



### 1.0 INTRODUCTION

AirAsia X Sdn Bhd ("the Company") has zero tolerance for loss and damage due to fraud. In order to prevent loss or damage due to fraud, procedures are in place and practices have been adopted to prevent, detect and respond to any occurrence of fraud.

The Company may pursue legal action to recover any loss incurred and/or take the necessary steps to enable the authorities to initiate prosecution of any fraudulent act, in order to safeguard the interest of the Company and its stakeholders.

**Occupational Fraud** defined as 'the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets'. This definition is very broad, encompassing a wide range of misconduct by employees at every organizational level.

**Corruption** - *Black's Law Dictionary* defines corruption as: 'The act of an official or fiduciary person who unlawfully and wrongfully uses his station or character to procure some benefit for himself or for another person, contrary to duty and the rights of others'.

Corruption, in the sense of occupational fraud, usually involves an executive, manager, or employee or the organization in collusion with an outsider. There are four principal types of corruption: bribery, illegal gratuities, conflicts of interest, and economic extortion.

### 2.0 OBJECTIVE

AirAsia X's Anti-Fraud Policy ("the Policy") is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Company. It is the intent of the Company to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

The objectives of the Policy are as follows:

1. To ensure that management is aware of its responsibilities for identifying exposures to fraudulent activities and for establishing controls and procedure for preventing such fraudulent activity and/or detecting such fraudulent activity when it occurs.
2. To encourage employees to bring ethical and legal violations they are aware of to an internal authority so that action can be taken immediately to resolve the problem.
3. To provide adequate protection and guidance as to appropriate action to employees in circumstances where they are victimized as a consequence of reporting, investigating or being a witness to fraudulent activities.
4. To provide a secure and effective channel for employees to raise their concerns on fraudulent and irregularities.
5. To provide assurance to employees that when bona fide concerns are raised in good faith, they will be protected from harassment or victimization.



### 3.0 SCOPE

The Policy applies to any irregularity, or suspected irregularity, involving employees as well as shareholders, stakeholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the Company.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with the Company.

The Policy should be read in conjunction with the Whistleblowing policy, Employee Handbook, Conflict of Interest policy and any supplementary memorandum or Internal Information Bulletin issued by the company.

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### 4.0 RESPONSIBILITIES

#### Head – Quality Assurance

- To report to the Management on behalf of the Board the results of the investigation for further action.
- To recommend strengthened internal control to minimized fraudulent activities within the Company

#### Quality Assurance team

- To conduct Corporate Fraud Investigations as assigned by Head – Quality Assurance / Management
- To recommend strengthened internal control to minimized fraudulent activities within the Company.
- To liaise with enforcement bodies in issues relating to fraudulent activities within the Company.
- To facilitate Fraud Awareness Training to employees

#### Anti-Fraud Committee (AFC)

- To promote voluntary compliance by vetting through investigations report and relevant evidence before recommend appropriate action to be taken against fraudster either to lodge police report or not.
- To report to Management and Audit Committee the results of AFC meeting pertaining to agreed corrective action.



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### REFERENCE DOCUMENTS

| TITLE  | DOC. ID |
|--|---------|
| Pertinent Standard Operating Procedure / Company Guidelines                            | CIU01   |
| Managing the Business Risk of Fraud: A Practical Guide. July 2008 by ACFE, IIA & AICPA | CIU02   |
| Companies Act 1965 (Act 125)   | CIU03   |
| Securities Commission Act (Act 498)  | CIU04   |





## 5.0 ANTI FRAUD POLICY

### 1.0 ACTIONS CONSTITUTING FRAUD

- 1.1 The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:
- a. Any dishonest or fraudulent act
  - b. Forgery or alteration of any document or account belonging to the company
  - c. Forgery or alteration of a check, bank draft or any other financial document
  - d. Misappropriation of funds, securities, supplies or other assets
  - e. Impropropriety in the handling or reporting of money or financial transactions
  - f. Profiteering as a result of insider knowledge of company activities
  - g. Disclosing confidential and propriety information to outside parties
  - h. Disclosing to other persons securities activities engaged in or contemplated by the company
  - i. Accepting or seeking anything of material value from contractor, vendors or persons providing services/material to the company
  - j. Destruction, removal or inappropriate use of records, furniture, fixtures, equipment and/or
  - k. Any similar or related inappropriate conduct
- 1.2 **Appendix A** list down the types of frauds that the organization might encounter. This listing is not meant to be all-inclusive but to provide a starting point for an organization to identify which areas are vulnerable to fraud. More attention will be needed to identify factors that can influence fraudulent behaviour.

