active participation from shareholders, allowing a sufficient amount of time during the questions and answers session.</p> <p>The roles and responsibilities of the Chairman have been clearly specified in Paragraph 6.6 of the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b> :		
<b>Timeframe</b> :		



### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In line with the MCCG, the positions of the Chairman and CEO of AAGB are held by different individuals to maintain effective check and balance.</p> <p>The Chairman, Datuk Kamarudin bin Meranun takes the lead in engaging with the Government, aviation regulators and airport authorities in Malaysia and markets where the Group currently and will potentially operate. Based on his extensive experience in international finance, he is also the key person in handling very large and critical financing needs of the Company, and oversees the overall governance of the Company, its subsidiaries and associate companies.</p> <p>Tan Sri Anthony Francis Fernandes is a Non-Independent Executive Director and the CEO of the Company. As the CEO, he is the driving force behind the digital strategy of the Group and provides overall leadership in building brand value, reducing costs and driving efficiencies in order to improve the performance of the airline and other associated airlines in the Group.</p> <p>The division of the roles and responsibilities of the Chairman and CEO, ensuring a balance of power and authority are as set out in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the Financial Year, Ms. Jasmindar Kaur a/p Sarban Singh (MAICSA 7002687) (SSM Practicing Certificate No.: 202008000914) ("Ms. Jasmindar Kaur") and Ms. Rebecca Kong Say Tsui (MAICSA 7039304) (SSM Practicing Certificate No.: 202008001003) of Tricor Corporate Services Sdn. Bhd. were the Company Secretaries of the Company. They are qualified Company Secretaries and are Fellow and/or Associate members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). Ms. Jasmindar Kaur retired in April 2020 and Mr. Harminder Singh a/l Jaila Singh (SSM Practicing Certificate No.: 201908001591) (LS0009855) ("Mr. Harry Jaila") was appointed as the Group Company Secretary of AAGB in October 2020. Mr. Harry Jaila is a licenced company secretary and has more than 31 years' experience in the legal field and more than 5 years' experience in the company secretarial field.</p> <p>All Directors have unrestricted access to the Company Secretaries, who also serve in that capacity in the various Committees, save for the SRB. The Company Secretaries advise on measures to be taken and requirements to be observed by the Company and its Directors arising from new statutes and guidelines issued by Bursa Malaysia, the Securities Commission Malaysia ("SC") and the Companies Commission of Malaysia ("CCM"). The Company Secretaries also advise the Directors on their obligations and duties to disclose their interests in the Company's securities, as well as any conflicts of interest in transactions involving the Company.</p> <p>Additionally, the Company Secretaries monitor and ensure the timely lodgement of statutory documents with Bursa Malaysia, SC and CCM.</p> <p>The Company Secretaries attend all Board, Committees and general meetings (save for SRB meetings, which are handled by the SRB) and ensure that accurate and proper records of the proceedings and resolutions passed are maintained in the statutory records at the registered office of the Company. The Company Secretaries also facilitate timely communication of decisions made, and policies set by the Board at Board meetings to the senior management for action. The Company Secretaries work closely with the senior management to ensure timely and appropriate information flows within and to the</p>

	<p>Board and Committees, and between the Non-Executive Directors and the senior management.</p> <p>The Company Secretaries also serve notice to the Directors on the closed periods for trading in the Company's securities, in accordance with Chapter 14 on Dealings in Listed Securities of the MMLR of Bursa Malaysia.</p> <p>The Company Secretaries undertake continuous professional development to keep abreast on current developments in laws and regulations related to corporations and businesses.</p> <p>The appointment and removal of the Company Secretaries must be approved by the Board.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The meeting dates of the Board and Committees are scheduled in advance so that the Directors are able to plan ahead and schedule these dates into their respective calendars. When exigencies prevent a Director from attending a Board or Committee meeting in person, such Director can participate by audio or video conference.</p> <p>The Directors' attendance for Board and/or Committee meetings during Financial Year is disclosed under the Corporate Governance Overview Statement.</p> <p>Prior to Board and Committees meetings, all Directors receive the agenda and a set of Board/meeting papers duly signed and recommended by the relevant senior management personnel containing information for deliberation. This is to accord sufficient time for the Directors to review the Board papers and seek clarification, if required, from the senior management or the Company Secretaries.</p> <p>The Company encourages a paperless environment. It grants digital access to the Directors via a dedicated Google Drive for meeting documents. Google Drive allows them to access various company documents for easy reference and in a timely manner. Using Google Drive also enables the Company to control the access, internally and externally, to such meeting documents thus preserving the confidentiality thereof.</p> <p>Upon conclusion of the meeting, the Company Secretaries would circulate the minutes of the meetings to the management present and Directors for review to ensure that the minutes accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. The minutes of the meetings would be confirmed and signed by the Chairman at the forthcoming meetings which normally takes place within two (2) to three (3) months from the preceding meeting.</p> <p>The Company makes use of video conferencing facilities to enable the participation of members of senior management from other offices without their having to travel when the need arises. The video conference allows the Board to have access to information in a timely manner from the relevant person in charge while saving time and cost.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter informs prospective and existing Board members of their fiduciary duties and responsibilities as Directors of the Company. It sets out, amongst other things, the membership and operation of the Board and principles of good CG and practice in accordance with the applicable laws.</p> <p>Paragraph 9.0 of the Board Charter sets out the division of roles between the Board and the Committees and between the Board and Management, as well as the delegated authorities of certain functions to the following Committees to assist the Board with the execution of its responsibilities: -</p> <ul style="list-style-type: none"><li>(a) AC;</li><li>(b) NRC;</li><li>(c) RMC; and</li><li>(d) SRB.</li></ul> <p>Although the Board grants discretionary authority to its Committees to deliberate and decide on certain operational matters, the ultimate responsibility for final decision on all matters lies with the Board.</p> <p>As stated in Paragraph 24 of the Board Charter, the Board will review the Board Charter annually to ensure its relevance in assisting the Board to discharge its duties while adhering to any changes that may have arisen in corporate laws and regulations, and to remain consistent with the Board's objectives and responsibilities. The Board Charter is available on the Company's website at: <a href="https://ir.airasia.com/misc/Board_Charter.pdf">https://ir.airasia.com/misc/Board_Charter.pdf</a></p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has formalised ethical standards expected of its Directors, employees, agents and representatives through a Code of Business Conduct. The Code of Business Conduct is available on the Company's website at: <a href="https://ir.airasia.com/business_conduct.html">https://ir.airasia.com/business_conduct.html</a>.</p> <p>The Code of Business Conduct allows the Company to do its business fairly, impartially, ethically, and with the utmost regard to safety. It regards integrity as the basis of the Company's relationships with its guests, suppliers and communities. It ensures the Company's Directors, employees, agents and representatives carry out their respective functions with honesty and impartiality, while complying with all applicable laws and regulations. It sets out the prohibited activities or misconduct involving gifts, gratuities, bribes, dishonest behaviour and sexual harassment. The Code of Business Conduct also promotes prudent management of conflict of interests to ensure objectivity in carrying out the Company's duties.</p> <p>In addition to the Company's own Code of Business Conduct, the Directors are also required to observe the Code of Ethics established by the CCM in furtherance of their duties.</p> <p>The implementation of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 which came into force on 1 June 2020 introduced corporate liability for corruption offences involving commercial organisations. In consideration of the implementation of the law on corporate liability, the Company adopted its ABAC Policy on 1 June 2020, which embodies the Group's commitment to conduct all of its business in an honest and ethical manner by implementing and enforcing systems that ensure bribery and corruption is prevented and further, sets out permissible and non-permissible conduct in the business practices of the Group. The Company had on 1 June 2020 also adopted the ABAC Policy Statement which essentially communicates that the Group has a "Zero Tolerance" business principle towards bribery and corruption.</p>



