

**AirAsia X Berhad**  
(Company No. 734161-K)

*Audit Committee*

*Terms of Reference*

**Members of Committee:**

- (1) Independent non-executive director (Chairman)
- (2) Independent non-executive director
- (3) Non-independent non-executive director

## TERMS OF REFERENCE

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| Name of Committee            | : | <b>Audit Committee of AirAsia X Berhad (“Audit Committee”)</b>   |
| Applicable laws / Guidelines | : | The Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad (“MMLR”) including but not limited to the Capital Markets and Services Act 2007 (“CMSA”), the Companies Act 1965 (“CA”), the Malaysian Code on Corporate Governance 2012 issued by the Securities Commission (“MCCG”) and the provisions of the Memorandum and Articles of Association of AirAsia X Berhad (“AAX” or “ <b>the Company</b> ”).  |
| Objectives/Principles        | : | <p>The principal objective of the Audit Committee is to assist the Board of Directors (“Board”) in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. In addition, the Audit Committee shall:</p> <ol style="list-style-type: none"> <li>1. Evaluate the quality of the audit conducted by the internal and external auditors;</li> <li>2. Provide assurance that the financial information presented by management is relevant, reliable and timely;</li> <li>3. Assess whether the financial reporting of AAX and its subsidiaries (“<b>the Group</b>”) and the Company present a true and fair view of the Group’s and the Company’s financial position and performance;</li> <li>4. Oversee compliance with laws and regulations and observance of a proper code of conduct;</li> <li>5. Determine the adequacy of the Company’s control environment; and</li> <li>6. Review and evaluate any related party transactions and conflict of interest situations.</li> </ol> |

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| <p>Role and Responsibilities</p> | <p>:</p> | <ol style="list-style-type: none"> <li>1. To consider the appointment or re-appointment of the external auditor, the audit fees, any questions of resignation or dismissal of the external auditor and to recommend the nomination of the external auditors;</li> <li>2. To assess the suitability and independence of the external auditor;</li> <li>3. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;</li> <li>4. To provide a line of communication between the Board and the external auditors;</li> <li>5. To review the quarterly and year-end financial statements of the Group and Company, focusing particularly on: <ol style="list-style-type: none"> <li>i. any change and appropriateness of accounting policies and practices;</li> <li>ii. significant adjustments arising from the audit;</li> <li>iii. litigation that could affect the results materially;</li> <li>iv. significant matters including financial reporting issues, significant judgments and/or decisions made by management, significant and unusual events or transactions, and how such matters are addressed;</li> <li>v. the going concern assumption;</li> <li>vi. compliance with approved accounting standards and other legal requirements; and</li> <li>vii. ensuring the timely release of such financial statements.</li> </ol> </li> <li>6. To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary) including the Audit Report and the level of assistance given by AAX employees to the external auditor;</li> <li>7. To review the external auditor's management letter and management's response in</li> </ol> |
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|  | <p>evaluating the Company's and the Group's system of internal control;</p> <p>8. To do the following, in relation to the internal audit function:</p> <ul style="list-style-type: none"> <li>i. mandate the internal audit function to report directly to the Audit Committee;</li> <li>ii. review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;</li> <li>iii. review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit functions;</li> <li>iv. review any appraisal or assessment of the performance of members of the internal audit function;</li> <li>v. approve any appointment or termination of senior staff members of the internal audit function; and</li> <li>vi. take cognisance of resignations of internal audit staff and provide the staff an opportunity to submit reasons for resigning.</li> </ul> <p>9. Review and monitor the adequacy and integrity of the Company's system of internal controls and management information systems, including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines;</p> <p>10. To consider and evaluate any related party transactions or conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <p>11. To consider the major findings of internal investigations and management's response;</p> <p>12. To review and monitor the effectiveness and</p> |
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|                             |          | <p>adequacy of the Group and Company's risk management framework to ensure the existence of effective risk management, policy and control;</p> <p>13. To review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters (in compliance with provisions made in the Companies Act, 1965); and</p> <p>14. To consider any other matters as directed by the Board.</p>  |
| <p>Authority and powers</p> |          | <p>In carrying out its duties, an Audit Committee shall, at the cost of the Company:</p> <ol style="list-style-type: none"> <li>1. have authority to investigate any matter within its terms of reference;</li> <li>2. have the resources in order to perform its duties as set out in terms of reference;</li> <li>3. have full, free and unrestricted access to the Group and Company's records, properties, personnel and other resources;</li> <li>4. have full and unrestricted access to any information regarding the Group and Company;</li> <li>5. have direct communication channels with the external auditors and person(s) carrying out the internal audit function;</li> <li>6. be able to obtain external legal or other independent professional or other advice or other necessary resources to perform its duties; and</li> <li>7. convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.</li> </ol> |
| <p>Members</p>              | <p>:</p> | <ol style="list-style-type: none"> <li>1. The Audit Committee shall comprise at least three (3) non-executive directors appointed by</li> </ol>  |