### 2.0 OTHER INAPPROPRIATE CONDUCT

- 2.1 Suspected improprieties concerning an employee's moral, ethical, or behavioural conduct should be resolved by departmental management and the People Department.
- 2.2 If there are uncertainties as to whether an action constitutes fraud, the Legal Director should be consulted for guidance at [AAX\\_Legal\\_Director@airasia.com](mailto:AAX_Legal_Director@airasia.com)

### 3.0 RESPONSIBILITIES

#### 3.1 Head of Department

- 3.1.1 Heads of Department are responsible for:-
- a. recording and evaluating the risk of fraud for their department
  - b. the development, maintenance and testing of controls to prevent and detect fraud
  - c. inform Quality Assurance accordingly if suspected fraud had occurred
  - d. establishing and maintaining systems for recording and subsequently monitoring all discovered cases of fraud; and
  - e. providing assurance to the Quality Assurance on their risk and internal control procedures.



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3.1.2 In formulation of the Policy and in the design of operating systems, senior management must ensure that:-

- a. The prevention of loss and fraud is taken into account
- b. The risk of fraud and loss are assessed when changes are being considered
- c. Weaknesses are identified and rectified when the opportunity arises

### 3.2 Line Managers

3.2.1 The responsibility for the prevention and detection of fraud rests primarily with management. Therefore there is a need for all line managers to:-

- a. assess the types of risk involved in the operations for which they are responsible
- b. develop systems of internal control to minimize the risk if fraud
- c. ensure controls are being consistently applied, this will include testing the controls and maintaining a record of all such tests
- d. satisfy themselves that their systems continue to operate effectively
- e. provide assurances on their internal control systems
- f. raise fraud awareness amongst staff including knowledge of the Company's Anti-Fraud policy
- g. Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

3.2.2 Line managers must ensure that the opportunities for staff to commit fraud are minimized. In establishing and maintaining effective controls it is desirable that:-

- a. where practical there is rotation of staff
- b. wherever possible there is separation of duties so that control of a key function does not rest with one individual
- c. backlogs are not allowed to accumulate; and
- d. Staffs are adequately trained and have available to them relevant documented procedures.

3.2.3 As regards the personal conduct of staff, line managers should:-

- a. ensure that staff under their control have read and understood the content of the Whistleblowing policy, Employee Handbook, Discipline policy and any supplementary memorandum or Internal Information Bulletin issued by the company.
- b. ensure that staff under their control are aware of the rules relating to confidentiality of information





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- c. ensure that staff under their control have been made aware that fraudulent behavior is wrong and are aware of the consequences of involvement in fraudulent activity
- d. provide and regularly review a register to record gifts and hospitality

3.2.4 When dealing with a suspected fraud, line managers in consultation with People Department will examine the necessity to suspend the member of staff to ensure that all original documentation is preserved in a safe place for further investigation.

### 3.3 Staff

3.3.1 Every member of staff has a duty to ensure that the Company assets are safeguarded whether they are involved with cash or payments systems, receipts, stocks, dealings with contractors, suppliers and etc. As stewards of the Company's assets staff must have high standards of professional integrity.

## 4.0 CONFIDENTIALITY

All information received will be treated as confidential. Any employee who suspects dishonest or fraudulent activity should comply with the reporting procedures and should not attempt to personally conduct investigations or interviews related to any suspected fraudulent act.

## 5.0 AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD

5.1 Quality Assurance team and other appointed investigation teams which are appointed by management will have:

- a. Free and unrestricted access to all Company records and premises, whether owned or rented
- b. In the of event of sensitive/ confidential matter pertaining to human resource related issues it will be directed to People Department for consent.
- c. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

## 6.0 REPORTING PROCEDURES

6.1 Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is ongoing. Employees who have concerns or suspect fraud should immediately disclose their concern to their Line Manager or to their Head of Department.