	<p>The ABAC Policy and ABAC Policy Statement are available on the Company's website via the following links:</p> <p>(a) ABAC Policy - <a href="https://ir.airasia.com/misc/AAGB-ABAC-Policy.pdf">https://ir.airasia.com/misc/AAGB-ABAC-Policy.pdf</a>  (b) ABAC Policy Statement - <a href="https://ir.airasia.com/misc/ABAC-Policy-Statement.pdf">https://ir.airasia.com/misc/ABAC-Policy-Statement.pdf</a></p> <p>The Board is required to observe compliance of the ABAC Policy, Code of Business Conduct, Board Charter, as well as the Code of Ethics and high standard of corporate governance at all times. The Board members are required to declare any personal, professional or business interest that may conflict with a director's responsibilities.</p> <p>The senior management and Board will periodically review the ABAC Policy, Code of Business Conduct and Board Charter, and thereafter communicate any changes to all levels of officers within the Group.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.2**

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, the Company has a whistleblowing programme which acts as a formal communication channel where all stakeholders can communicate their concerns in cases where the Company’s business conduct is deemed to be contrary to its common values.</p> <p>All concerns are addressed to the Group Head of Internal Audit who will then assess such concerns and recommend the appropriate action, and subsequently compile all reports received and submit it to the chairman of the AC (“AC Chairman”).</p> <p>All details pertaining to the name and position of the whistle-blower will be kept strictly confidential throughout the investigation proceedings.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the view that its current size and composition are appropriate and effective, taking into account the nature and scope of the Company's operations. The Board is also of the view that the current Board composition fairly represents the required mix of relevant skills, knowledge and industry experience for the effective discharge of the Board's responsibilities. Presently, the Board of the Company consists of six (6) members and the Independent Directors represent 50% of the total number of Board members. A detailed breakdown of the composition is as follows:-</p> <ul style="list-style-type: none"><li>• An Executive Chairman;</li><li>• An Executive Director and CEO;</li><li>• A Non-Independent Non-Executive Director;</li><li>• A Senior Independent Non-Executive Director; and</li><li>• Two (2) Independent Non-Executive Directors.</li></ul> <p>The Board acknowledges that while the composition of the Board has fully complied with the provisions of the MMLR of Bursa Malaysia for independent non-executive directors to make up at least one third (1/3) of the Board membership, and for a director who is qualified under Paragraph 15.09(1)(c) of Bursa Malaysia's Listing Requirements to sit on the AC, it has not conformed with Practice 4.1 of the MCCG following the resignation of Cik Noor Neelofa binti Mohd Noor during the Financial Year.</p> <p>Nevertheless, during the Financial Year, the NRC considered several candidates for the position of an independent director. However, the NRC agreed and the Board affirmed that it was not the right time to recruit another independent director on the Board due to various limitations primarily caused by the impact of the virus pandemic on the Company's operations and this would be re-considered at a later stage when the situation improves. The Board had shifted much of its focus on other business priorities in view of the COVID-19 pandemic which has had an immense impact on the Company and the aviation industry in general.</p>

	<p>The Board members have declared their directorships in companies other than in the Group, and all satisfied the restriction of not being a director in more than five (5) public listed companies. They have also declared their respective shareholdings in the Group, and interests in any contract with the Group, and abstained from any discussion or decision making related to other companies in which they hold directorships or shareholdings.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	<p>The Board, through its NRC, will continue to place emphasis on recruiting suitable independent director(s) to achieve an optimum and balanced composition of the Board. However, this will be done over time, taking into account the present size, mix of skills, valuable knowledge and experience of the existing Board members and senior management, and the evolving challenges to the Company over time, in accordance with its Board Diversity Policy. The ultimate decision on the selection of candidates will be based on the merit in the context of the skills, experience and contribution the chosen candidate will bring to the Board.</p>
<p><b>Timeframe</b></p>	<p>:</p> <p>Others</p>	<p>In the next three (3) years, in view of other pressing issues that had impacted the aviation industry due to COVID-19.</p>

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.2**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>AAGB has adopted in its Constitution and reflected in the Board Charter that the tenure of an independent director shall not exceed a cumulative term of nine (9) years.</p> <p>Upon the completion of nine (9) years, an independent director may however continue to serve on the Board as a non-independent director. In this regard the Board may also retain an independent director beyond (9) years provided that the Board has justified and further sought and obtained approval from the shareholders in a general meeting annually. Where an independent director is to be appointed beyond the twelfth (12<sup>th</sup>) year, the two-tier voting process for re-appointment shall be applicable.</p> <p>None of the Independent Directors of the Company have served on the Board for more than nine (9) years.</p>
<b>Explanation for departure</b>	:	
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied																		
<b>Explanation on application of the practice</b>	:	<p>The Company has adopted and implemented formal, considered and transparent procedures for the nomination and election of Directors via the NRC, which are made on personal merit and measured against objective criteria with due regard for the benefits of diversity in the boardroom. The NRC assesses candidates against the skills, knowledge and experience required by the Company. The Company recognises the benefits of having a diverse Board. In line with its Board Diversity Policy, selection of candidates to join the Board is in part dependent on the pool of candidates with the necessary skills, knowledge and experience. The NRC will review the nominees for directorship and membership of Committees by going through their profiles and interviewing the nominees, following which the NRC will submit its recommendations to the Board.</p> <p>Potential candidates are required to declare and confirm in writing their current directorships, that they are not undischarged bankrupts, or involved in any court proceedings in connection with the promotion, formation or management of a corporation involved in fraud or dishonesty punishable upon conviction with imprisonment, or subject to any investigation by any regulatory authority under any legislation. Furthermore, candidates being considered for the position of an independent director are required to declare and confirm their independence based on the criteria set out in the MMLR of Bursa Malaysia.</p> <p>AAGB's diverse Board includes and makes good use of differences in skills, regional and industry experience, background, race, ethnicity, age and other attributes of the Directors. Additionally, AAGB maintains a good mix of diversity in the senior management of the Company. The ultimate decisions on Board appointments will be based on merit and the contributions the candidate could bring to the Board.</p> <p>The current diversity in the race and/or ethnicity (cultural background), nationality and age of the existing Board members are as follows:</p> <table border="1"><thead><tr><th colspan="4">Race/Ethnicity</th><th colspan="2">Nationality</th></tr><tr><th>Malay</th><th>Chinese</th><th>Indian</th><th>Others</th><th>Malaysian</th><th>Foreigner</th></tr></thead><tbody><tr><td>3</td><td>1</td><td>1</td><td>1</td><td>5</td><td>1</td></tr></tbody></table>	Race/Ethnicity				Nationality		Malay	Chinese	Indian	Others	Malaysian	Foreigner	3	1	1	1	5	1
Race/Ethnicity				Nationality																
Malay	Chinese	Indian	Others	Malaysian	Foreigner															
3	1	1	1	5	1															

