

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5238
COMPANY NAME : AIRASIA X BERHAD
FINANCIAL YEAR : December 31, 2019

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 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("the Board") of AirAsia X Berhad ("AAX" or "the Company") is responsible for the oversight of the overall management of AAX and retains full and effective control over the affairs of AAX. It reviews the policies and strategies of AAX, actively oversees the conduct, management and business affairs of AAX, and monitors its Senior Management's performance.</p> <p>The Board ensures the effective discharge of its fiduciary and leadership functions as well as sustains long-term shareholder value while safeguarding the interests of stakeholders.</p> <p>The Board's roles can be summarised as follows:-</p> <ul style="list-style-type: none">• review, approve and adopts strategic corporate plans and actions for AAX and its subsidiaries ("the Group") and monitor management's performance in implementing them;• set corporate values and clear lines of responsibility and accountability, including governance systems and processes that are communicated throughout the Group;• ensure full compliance and to carry out the duties of the Board in accordance with the relevant provisions of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Capital Markets and Services Act 2007 ("CMSA"), the Companies Act 2016 ("CA") and all applicable laws, regulations and guidelines, with the assistance of Legal department and the Company Secretaries;• oversee the conduct of the Group's business and ensure that the management of AAX is competent and effective;• ensure that there shall be unrestricted access to independent advice or expert advice at AAX's expense in furtherance of the Board's duties (whether as a Board or a director in his/her individual capacity);