They may also raise the concern to the Head, Quality Assurance at [aax\\_quality@airasia.com](mailto:aax_quality@airasia.com) or alternatively to the Legal Director via [aax\\_whistleblower@airasia.com](mailto:aax_whistleblower@airasia.com)

Line Manager or Head of Department who are informed of an employee concern should notify the Head, Quality Assurance via the above reporting channels.

6.2 It is strongly recommended the complaint to include details of the following:



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- a. Types of fraud or irregularity
- b. Name of person/persons involved
- c. Time, location and dates of fraud or malpractice occurred
- d. How the malpractice was perpetrated
- e. Other witness to the fraud or malpractice
- f. Documentation or evidence available

6.3 The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Head, Quality Assurance which will refer to People Director & Legal Director for further action. No information concerning the status of an investigation will be given out.

6.4 The reporting individual should be informed of the following:

- a. Do not contact the suspected individual in an effort to determine facts or demand restitution.
- b. Do not discuss the case, facts, suspicions, or allegations with any-one unless specifically asked to do so by the People Department and Legal Department.

## 7.0 ESTABLISHMENT OF ANTI-FRAUD COMMITTEE (AFC)

7.1 The Anti-Fraud Committee consists of the following individuals:

- Legal Director
- People Director
- Head, Quality Assurance
- Head of Department concerned

7.2 The AFC has the primary responsibility to make decision during the meeting, whether to pursue further or to refer the investigation results to the appropriate law enforcement agencies such as the Police, Anti Corruption Agency and/or other regulatory agencies for independent investigation. Such decisions on the disposition of the case will be made by the AFC in conjunction with the Company's legal advisors and senior management.

## 8.0 REMEDIAL ACTION

- 8.1 If an investigation results in a recommendation to take any disciplinary action or terminate an individual, the recommendation will be reviewed for approval by People Department and the Legal Department before any such action is taken.
- 8.2 Quality Assurance team does not have the authority to take any disciplinary action or terminate an employee. The decision is made by the People Department, in line with the Company's procedures for the same.
- 8.3 If an investigation results in a recommendation to lodge a police report, such recommendation will be made by Anti-Fraud Committee (AFC)



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8.4 Anti-Fraud Committee will report to Management & Board on a quarterly basis on the agreed corrective action taken by AFC.

8.5 In the event where fraud happened at the respective department, sales office or station, the police report will be lodged by representative from respective Department or Station Head after getting approval from Anti-Fraud Committee. (Please refer **Appendix B** for Sample of Police Report)

### 9.0 DEALING WITH MEDIA

9.1 Any person contacted by the media with respect to any fraud investigation shall refer the media to the AirAsia X Head of Communication

### 10.0 AWARENESS AND TRAINING

The Company recognizes that the continuing success of the Policy and its general credibility in this area will depend largely on the effectiveness of the awareness training and the responsiveness of employees through the organization. The Company supports the concept of induction training and fraud awareness to promote anti-fraud policy and to give guidance on prevention and detection particularly for all employees. Employees who ignored such training and guidance without concrete reasons will be subject to the disciplinary actions.

### 11.0 ADMINISTRATION OF THE POLICY

Quality Assurance is responsible for the administration, revision, interpretation and application of the Policy. The Policy will be reviewed annually and revised as needed.





**PERFORMANCE MEASURES & NON-CONFORMANCE CRITERIA**

**Performance Measures**

- 1) To undertake investigation on all corporate fraud related cases and resolution of cases.
- 2) To recommend the necessary actions to the respective departments on the remedial measures based on the investigation findings.

**RECORDS**

| RECORD   | RECORD ID    | LOCATION | DURATION |
|--|--------------|----------|----------|
| Investigation Report and related documentation | CIU/0XX/201X | QA-KUL   | 7 years  |
|  |              |          |          |