	<table border="1" data-bbox="794 228 1145 340"> <thead> <tr> <th colspan="2" data-bbox="794 228 1145 264">Age Group</th> </tr> <tr> <th data-bbox="794 264 975 300">50-60</th> <th data-bbox="975 264 1145 300">61-70</th> </tr> </thead> <tbody> <tr> <td data-bbox="794 300 975 340">3</td> <td data-bbox="975 300 1145 340">3</td> </tr> </tbody> </table> <p data-bbox="544 378 1398 517">The Board strongly views that diversity of the Board’s composition is important to facilitate optimal decision-making by harnessing different insights and perspectives of Directors from a wide variety of backgrounds, experiences and skills.</p> <p data-bbox="544 557 1398 696">The appointment of key senior management was also made with due regard to the need for diversity in skills, experience, age, cultural background and gender. Their detailed particulars are provided in the Annual Report 2020.</p>		Age Group		50-60	61-70	3	3
Age Group								
50-60	61-70							
3	3							
<b>Explanation for departure</b> :								
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>								
<b>Measure</b> :								
<b>Timeframe</b> :								



## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board had one (1) woman director who resigned during the Financial Year due to personal commitments. The Board places emphasis on recruiting women directors to achieve an optimum and balanced composition of the Board.</p> <p>The NRC and the Board were actively seeking to fill these vacant positions, but the shift had been to broader concerns, as there were other pressing issues that had hit the airline industry. The COVID-19 pandemic has had a significant impact on the aviation industry due to travel restrictions and a slump in demand among travellers. Nevertheless, the NRC and the Board had not stopped the process and would continue to search for candidates to fill the vacant positions.</p> <p>The Board had established a Board Diversity Policy which ensures a broad dimension of diversity is present to guarantee diverse viewpoints. This is reflected in paragraphs 5.6 and 5.7 of the Board Diversity Policy, as follows:</p> <p>“In identifying suitable candidates for appointment to the Board, the NRC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.</p> <p>Some of the criteria to be taken into consideration in the selection process can include but is not necessarily limited to the following:</p> <ul style="list-style-type: none"><li>a. Millennial appeal;</li><li>b. Gender diversity (female);</li><li>c. Entrepreneurial skills;</li><li>d. Global mindset;</li><li>e. Digital savvy;</li><li>f. Influencer; and</li><li>g. Leadership role in middle to large size organisation.”</li></ul>

	<p>The Board Diversity Policy is available on the Company's website at: <a href="https://ir.airasia.com/misc/180921_Board_Diversity_Policy.pdf">https://ir.airasia.com/misc/180921_Board_Diversity_Policy.pdf</a>.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	<p>The NRC and the Board are actively seeking new women directors to join the Company. The Board had through its NRC commenced the process by engaging an external organisation to help seek professional women to be appointed to the Board. Selection of candidates will be considered based on recommendations of existing Board members, senior management or major shareholders. The ultimate decision on the selection of candidates will be based on the merit in the context of the skills and experience and contribution the chosen candidate will bring to the Board.</p>
<p><b>Timeframe</b></p>	<p>:</p> <p>Others</p>	<p>In the next three (3) years, in view of other pressing issues that had impacted the aviation industry due to COVID-19.</p>

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a formal and transparent process whereby the NRC is responsible for identifying candidates who are suitably qualified to become Board members, including independent directors, and make recommendations to the Board on the appointment of such individuals taking into consideration their competencies, commitment, contribution and performance. The existing Directors were appointed based on recommendations from non-executive directors, the CEO, third-party search firms and other independent sources.</p> <p>In identifying suitable candidates for appointment to the Board, the NRC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. Some of the criteria to be taken into consideration in the selection process can include but is not necessarily limited to the following:</p> <ul style="list-style-type: none"><li>(a) Millennial appeal;</li><li>(b) Gender diversity (female);</li><li>(c) Entrepreneurial skills;</li><li>(d) Global mindset;</li><li>(e) Digital savvy;</li><li>(f) Influencer; and</li><li>(g) Leadership role in a middle to large size organisation.</li></ul> <p>The ultimate decision as to who is nominated shall be the responsibility of the full Board after considering the recommendations of the NRC. The ultimate decision of a Board appointment will be made by the full Board based on merit and contributions the candidate can bring to the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

**Timeframe**

:

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**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The membership of the NRC, as provided in the Board Charter and the NRC's TOR, shall comprise three (3) non-executive directors, a majority of whom shall be independent directors, and chaired by the Senior Independent Director.</p> <p>The NRC is chaired by Dato' Fam Lee Ee, a Senior Independent Non-Executive Director of the Company. The other members of the NRC are Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar, a Non-Independent Non-Executive Director of the Company and Mr. Stuart L Dean, an Independent Non-Executive Director of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRC reviews the composition of the Board and Committees annually.</p> <p>For the Financial Year, the NRC conducted a digital performance evaluation of the Board and Committees, and reviewed the summary results thereof and recommended the proposed improvement(s) to the Board for approval.</p> <p>The surveys assessed the performance of the Board and Committees, as well as the performance of individual Board and Committee members, using the following:</p> <ul style="list-style-type: none"><li>• Digital Board &amp; Committee Evaluation Form; and</li><li>• Digital Performance Evaluation Sheet by all Committees.</li></ul> <p>Each Director and Committee member completes the evaluation form online and submits it on an anonymous and confidential basis to the Company Secretaries who collate the responses and produce a report for tabling to the NRC Chairman. The NRC Chairman then reviews the report and submits the findings to the NRC and the Board for assessment of the performance and effectiveness of the Board as well as each Committee and its members.</p> <p>These assessments take into account the Directors' professionalism and integrity in the decision-making process, their ability to form independent judgments, as well as their objectivity and clarity in deliberations. The Directors' contribution, performance and personality in relation to the skills, experience and other qualities they bring or advice to the Board at meetings are also evaluated.</p> <p>The NRC was satisfied that all the Directors have devoted sufficient time to discharge their responsibilities during the Financial Year. Details of the Directors' meeting attendance at Board and Committee meetings are evidenced by the attendance record as set out in the Company's Corporate Governance Overview Statement on pages 139 to 146 of the Annual Report 2020.</p>