	<ul style="list-style-type: none"> ● formalise ethical standards through a code of conduct which will be applicable throughout the Group and ensure the compliance of this code of conduct; ● ensure that the operations of AAX are conducted prudently, and within the framework of relevant laws and regulations; ● establish, approve, review, and monitor AAX's risk appetite and comprehensive risk management policies, processes and infrastructure, and receive regular reports therein, which is assisted by the Head of Risk Management and the Risk Management Committee ("RMC"); ● approve delegated authority for expenditure, lending, and other risk exposures, through the recommendation of the Audit Committee ("AC"); ● consider emerging issues which may be material to the business and affairs of AAX and ensure that AAX has a proper succession plan for its Senior Management, through the recommendation of the Nomination and Remuneration Committee ("NRC"); ● keep under review and maintain AAX's capital and liquidity positions as well as ensure that AAX's strategies promote sustainability; ● review and approve proposals for the allocation of capital and other resources within AAX; ● review and approve AAX's annual capital and revenue budgets (and any material changes thereto), following the review and recommendation of the AC; ● ensure that the Board has adequate procedures in place to receive reports periodically and/or on a timely basis from AAX's management that would provide the Board with a reasonable basis to make proper judgement on an ongoing basis as to the financial position and business prospects of AAX; ● approve AAX's annual reports and unaudited periodic financial statements as required by the applicable stock exchange, including but not limited to other published financial statements and material and significant statements issued to shareholders; ● review the adequacy and integrity of AAX's internal control system and management information systems, including systems for complying with applicable laws, regulations, rules, directives and guidelines; ● set up an internal audit department ("IAD") staffed with qualified personnel to perform internal audit functions, covering financial and management audit as well as regulatory compliance, that reports directly to AAX's AC; ● establish procedures to assess 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; ● establish and ensure the effective functioning and monitoring of the AC, RMC, NRC, and any other committees as deemed necessary by the Board, and to delegate appropriate authority and terms of reference to such committees established by the Board;
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	<ul style="list-style-type: none"> ● review an AC report at the end of each financial year that will be clearly set out in the annual report of AAX; ● look at and to address their mind to major and/or material litigation situations against the Group as and when they arise; ● to ensure that AAX has a beneficial influence on the economic well-being of its community; ● ensure that AAX has in place policy and/or procedures to enable effective communication with, and appropriate disclosure to, its shareholders and other stakeholders; and that its shareholders have access to information about AAX; ● receive and consider high level reports on matters material to AAX; ● receive the minutes of and/or reports from the committees established by the Board; ● review and agree to changes in the terms of reference of AAX's Board and committees established by the Board; ● achieve an optimum balance and dynamic mix of competent and diverse skill sets amongst the Board members; ● ensure adequate training of members of the Board, through the recommendation of the NRC and the Company Secretaries; ● undertake an assessment of the independence of its independent directors annually in accordance with the assessment criteria to be developed by the NRC, which is performed annually; ● conduct a Board evaluation through the NRC comprising of Board Assessment and an Individual Director Assessment; ● undertake a proper process for directors' selection through NRC; and ● establish formal and transparent remuneration policies and procedures to attract and retain directors through the NRC. 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Board of AAX is responsible for the following:-</p> <ul style="list-style-type: none"> ● takes the lead in engaging with the Government, aviation regulators and airport authorities in Malaysia; ● oversees the Board to ensure the effective discharge of its role; ● monitors the workings of the Board and conduct of the Board meetings; ● ensures all relevant issues for the effective running of AAX's business are on the agenda for Board meetings; ● ensures that quality information to facilitate decision-making is delivered to Board members on a timely basis; ● encourages all directors to play an active role in board activities; ● chairs general meetings of shareholders; and ● to liaise with the Chief Executive Officer ("CEO") and Company Secretaries on the agenda for Board meetings. <p>The roles and responsibilities of the Chairman have been clearly specified in the Board Charter, which is available on AAX's website at: http://airasiax.listedcompany.com/home.html.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>In line with the Malaysian Code on Corporate Governance (“MCCG”), the positions of the Chairman, Group Chief Executive Officer (“GCEO”) and CEO of AAX are held by different individuals. To provide for proper checks and balances, the Chairman holds a Non-Executive position.</p> <p>The Chairman, Tan Sri Rafidah Aziz leads and manages the Board by focusing on strategy, governance and compliance whereas the GCEO, Mr. Nadda Buranasiri steers the business of the Group’s core Malaysian operations in the rights direction, as well as its various investments in Malaysia and abroad, whilst the CEO, En. Benyamin Ismail manages the business and operations of AAX and implements the Board’s decisions.</p> <p>The division of roles and responsibilities of the Chairman, GCEO and CEO are set out in the Board Charter, and it ensures a balance of power and authority.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year ended 31.12.2019 ("Financial Year"), the Company Secretaries, Jasmindar Kaur a/p Sarban Singh and Rebecca Kong Say Tsui, are the members of the Malaysian Institute of Chartered Secretaries and Administrators. All Directors have access to the Company Secretaries who also serve in that capacity in the various Board Committees, save for the Safety Review Board ("SRB"), and ensure that Board procedures are followed. The Company Secretaries advise on measures to be taken and requirements to be observed by AAX and 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 interest in AAX's securities, as well as any conflicts of interest in transactions involving AAX. In addition, the Company Secretaries monitor and ensure the timely lodgment of statutory documents with Bursa Malaysia, the SC and the CCM.</p> <p>Either one (1) of the Company Secretaries would attend all Board, 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 AAX in compliance with the CA. 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 Board and Board Committees, and between the Non-Executive Directors and Senior Management.</p> <p>The Company Secretaries also serve notice to Directors on the closed periods for trading in AAX's securities, in accordance with Chapter 14 on Dealings in Listed Securities of the MMLR of Bursa Malaysia.</p> <p>The appointment and removal of the Company Secretaries are a matter reserved for the collective decision and approval of the Board.</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>An annual meeting calendar is prepared and circulated by the Company Secretaries in advance of each new year, which includes scheduled meeting dates for Board, Board Committees and the annual general meeting ("AGM") to facilitate Directors' time planning.</p> <p>Notice of the Board and Board Committee meetings are sent to Directors via email at least seven (7) days before the meeting date. The same notification is sent to the Senior Management, which includes the deadlines for submission of meeting materials.</p> <p>Prior to Board 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>AAX encourages a paperless environment which requires granting digital access via a dedicated Google Drive to meeting documents instead of distributing hard copy documents. Google Drive allows Directors to access various company documents, which are uploaded onto personal or company provided devices for easy reference and in a timely manner. Upon conclusion of the meeting, the Company Secretaries will circulate the minutes of the meetings to all Directors to ensure that the minutes of the meetings accurately reflect the deliberations and decisions, and decision of the Board, including whether any director abstained from voting or deliberating on a particular matter.</p> <p>AAX makes use of video conferencing to enable the participation of members of Senior Management from other offices without their need 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>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter informs prospective and existing Board members of their fiduciary duties and responsibilities as directors of AAX. It sets out amongst other things, the membership and operation of the Board, principles of good corporate governance and practice, that accord with applicable laws.</p> <p>The Board Charter sets out the division of roles between the Board and Board Committees and between the Board and Management, as well as the delegated authorities of certain functions to the following committee to assist the Board with the execution of its responsibilities:-</p> <ul style="list-style-type: none">(a) AC;(b) NRC;(c) RMC; and(d) SRB. <p>The Board Charter provides for the annual review of the Board Charter to ensure its relevance in assisting the Board to discharge its duties with the changes in the corporate laws and regulations that may arise from time to time and to remain consistent with the Board's objectives and responsibilities. The Board Charter is available on AAX's website at: http://airasiax.listedcompany.com/home.html.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

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.