## APPENDIX A – Sample of Corporate Fraud

| FINANCIAL STATEMENT FRAUD SCHEME |   |  |
|----------------------------------|---|--|
| Category                         | Description   | Examples   |
| Concealed Liabilities            | Schemes in which financial statements are misstated by improperly recording liabilities and/or expenses   | <p>Organization omits significant expenses or liabilities on its financial statements</p> <p>Organization records revenue-based expenses as capital expenditures, falsely increasing both net income and total assets in the current accounting period</p>   |
| Fictitious Revenues              | Schemes in which financial statements are inflated by recording sales of goods or services that never occurred or by inflating actual sales                 | <p>Organization records the sale of inventory to a phantom customer</p> <p>Organization creates invoices showing sale of goods to existing customer, but goods are never delivered. Sales are reversed at beginning of next accounting period.</p>   |
| Improper Asset Valuations        | Schemes in which the value of an organization's assets is fraudulently misstated in the organization's financial statements.                                | <p>Organization fails to write off obsolete inventory.</p> <p>Organization inflates its receivables by booking fictitious sales on account to nonexistent customers.</p>   |
| Improper Disclosures             | Schemes in which management fails to disclose material information in its financial statements in an attempt to mislead users of the financial statements.  | <p>Organization's financial statements fail to note potentially material contingent liability arising from a corporate guarantee of personal loans taken out by an officer.</p> <p>Organization's financial statements fail to note that one of its largest suppliers is owned by the corporation's president.</p> |
| Timing Differences               | Schemes in which financial statements are intentionally misstated by recording revenues in a different accounting period than their corresponding expenses. | Organization manipulates net income by recording sales that occur in December of Year 1, but not recording the corresponding expenses until January of Year 2.   |

Source: Corporate Fraud Handbook, Prevention and Detection, ACFE



| ASSET MISAPPROPRIATION SCHEMES                     |   |   |
|--|---|---|
| Schemes Involving Cash Receipts and Cash On Hand   |   |   |
| Category   | Description   | Examples  |
| Skimming   | Any scheme in which cash is stolen from an organization <i>before</i> it is recorded on the organization's books and records.   | Employee accepts payment from a customer but does not record the sale.  |
| Cash Larceny                                       | Any scheme in which cash is stolen from an organization <i>after</i> it has been recorded on the organization's books and records   | Employee steals cash and checks from daily receipts before they can be deposited in the bank.   |
| Schemes Involving Fraudulent Disbursements of Cash |   |   |
| Category   | Description   | Examples  |
| Billing  | Any scheme in which a person causes his or her employer to issue a payment by submitting invoices for fictitious goods or services, inflated invoices or invoices for personal purchases.                               | Employee creates a shell company and bills employer for nonexistent services.<br><br>Employee purchases personal items, submits invoice for payment.                        |
| Expense Reimbursements                             | Any scheme in which an employee makes a claim for reimbursement of fictitious or inflated business expenses.  | Employee files fraudulent expense report, claiming personal travel, non existent meals and etc.   |
| Check Tampering                                    | Any scheme in which a person steals his or her employer's funds by forging or altering a check on one of the organization's bank accounts, or steals a check the organization has legitimately issued to another payee. | Employee steals blank company checks, makes them out to himself or an accomplice.<br><br>Employee steals outgoing check to a vendor, deposits it into her own bank account. |
| Payroll  | Any scheme in which an employee causes his or her employer to issue a payment by making false claims for compensation.  | Employee claims overtime for un-worked hours.<br><br>Employee adds ghost employees to the payroll   |
| Cash Register Disbursements                        | Any Scheme in which an employee make false entries on a cash register to conceal the fraudulent removal of cash   | Employee fraudulently voids a sale on his cash register and steals the cash   |
| Cash on Hand Misappropriations                     | Any Scheme in which the perpetrator misappropriates cash kept on hand at the victim organization's premises   | Employee steals cash from a company vault   |
| Non-Cash Misappropriations                         | Any Scheme in which an employee steals or misuses non-cash assets of the victim organization  | Employee steals inventory from a warehouse or storeroom<br><br>Employee steals or misuses   |





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|  |  |   |
|--|--|---|
|  |  | confidential customer financial<br>customer financial information |
|--|--|---|

Source: Corporate Fraud Handbook, Prevention and Detection, ACFE

| Non-Cash Misappropriations |  |   |
|----------------------------|--|---|
| Category                   | Description  | Examples  |
| Inventory                  | Any scheme involving the theft or misappropriation of physical, non-cash assets such as inventory, equipment or supplies.  | Employee steals merchandise from warehouse or sales floor.<br><br>Employee diverts incoming shipments of inventory for personal use.          |
| Information                | Any scheme in which an employee steals or otherwise misappropriates proprietary confidential information or trade secrets. | Employee accesses customer records for purposes of committing identity theft.<br><br>Employee provides company trade secrets to a competitor. |
| Securities                 | Any scheme involving the theft or misappropriation of stocks, bonds, or other securities.                                  | Employee fraudulently transfers stock held by company to personal account   |