	<p>The NRC was also generally satisfied that the Committees comprised the right composition of members, provided useful recommendations in assisting the Board in its decision-making and consequently, the conducts of Board meetings were more efficient and effective. The members of the Committees have sufficient and relevant expertise in fulfilling their roles. The NRC also reviewed and assessed the independence of the Independent Directors of the Company as per the requirement under the MMLR of Bursa Malaysia.</p> <p>To further improve the ability to discharge its functions, the Board is planning to engage an independent expert to facilitate Board evaluations and implement the action plan recommended by such an expert.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has in place a Remuneration Policy Statement which is clear and transparent, designed to support and drive business strategy and long-term objectives of the Company. The Remuneration Policy Statement is reviewed by the NRC prior to making its recommendations to the Board for approval.</p> <p>The Company maintains transparent procedures in determining the remuneration policy for its Directors, CEO and senior management. The NRC is responsible for reviewing and recommending to the Board the compensation payable to the Directors, CEO and senior management in connection with their individual contributions to AAGB's overall performance or any loss or termination of their office or appointment, and the compensation arrangements relating to their dismissal or removal for misconduct.</p> <p>Executive Directors play no part in decisions on their own remuneration. The remuneration packages of Non-Executive Directors are determined by the Board as a whole. All the individual Directors concerned abstained from discussing their own remuneration. This is to ensure that compensation is competitive and consistent with AAGB's business strategy and long-term objectives.</p> <p>The aforesaid policy and procedures would be periodically reviewed and updated to ensure the same remain competitive, appropriate, and aligned with the prevalent market practices.</p> <p>The Remuneration Policy Statement is available on the Company's website at: <a href="https://ir.airasia.com/misc/AirAsia_Group_Remuneration_Policy_Statement_2004021.pdf">https://ir.airasia.com/misc/AirAsia_Group_Remuneration_Policy_Statement_2004021.pdf</a></p>
<b>Explanation for departure</b>	:	



<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRC comprises three (3) non-executive directors with a majority of independent directors. The segregation of the NRC's functions and responsibilities in relation to nomination and remuneration matters is clearly stated in its TOR, which is available on AAGB's website at: <a href="https://ir.airasia.com/misc/terms-of-reference-of-nomination-and-remuneration-committees.pdf">https://ir.airasia.com/misc/terms-of-reference-of-nomination-and-remuneration-committees.pdf</a></p> <p>The NRC meets as and when required. It held three (3) meetings during the Financial Year which were attended by all the members. The NRC also reviewed and recommended to the Board, AAGB's Remuneration Policy Statement for the Directors, Executive Chairman, CEO, and Presidents of AAGB, CEOs of subsidiaries and staff to ensure rewards commensurate with their contributions to the Group's growth and profitability annually.</p> <p>The NRC further reviewed the performance of the Executive Chairman and CEO and recommended to the Board that there be no adjustments in remuneration and/or reward payments, due to various limitations primarily caused by the impact of the virus pandemic on the Company's operations and this would be re-considered at a later stage when the situation improves. The Executive Chairman and CEO had voluntarily received a reduction in their salaries of up to 100% during the financial year.</p> <p>The NRC ensured the remuneration for Non-Executive Directors and Independent Directors of the Company are linked to their responsibilities as members of the Board and Committees and contributions to the effective functioning of the Board.</p> <p>Based on the annual review of the Directors' Remuneration by the NRC, the NRC proposed and the Board affirmed that the Non-Executive</p>

Directors' Remuneration for the period from 28 September 2020 until the next Annual General Meeting ("AGM") of the Company to be held in the year 2021 shall be as shown below:-

<b>Non-Executive Directors' Fees (per annum)</b>	<b>Non-Executive Chairman (RM)</b>	<b>Per Non-Executive Director/Per other Committee Member (RM)</b>
Board of Directors	N/A	262,500
AC	75,000	60,000
NRC	55,000	35,000
SRB	55,000	35,000
RMC	55,000	35,000
<b>Non-Executive Directors' Benefits (per attendance by each director or committee member)</b>	<b>Board of Directors (RM)</b>	<b>Committees (RM)</b>
Meeting allowance	2,000	2,000
<b>Other Non-Executive Directors' Benefits</b>		
Insurance premiums on medical coverage, and other claimable expenses incurred in the course of carrying out their duties.	Up to a total amount of RM100,000 for all the Non-Executive Directors	

Section 230(1) of the Companies Act 2016 provides, amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company shall be approved at a general meeting. In this respect, shareholders' approval on the above Directors' remuneration structure had been sought and the resolution was approved at the Third AGM of the Company held in September, 2020.

In view of the current difficult economic circumstances facing the airline industry from the immense impact of the COVID-19 pandemic, the Non-Executive Directors of the Company had voluntarily offered to receive a 50% reduction in their fees for the period from 1 May 2020 up to the date of the AGM held in 2020 and agreed to continue with such reduction, until such time that the Company's financial performance improves significantly, or up to the next AGM of the Company to be held in 2021, whichever is earlier.

**Explanation for departure** :

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Directors' remuneration package is reviewed periodically to support long-term sustainability and shareholder value, consistent with AAGB's business strategy.</p> <p>The remuneration package for the Financial Year comprised the following elements:</p> <p><b>1. Fee</b> The fees payable to each Non-Executive Director for his or her service on the Board is based on a basic Board fee and the respective additional responsibilities on the Committees during the Financial Year. Any proposed revision of the fees and benefits would be recommended by the NRC to the Board for final approval by shareholders of the Company at the AGM.</p> <p><b>2. Basic salary</b> The basic salary for each Executive Director is recommended by the NRC and approved by the Board, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates for similar positions in comparable companies internationally. Salaries are reviewed annually.</p> <p><b>3. Bonus scheme</b> The Group operates a bonus scheme for all employees, including the Executive Directors, which is based on various performance measures of the Group, together with an assessment of each individual's performance during the Financial Year. The bonus for the Executive Directors is recommended by the NRC and approved by the Board.</p> <p><b>4. Benefits-in-kind</b> Other customary benefits (such as meeting allowance of RM2,000 per attendance at a meeting by each director or committee member, insurance premiums on medical coverage and other claimable expenses incurred in the course of carrying out their duties up to a total of amount of RM100,000 for all the Non-Executive Directors, travel coupons, etc.) are made available as appropriate.</p>