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|  | <p>the Board based on recommendation by the Nomination and Remuneration Committee (“NRC”). All the members of the Audit Committee must be non-executive directors with a majority of independent directors.</p> <ol style="list-style-type: none"> <li>2. The appointment terminates when a member ceases to be a Director. No alternate director can be appointed as a member of the Audit Committee.</li> <li>3. If the Chairman or a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months appoint such member of new members as may be required to make up the minimum of three (3) members.</li> <li>4. The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the NRC annually.</li> <li>5. All members of the Audit Committee shall be financially literate and at least one member shall: <ol style="list-style-type: none"> <li>i. be a member of the Malaysian Institute of Accountants (“MIA”); or</li> <li>ii. if he/she is not a member of the MIA, he/she must have at least three (3) years’ working experience and: <ol style="list-style-type: none"> <li>(a) he/she must have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or</li> <li>(b) he/she must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or</li> <li>(c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“<b>Bursa Securities</b>”).</li> </ol> </li> </ol> </li> </ol> |
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| Chairman | : | <p>The Chairman of the Audit Committee shall be an independent director appointed by the Board, based on the recommendation of the NRC.</p> <p>The Chairman of the Audit Committee should assume, amongst others, the following responsibilities:</p> <ul style="list-style-type: none"> <li>i. planning and conducting the Audit Committee meetings;</li> <li>ii. overseeing reporting to the Board;</li> <li>iii. encouraging open discussion during Audit Committee meetings; and</li> <li>iv. developing and maintaining an active on-going dialogue with senior management and both the internal and external auditors.</li> </ul>   |
| Meetings | : | <ol style="list-style-type: none"> <li>1. The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.</li> <li>2. The quorum for an Audit Committee Meeting shall be at least two (2) members where the majority of members present must be independent directors.</li> <li>3. The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so.</li> <li>4. The Chief Financial Officer and the Head of Internal Audit of the Company shall normally be invited to attend the meetings to assist in the deliberations and resolution of matters raised. However, at least twice a year, the Audit Committee shall meet with the External Auditors without the presence of management. Where their expertise is required, the Chairman of the Board, the Chief Executive Officer, AAX management or any other external professionals may also be invited to attend the Audit Committee meetings.</li> <li>5. The Company Secretary shall act as Secretary of the Audit Committee and shall be</li> </ol> |

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|   | <p>responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.</p> <p>6. The Secretary of the Audit Committee shall be entrusted to record all proceedings and minutes of all meetings of the Audit Committee. The Secretary of the Audit Committee shall circulate the draft minutes to the Chairman within fourteen (14) calendar days of the Audit Committee Meeting, for the Chairman's approval ahead of distribution to the Audit Committee members with at least seven (7) calendar days' notice prior to the Audit Committee Meeting. Reasonable time should be given for Audit Committee members and to other attendees as appropriate, to consider all relevant papers and materials prior to the Audit Committee meeting.</p> <p>7. In addition to the circulation of detailed minutes of the Audit Committee Meetings to all Board members, the Audit Committee at each Board Meeting will report the summary of significant matters and resolutions.</p> |
| Reporting of breaches to Bursa Securities | Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of the MMLR, the Audit Committee must promptly report such matter to Bursa Securities.  |

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