Source: Corporate Fraud Handbook, Prevention and Detection, ACFE

| Corruption            |  |
|-----------------------|--|
| Category              | Description  |
| Bribery and Kickbacks | Commercial bribery is the offering, giving, receiving or soliciting of anything of value to influence the outcome of a business transaction. It typically is committed by employees such as purchasing agents who have discretion in awarding business to outside vendors.   |
| Economic Extortion    | The flip side of offering or receiving anything of value is demanding it as a condition of awarding business. This is termed "economic extortion." A typical case involves a corrupt lending officer who demands a kickback in exchange for approving a loan.  |
| Conflicts of Interest | A conflict of interest occurs when an employee, manager or executive of an organization has an undisclosed personal economic interest in a transaction that adversely affects the company or the shareholders' interests. As with other types of corruption, these schemes involve the exertion of the insider's influence to the detriment of the entity. |
| Illegal Gratuities    | Illegal gratuities are similar to bribery schemes, except that something of value is given to reward a business decision, rather than influence it. For example, purchasing agents commonly are lavished with expensive vacations and other items when a vendor's contract is approved.  |

Source: Corporate Fraud Handbook, Prevention and Detection, ACFE



## APPENDIX B – TEMPLATE OF POLICE REPORT

Saya seperti nama di atas adalah seorang Pengurus di Jabatan \_\_\_\_\_ yang beralamat di AirAsia X Sdn Bhd (734161-K), Jalan KLIA S7, Southern Support Zone, KLIA 64000 Sepang, Selangor Darul Ehsan / Alamat Station mewakili syarikat AirAsia X Sdn Bhd ingin membuat laporan polis berhubung seorang kakitangan kami yang bernama Nama staff terlibat (No. K/P: XXXXXX-XX-XXXX) yang berjawatan sebagai Jawatan terkini kakitangan terlibat dan bertugas di AirAsia Berhad, LCCT/ Station Sepang yang telah melakukan perbuatan penipuan dan pecah amanah terhadap syarikat kami.

Laporan ini adalah mengenai \_\_\_\_\_

Nama kakitangan terlibat telah disyaki melakukan perbuatan ini mulai bulan -----i 201X sehingga ----- 201X.

Pihak kami telah melakukan siasatan dalaman dan medapati \_\_\_\_\_

Pihak kami mengesyaki wujudnya unsur-unsur penipuan dan pecah amanah didalam perkara tersebut dengan anggaran jumlah kerugian keseluruhan setakat ini adalah sebanyak RM XXXXX.

Berikut adalah maklumat kakitangan tersebut:

Nama : Nama penuh kakitangan terlibat

I/C No : XXXXXX-XX-XXX

Alamat Rumah : Alamat terkini kakitangan terlibat

Telefon No. : 03-XXXXXXX

Tujuan laporan polis adalah supaya pihak polis membuat siasatan lanjut berkaitan kes ini.

Sekian, laporan saya.



## TEMPLATE OF POLICE REPORT (English Version)

I, as the name above is the Manager for \_\_\_\_\_ Department, at address AirAsia X Sdn Bhd (734161-K), Jalan KLIA S7, Southern Support Zone, KLIA 64000 Sepang, Selangor Darul Ehsan / Station's address representing AirAsia X Sdn Bhd would like to lodge a police report regarding one of our staff, with the name of \_\_\_\_\_ (MyKad No:xxxxxx-xx-xxxx) with designation of \_\_\_\_\_ and working at AirAsia Berhad LCCT/Station who is suspected involving in fraudulent act and breach of trust to our company.

This report is about \_\_\_\_\_.

The staff's name is suspected to have done these fraudulent acts from month of \_\_\_\_\_, 201X until \_\_\_\_\_, 201X

We have conducted the internal investigation / internal inquiry and found that \_\_\_\_\_.

We suspected that there is evidence of fraudulent and breach of trust in this matter and the estimated loss is RM XXXXXXX.

The following are the details of the staff concern:

Name : Full name of the staff concern

I/C No : XXXXXX-XX-XXX

Home Address : Current address of the staff concern

Telephone No. : 03-XXXXXXX / 019 XXXXXXX

The purpose of this police report is for the police department to make further investigation on this case.

Thank you.

End of my report