	<p><b>5. Service contract</b> The Executive Chairman and CEO each have a three-year service contract with the Company.</p> <p><b>6. Directors' share options</b> There are currently no share options for the Directors.</p> <p>The detailed disclosure of remuneration breakdown for all Directors is as set out in the Corporate Governance Overview Statement on pages 139 to 146 of the Annual Report 2020.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the view that the disclosure of the senior management's remuneration would be unfavourable to the Group as talent poaching is common in the industry and the Group would like to ensure employee retention efforts are safeguarded.</p> <p>The disclosure of the salary of the top five senior management personnel is made on an aggregate basis in the Audited Financial Statements for the Financial Year.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will monitor the market practice in respect of such disclosures on a yearly basis.
<b>Timeframe</b>	:	Others

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The AC comprises an Independent Non-Executive Director, a Senior Independent Non-Executive Director and a Non-Independent Non-Executive Director.</p> <p>The AC Chairman, Dato’ Mohamed Khadar bin Merican, is a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants. He is not the Chairman of the Board. He is an Independent Non-Executive Director of the Company and a member of the RMC and SRB. He reports to the Directors at Board meetings on any salient matters raised at the AC meetings which require the Board’s notation, approval or further action.</p> <p>Item 6 of the TOR of the AC is consistent with the requirements in Practice 8.1 of the MCCG that <i>“The AC Chairman is not the Chairman of the Board”</i>.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	None of the members of the Board were former key audit partners. Item 5 of TOR of the AC is consistent with the requirements in Practice 8.2 of the MCCG that <i>"Any former key audit partner must have observed a cooling-off period of at least two (2) years before one (1) is eligible for appointment as AC member"</i> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board, through the AC, has maintained an appropriate, formal and transparent relationship with the external auditors and has adopted an External Auditors Independence Policy. The AC meets the external auditors without the presence of senior management whenever necessary, and at least twice a year. Meetings with the external auditors are held to discuss AAGB's audit plans, audit findings, financial statements as well as to seek their professional advice on other related matters. From time to time, the external auditors would inform and update the AC on matters that may require their attention.</p> <p>An External Auditor Independence Policy was established and aimed at establishing a process to monitor the suitability and independence of external auditors. In the assessment of the performance of the external auditors, including their independence policies and procedures, the AC noted that the external auditors had in accordance with the independence requirements set out in the By-Laws (on professional ethics, conduct and practice) of the Malaysian Institute of Accountants, evaluated the level of the threat to objectivity and potential safeguards to prevent any threats prior to acceptance of any non-audit engagement.</p> <p>The AC was satisfied and remains confident with the suitability, objectivity and independence of the external auditors, Messrs Ernst &amp; Young ("EY") and has recommended for the re-appointment of EY for the ensuing year.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

**Timeframe**

:

<b>Timeframe</b>		
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**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board through its NRC reviews the performance and composition of the AC annually in accordance with Paragraph 15.20 of the MMLR of Bursa Malaysia. The composition of the AC meets the requirements of paragraph 15.09(1)(c) of the MMLR of Bursa Malaysia.</p> <p>The Chairman and members of the AC are financially literate and have carried out their duties in accordance with the TOR of the AC. Members of the AC are expected to update their knowledge and enhance their skills continuously.</p> <p>Based on the performance evaluation of the AC for the Financial Year, the Board is satisfied that the AC members have discharged their responsibilities effectively. During the Financial Year, the AC was involved in the following: -</p> <p><b>Internal Audit</b></p> <ul style="list-style-type: none"><li>● Mandated the Group Internal Audit Department ("GIAD") to report directly to the AC.</li><li>● Reviewed the adequacy of the Internal Audit Charter.</li><li>● Approved the Internal Audit Charter, which defines the purposes, roles and responsibilities, activities, authority, and audit standards of the Internal Audit Function within the Group to ensure that the GIAD will operate to make positive contributions to the Group.</li><li>● Reviewed the scope, functions, budget, competency and resources of the GIAD, and that it had the necessary independence and authority to carry out its work professionally and with impartiality and expediency.</li><li>● Reviewed and approved the Internal Audit plan for the Group.</li><li>● Reviewed Internal Audit Reports regularly and ensured that appropriate and prompt remedial actions were taken by the</li></ul>

	<p>Management on lapses in controls or procedures identified by the GIAD.</p> <ul style="list-style-type: none"> <li>● Reviewed the Internal Audit Reports relating to the Group's affiliates.</li> <li>● Monitored that all recommended actions by the GIAD were implemented in a timely manner.</li> <li>● Reviewed the performance of the GIAD, including the internal assessment of the internal audit function.</li> <li>● Undertook the performance appraisal of the Group Head, GIAD.</li> <li>● Approved the appointment or termination of senior staff of the GIAD.</li> <li>● Noted the resignations of GIAD's staff, together with the reasons for their resignations.</li> <li>● Reviewed reports on ad-hoc investigations performed by the GIAD and monitored that appropriate actions were taken in relation to those investigations.</li> <li>● Reviewed the results of the external assessment performed on the internal audit function.</li> </ul> <p><b>External Audit</b></p> <ul style="list-style-type: none"> <li>● Considered and recommended the appointment of the External Auditors and their audit fees.</li> <li>● Monitored the External Auditor's performance and reviewed their independence and objectivity.</li> <li>● Discussed with the External Auditor, before the audit commenced, the audit plan, which included the scope, methodology and timing of the audit, as well as the areas of audit emphasis for the year under review.</li> <li>● Discussed the coordination with other external auditors in the Group.</li> <li>● Reviewed major findings raised by the External Auditors and Management's responses, and monitored that all recommendations arising from the audit were properly implemented, including the status of the previous audit recommendations.</li> <li>● Discussed matters arising from the interim and final audits with a view to further improve controls in the Group.</li> <li>● Met with the External Auditors without the presence of the Management.</li> <li>● Provided a line of communication between the Board and the External Auditors.</li> <li>● Ensured that there is coordination between both Internal and External Auditors.</li> <li>● Reviewed the extent of assistance and co-operation extended by the Group's employees to the External Auditors and ensured that</li> </ul>
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all information required by the External Auditors were made available to them.

- Reviewed and monitored the provision of non-audit services by the External Auditors to ensure that these services do not compromise the independence of the External Auditors.
- Obtained from the Group's External Auditors a formal written statement delineating all relationships between the External Auditors and the Group, as required by International Standard on Auditing 260, modified as appropriate based on the Malaysian guidelines for auditor's independence, and obtained confirmation from them that they are, and have been, independent throughout the conduct of the audit engagement.
- Updated continuously by the External Auditors on changes in the Malaysian Financial Reporting Standards as well as the International Reporting Standards to ensure that the Group is ready for implementation and to understand the implication, if any, on the Group's Financial Statements.

#### **Financial Reporting**

- Reviewed and recommended the quarterly and annual management accounts of the Group and AAGB for approval of the Board.
- Reviewed and recommended for approval of the Board the submission of the annual Audited Financial Statements to Bursa Malaysia for AAGB and the Group.
- Reviewed and recommended for approval of the Board the submission of the Quarterly Financial Statements to Bursa Malaysia for AAGB and the Group.

For purposes of the above, the AC considered changes in the accounting policies and practices and the implementation of such changes, compliance with accounting standards and other legal and regulatory requirements, significant and unusual events, significant adjustments arising from the audit process, material litigation, the going concern assumption and; where applicable, review and ensure corporate disclosure policies and procedures of the Group (as they pertain to accounting, audit and financial matters) complied with the disclosure requirements of Bursa Malaysia.

#### **Related Party Transactions**

- Reviewed related party transactions and conflicts of interest situations to ensure that such transactions were undertaken on an arm's length basis and were in the best interest of the Group and AAGB, and where appropriate, recommended to the Board for approval.
- Reviewed the process used to procure shareholders' mandate for recurrent related party transactions.



**Investigations**

- Considered major findings of internal investigations and Management's response thereto.
- Reviewed AAGB's procedures for detecting fraud and whistleblowing.

**Internal Control**

- By way of discussions with key senior management and through the review of the process undertaken by the GIAD and the External Auditors, evaluated the overall adequacy and effectiveness of:
  - the system of internal controls, including controls within information technology;
  - the Group's finance, accounting and audit organisations and personnel; and
  - the Group's policies and compliance procedures with respect to business practices.
- Reviewed the establishment of policies and procedures relating to anti-bribery and anti-corruption to prevent the offences under the Malaysian Anti-Corruption Commission (MACC) Act 2009 and such other applicable anti-bribery and anti-corruption laws in jurisdictions where the Group operates.
- Regular reviews were conducted to assess the performance, efficiency and effectiveness of the ABAC Policies.
- Reviewed the employee code of business practice, vendor code of business practice, the whistleblowing policy and the outcome of any cases investigated.

**Annual report**

- The AC has reviewed the Statement of Risk Management and Internal Control and the Statement of Corporate Governance prior to their inclusion in the Annual Report.

**Annual Review of the Terms of Reference of the AC**

- Reviewed and assessed the adequacy of the terms of reference of the AC annually, and; where necessary, obtained the assistance of the Management, Group's External Auditors and external legal counsel, and recommended changes to the Board for approval.
- During the Financial Year, the AC updated its TOR to be aligned with the Group's ABAC Policy in that the AC would review the compliance of policies and procedures relating to anti-bribery and anti-corruption to prevent the offences under the Malaysian Anti-Corruption Commission ("MACC") Act 2009 in particular offences under Section 17A of the MACC Act 2009 and such other applicable anti-bribery and anti-corruption laws in jurisdictions where the Group operates, and ensures regular reviews are conducted to

	<p>assess the performance, efficiency and effectiveness of the ABAC Policy.</p> <p>The AC members have attended training programmes to keep abreast of relevant industry issues, market development and trends, including accounting and auditing standards to enable them to sustain their active participation in the functions of the AC.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has delegated the governance of Group risk to the RMC. The RMC was established in the year 2018 and comprises four (4) Non-Executive Directors with a majority of Independent Directors.</p> <p>The RMC enables the Board to undertake and evaluate key areas of risk exposures. The primary responsibilities of the RMC are as follows:</p> <ul style="list-style-type: none"><li>● To oversee and recommend the Enterprise Risk Management ("ERM") strategies, frameworks and policies of the Group;</li><li>● To implement and maintain sound ERM frameworks, which identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks; and</li><li>● To develop and inculcate a risk awareness culture within the Group.</li></ul> <p>In fulfilling its responsibilities in risk management, the RMC is assisted by the Risk Management Department ("RMD").</p> <p><b>Risk Management Framework</b></p> <p>The Risk Management framework is coordinated by the RMD. The RMD develops risk policies, sets minimum standards, provides guidance on risk related matters, coordinates risk management activities with other departments, as well as monitors the Group's business risks. The RMD's principal roles and responsibilities are as follows:</p> <ul style="list-style-type: none"><li>● Review and update risk management methodologies, specifically those related to identification, measuring, controlling, monitoring and reporting of risks;</li><li>● Provide risk management training and workshops;</li><li>● Review risk profiles and mitigation plans of departments;</li><li>● Identify and inform the RMC and Management of critical risks faced by the Group; and</li><li>● Monitor action plans for managing critical risks.</li></ul>

	<p><b>Internal Control Framework</b></p> <p>The Company has also established a robust internal control framework, which covers key elements such as Board governance, senior management responsibilities, segregation of duties, internal policies and procedures, financial budgets, people management, limits of authority, insurance, information security, code of conduct and whistleblowing policy.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p><b>Risk Management Framework</b></p> <p>The ERM framework standardises the process of identifying, evaluating and managing significant risks faced by the Group for the Financial Year.</p> <p>The ERM framework covers the following key features:</p> <ul style="list-style-type: none"><li>● Roles and responsibilities of the RMC, RMD, Management and other departments;</li><li>● Guidance on risk management processes and associated methodologies and tools; and</li><li>● Guidance on risk register and controls assessment.</li></ul> <p>The Group has established a structured process for risk management and reporting within the ERM Framework as follows:</p> <ul style="list-style-type: none"><li>● The first line of defence is provided by senior management and business units, which are accountable for identifying and evaluating risks under their respective areas of responsibilities;</li><li>● The second line of defence is provided by the RMD and RMC which are responsible for facilitating and monitoring risk management processes and reporting; and</li><li>● The third line of defence is provided by the GIAD which provides assurance on the effectiveness of the ERM framework.</li></ul> <p>A management level risk committee ("MRC") is established to increase participation by the management in risk management processes. The MRC is tasked to review key risks of the Group prior to submission to the RMC every quarter.</p> <p><b>Internal Control Framework</b></p> <p>The following key internal control structures (including the AC and the GIAD disclosed above) are in place to assist the Board to maintain a proper internal control system:</p>

**Board Governance**

The Board has governance over the Group's operations. The Board is kept updated on the Group's activities and operations on a timely and regular basis through Board meetings with a formal agenda on matters for discussion. The Board of AAGB has established five (5) committees, namely the AC, RMC, NRC and SRB, to assist it in executing its governance responsibilities. Further information on the various Board Committees is provided in the Corporate Governance Overview Statement on pages 139 to 146 of the Annual Report 2020.

**Senior Management Responsibilities**

Regular management and operations meetings are conducted by the senior management, which comprises the CEO, President (Airlines), President (AirAsia Digital) of AAGB, CEOs of various airline operating companies within the Group, and Heads of Department.

The Boards of our associated companies include our representatives. Information on the financial performance of our associated companies is provided regularly to the management and Board of the Company via regular management reports and presentations at Board meetings.

In respect of the joint ventures entered into by the Group, the management of the joint ventures, which consist of representatives from the Group and other joint venture partners, are responsible to oversee the administration, operation and performance of the joint ventures. Financial and operational reports of the joint ventures are provided regularly to the management of the Company.

**Segregation of Duties**

Segregation of duties is embedded in the key business processes. The Group has in place a system to ensure there are adequate risk management, financial and operational policies and procedures.

**Internal Policies and Procedures**

Policies, procedures and processes governing AAGB's businesses and operations are documented and readily made available to employees across the Group on AAGB's intranet portal. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured and standardised process of review. This is to ensure that appropriate management controls are in place to manage risks arising from changes in legal and regulatory requirements as well as the business and operational environment.

**Financial Budgets**

A detailed budgeting process has been established requiring all Heads of Department to prepare budgets and business plans annually for deliberation and approval by the Board. In addition, AAGB has a reporting system on actual performance against the approved budgets,

which requires explanations for significant variances and plans by management to address such variances.

### **People Management**

The Group acknowledges that a robust risk management and internal control system is dependent on its employees applying responsibility, integrity and good judgment to their duties. As such, the Group has in place policies and procedures that govern its recruitment, appointment, performance management, compensation and reward mechanisms as well as policies and procedures that govern discipline, termination and dismissal of employees and ensure compliance of the same with all applicable laws and regulations.

### **Limits of Authority**

The Group documented its Limits of Authority (“LOA”) clearly defining the level of authority and responsibility in making operational and commercial business decisions. Approving authorities cover various levels of management and the Board. The LOA is reviewed regularly, and any amendments made would be tabled to and approved by the Board. The Company’s latest LOA was approved by the Board on 28 August 2019.

### **Insurance**

The Group maintains adequate insurance and physical safeguards on assets to ensure these are sufficiently covered against any incident that could result in material losses. Specifically, the Group maintains the Group Aviation Insurance which provides coverage for the following:

- Aviation Hull and Spares All Risks and Liability;
- Aviation Hull and Spares War and Allied Perils (Primary and Excess);
- Aircraft Hull and Spares Deductible; and
- Aviation War, Hijacking and other Perils Excess Liability (Excess AVN52).

### **Information Security**

Information Security protects information (data), the systems it is housed in and the users of these systems from a wide range of threats, as well as safeguards the confidentiality, integrity and availability of information. Information security in the Group is achieved through a set of controls, which includes policies, standards, procedures, guidelines, organisation structures and software control functions.

The Group acknowledges the importance of leveraging Information Technology (“IT”) to promote effectiveness and efficiency of business operations. Heavy reliance on IT exposes us to emerging cyber security threats, hence Group Information Security Management is in place to manage cyber security risk. The Information Security Management programme includes:

	<ul style="list-style-type: none"> <li>● Evaluations of the adequacy of controls for new infrastructures and information systems;</li> <li>● Evaluations of emerging security technologies;</li> <li>● Adequacy of information asset protection within the Group; and</li> <li>● Assurance of the adequacy of security controls by coordinating security reviews such as penetration testing and vulnerability assessment.</li> </ul> <p><u>Code of Business Conduct</u> Please refer to Practice 3.1 for information in relation to AAGB’s Code of Business Conduct.</p> <p><u>Whistleblowing Policy</u> Please refer to Practice 3.2 for information in relation to AAGB’s Whistleblowing Policy.</p> <p><b>Adequacy and Effectiveness</b></p> <p>Based on assurance received from the management and updates from the Committees, the Board is of the view that AAGB’s risk management and internal control systems were operating adequately and effectively in all material aspects during the Financial Year up to the date of approval of this report.</p>
<b>Explanation for departure</b> :	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure</b> :	
<b>Timeframe</b> :	



### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The RMC comprises four (4) non-executive directors with a majority of independent directors. The RMC enables the Board to undertake and evaluate key areas of risk exposures.</p> <p>The primary responsibilities of the RMC are:</p> <ul style="list-style-type: none"><li>● To oversee and recommend the ERM strategies, frameworks and policies of the Group;</li><li>● To implement and maintain sound ERM frameworks, which identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks; and</li><li>● To develop and inculcate a risk awareness within the Group.</li></ul> <p>In fulfilling its responsibilities in risk management, the RMC is assisted by the RMD.</p> <p>The TOR of the RMC is available on AAGB's website at: <a href="https://ir.airasia.com/misc/TOR-risk-management-committee.pdf">https://ir.airasia.com/misc/TOR-risk-management-committee.pdf</a></p>

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC is responsible for ensuring the integrity and effective operation of the internal audit function. In this respect, the Group has a well-established in-house GIAD to assist the AC in carrying out its functions. During the Financial Year, the AC reviewed, challenged and approved the GIAD's audit plan. In doing so, the AC ensured, among others, consistency in the audit methodology deployed, as well as robustness in the audit planning process.</p> <p>The GIAD plans and provides supervision on internal audit services across all subsidiaries and associated companies in the Group, including the various AOCs. The internal audit teams in the respective AOCs have a reporting line to the Group Head, GIAD. The GIAD reviews and compiles their reports in the form of a Group Internal Audit Report to be submitted and presented to the AC for its review and deliberation.</p> <p>The principal responsibility of the GIAD is to undertake regular and systematic reviews of the systems of internal controls so as to provide reasonable assurance that the systems continue to operate efficiently and effectively. The GIAD adopts a risk-based audit methodology to develop its audit plans by determining the priorities of the internal audit activities, consistent with the strategies of the Group. Based on risk assessments performed, greater focus and appropriate review intervals are set for higher risk activities and material internal controls, including compliance with AAGB's policies, procedures and regulatory responsibilities.</p> <p>The audits of the GIAD cover, among others, the review of the adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirements, governance and management efficiency. The audit reports, which provide the results of audits conducted, are submitted to the AC for review. Key control issues and recommendations are highlighted to enable the AC to execute its oversight function. Areas for improvement and audit recommendations are also forwarded to the management for their attention and further action. The management is responsible for the implementation of corrective actions within the required time frame.</p>

	<p>The AC reviews and approves the human resource requirements of the GIAD and IADs in other AOCs to ensure the audit function is adequately resourced with competent and proficient internal auditors. The total operational costs of the GIAD and IADs in other AOCs for the Financial Year was RM3,420,245, as shown below:</p> <table border="1" data-bbox="544 409 1289 607"> <thead> <tr> <th data-bbox="544 409 916 483">Location</th> <th data-bbox="916 409 1289 483">Internal Audit Cost (RM)</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 483 916 524">Group and Malaysia</td> <td data-bbox="916 483 1289 524">2,621,588</td> </tr> <tr> <td data-bbox="544 524 916 564">Other AOCs</td> <td data-bbox="916 524 1289 564">798,657</td> </tr> <tr> <td data-bbox="544 564 916 607"><b>Total</b></td> <td data-bbox="916 564 1289 607"><b>3,420,245</b></td> </tr> </tbody> </table>		Location	Internal Audit Cost (RM)	Group and Malaysia	2,621,588	Other AOCs	798,657	<b>Total</b>	<b>3,420,245</b>
Location	Internal Audit Cost (RM)									
Group and Malaysia	2,621,588									
Other AOCs	798,657									
<b>Total</b>	<b>3,420,245</b>									
<p><b>Explanation for departure</b> :</p>										
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>										
<p><b>Measure</b> :</p>										
<p><b>Timeframe</b> :</p>										

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>On 25 January 2021, GIAD confirmed its organisational independence to the AC, with the Group Head, GIAD and all the internal auditors signing the Annual Code of Ethics and Conflict of Interest Declaration indicating that they were and had been independent, objective and in compliance with the Code of Ethics and Conflict of Interest as per the International Professional Practice Framework (“IPPF”) in carrying out their duties for the Financial Year.</p> <p>The GIAD has 24 personnel comprising the Group Head of IA, 18 internal auditors, four (4) personnel specialising in fraud and investigation and one (1) coordinator. The GIAD continued to equip AAGB’s internal auditors with adequate knowledge and proficiency. The internal auditors attended in-house training in the areas of auditing skills, technical skills and personal development; hence, there were no training costs involved. During the Financial Year, the average training days attended by each staff was two days.</p> <p>The Group Head, GIAD, Ms. Tan Eng Eng, is a Member of the Malaysian Institute of Accountants (“MIA”), IIA and Association of Chartered Certified Accountants (“ACCA”). All of the department personnel have minimum tertiary education from various backgrounds. Most of the personnel have relevant professional qualifications such as that of Certified Internal Auditor, Certified Fraud Examiner, Certified Information Systems Auditor and Certified Public Accountant (CPA).</p> <p>The GIAD is guided by its Internal Audit Charter that provides independence and reflects the roles, responsibilities, accountability and scope of work of the department in line with the IPPF on Internal Auditing issued by the Institute of Internal Auditors. For any significant gaps identified in the governance processes, risk management processes and controls during the engagements, GIAD provides recommendations to management to improve their design and effectiveness of controls where applicable.</p>

	<p>The GIAD adopts a risk-based audit methodology with reference to the five elements of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), i.e. control environment, risk assessment, control activity, information and communication as well as monitoring.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Company invests in considerable resources to develop and maintain strong relationships with different stakeholder groups. The public, Allstars, investors, the Government and all of AAGB's business partners, play an important role in AAGB's continuing success as a low-cost airline. To ensure consistency in the conveyance of information, the Company has established a few departments to interface with the Company's various stakeholders.</p> <p>The Global Affairs &amp; Government Relations Department designs and advocates for policies that advance the Company's objectives in the areas of aviation, digital, trade and tourism to governments, international organisations, business associations and academia.</p> <p>On AAGB's website, the Company has an Investor Relations page which provides all relevant information on the Company and is updated regularly. It enhances Investor Relations by including notices, minutes and slide presentations of the AGM as well as copies of annual reports for the benefit of shareholders who are unable to attend the AGM. To facilitate stakeholders' understanding of the Company with respect to its business and its policies on governance, the Company has placed various documents pertaining to the organisation, Board and senior management, corporate governance, policies, charters, terms of references as well as other corporate information on its website for easy reference.</p> <p>Group Communications through the Newsroom page on the Company website, makes available official corporate announcements, including media releases, statements, travel advisories to the media and the public as a whole.</p> <p>The 'Contact' page on AAGB's website provides shareholders with the email address for contacting AAGB and also the contact details for investor relations (aagb_ir@airasia.com) through which they can direct enquiries on investor related matters.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company intends to gradually move towards a more integrated approach of reporting from its existing reporting structure.	
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	AAGB will take the necessary measures to move towards a more integrated approach of reporting from its existing reporting.	
<b>Timeframe</b>	:	Others	In the next three years.
	:		



**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The notice of the Company's Third AGM held on 28 September 2020 was circulated to the shareholders on 29 July 2020 in accordance with the requirements in Practice 12.1 of the MCCG. This allows the shareholders to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys. It also enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>At the AGM, there will be a brief presentation on the Group's performance for the year and future prospects. The Executive Chairman, all Committee chairmen and the CEO will be present to hear shareholders' views and answer their questions. Shareholders are encouraged to participate in the proceedings and engage in dialogue with the Board and senior management. Extracts of the minutes of the AGM are available on AAGB's website.</p> <p>In view of the COVID-19 pandemic, the Third AGM of AAGB was held fully virtually <i>via</i> live streaming with online remote voting conducted at the Broadcast Venue located at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia, on 28 September 2020. All members of the Board were present at the Broadcast Venue to respond to questions posted by the shareholders or proxies <i>via</i> remote participation and voting facilities ("RPV"). Amongst the Board members present were four (4) Directors comprising the Chairmen of the AC, RMC, SRB and NRC. This goes to support the Board's accountability for its stewardship of the Company. In addition to the Directors, the CEO, senior management and external auditors were also in attendance at the Broadcast Venue to respond to questions posted by the shareholders or proxies <i>via</i> the RPV.</p> <p>The proceedings of the Third AGM included a power-point presentation on an overview of the Group's activities throughout 2019, the presentation of the audited financial statements together with the Reports of the Directors and Auditors for the financial year ended 31 December 2019, and a Question and Answer session during which the Board and senior management answered questions posted by the Minority Shareholders Watch Group (MSWG) and the shareholders or proxies <i>via</i> the RPV and live participation at the virtual AGM, before putting any resolution to vote.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As part of the measures taken by the Company to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of the shareholders of the Company, the Third AGM of the Company was held on 28 September 2020 as a fully virtual meeting via live streaming and online RPV Facilities provided by Tricor Investor &amp; Issuing House Services Sdn. Bhd. ("TIIHS") via its TIIH Online website.</p> <p>This was also in line with the revised Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 15 July 2020 (including any amendments that were made from time to time).</p> <p>All members of the Board were present at the Broadcast Venue, and the shareholders and proxies were invited and encouraged to participate remotely at the Third AGM via the RPV provided by TIIHS.</p> <p>Although the voting process at the First and Second AGMs held in 2018 and 2019 respectively was conducted through an electronic poll voting system, but as the Third AGM was held fully virtual, the voting process for the Third AGM was conducted by online remote voting <i>via</i> the RPV facilities, and the results of the votes were scrutinised by an independent scrutineer.</p> <p>Upon verification of the poll voting results by the independent scrutineer, the results were projected on the broadcast screen for the benefit of the shareholders and proxies present. The minutes of the Third AGM is also available on AAGB's website.</p> <p>The Company had, at its Third AGM, sought the shareholders' approval and the special resolution was approved for AAGB to adopt the proposed amendments to its existing Constitution, which were made mainly to have express constitutional provisions to allow remote participation at general meetings and the appointment of proxy(ies) and/or representative(s) to attend, speak and vote at any general meeting/meeting of members of the Company and/or any adjournment thereof to be lodged via electronic means, to enhance administrative efficiency.</p>

	AAGB will continue to leverage on technology to enhance the quality of its shareholder engagement and facilitate further participation by shareholders at AAGB's AGMs.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

Not Applicable.
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