Application	: Applied
Explanation on application of the practice	<p>In order to engage efficiently, responsibly and profitably in the commercial aviation business, AAX seeks high standards of performance and also aims to maintain a long-term position in the competitive environment towards shareholders, passengers, employees, business partners and society. These standards are reflected in AAX's Code of Business Conduct, which is available at: http://airasiax.listedcompany.com/home.html.</p> <p>The Code of Business Conduct allows AAX to do its business fairly, impartially, ethically, and with the utmost regard to safety. It regards integrity as the basis of AAX's relationships with its guests, suppliers and communities. It ensures AAX's directors, employees, agents and representatives carry out their respective functions with honesty, impartiality and compliance 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, which may interfere with the objectivity in carrying out AAX's duties. However, the Board is presently reviewing it to highlight the relevant policies, procedures, and resources, so all employees of AAX and its group of employees can continuously uphold the Company's business standards.</p> <p>In addition to AAX'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 Company also has a Code of Conduct which governs the professional conduct of our employees and outlines their responsibilities to the Company in performing their duties. It spells out the standards and ethics that all employees are expected to adhere to in the course of their work. It is designed to maintain discipline and order in the workplace among employees at all levels. It also sets out</p>

	the disciplinary actions which would be taken against employees who have breached the Code of Conduct.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<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 should be addressed to Head of Internal Audit who will then assess all concerns reported and recommend the appropriate action, and subsequently:</p> <ul style="list-style-type: none"> • To compile all reports received and submit to the Chairman of the AC; and • To report to AC the results of the investigation for further action. <p>All details pertaining to the name and position of the whistle-blower will be kept strictly confidential throughout the investigation proceedings.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board of AAX consists of seven (7) members and comprises of directors as follows:-</p> <ul style="list-style-type: none">• A Senior Independent Non-Executive Chairman;• Four (4) Non-Independent Non-Executive Directors; and• Two (2) Independent Non-Executive Directors. <p>During the Financial Year, the NRC had reviewed the composition of the Board. The NRC unanimously agreed that the Board consisted of adequate members at the moment with the right mix of skills and competencies. It was also confirmed that the Board had complied with the requirements of at least one-third (1/3) of the Board to be independent, board meeting attendance of more than fifty per centum (50%) and participation during the Board was satisfactory.</p> <p>However, the Company recognises the benefits of having at least half of its composition comprising of Independent Directors.</p> <p>The NRC and the Board are actively seeking new Independent Directors to join AAX. Selection of candidates will be made based on recommendations made by existing Board members, Senior Management or major shareholders. The NRC and the Board aim to achieve its target to have at least half of its composition comprising Independent Directors by 2021.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	<p>AAX has adopted in its Constitution the re-appointment of any Independent Director whose tenure has exceeded nine (9) years and also the two-tier voting process for re-appointment of an Independent Director beyond the twelfth (12th) year.</p> <p>Notwithstanding that Tan Sri Rafidah Aziz has served the Board as an Independent Director for a cumulative term of more than nine (9) years, the Board proposes to retain her as a Senior Independent Non-Executive Chairman of the Company.</p> <p>The NRC (save for Tan Sri Rafidah Aziz) has assessed the independence of Tan Sri Rafidah Aziz based on the criteria set out in the MMLR of Bursa Malaysia, and concluded that she has satisfied the independence criteria, and she is able to provide independent judgement and act in the best interest of the Company.</p> <p>Following the assessment and recommendation by the NRC, the Board resolves to seek the shareholders' approval for Tan Sri Rafidah Aziz to continuing serving as a Senior Independent Non-Executive Chairman of the Company.</p> <p>The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. The Company benefits from the long service of Tan Sri Rafidah Aziz who possesses an incumbent knowledge of the Company and the Group's activities and corporate history and has provided invaluable contributions to the Board in her roles as a Senior Independent Non-Executive Chairman. In fact, she has been bringing her independent and objective judgment to the deliberations and the decision-making process of the Board. In addition, she has exercised due care during her tenure as an Independent Director, as well as the Chairman of the NRC and the RMC of the Board, and the SRB of the Company. Even as a Senior Independent Non-Executive Chairman, she has carried out her duties proficiently in the interest of the Company and the shareholders.</p>

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

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.

Application :	Not Adopted
Explanation on adoption of the practice :	

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.

Application	:	Applied																								
Explanation on application of the practice	:	<p>AAX has adopted and implemented procedures for the nomination and election of Directors via the NRC. The NRC assesses candidates against the skills, knowledge and experience required by the Company. AAX recognises and embraces 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 nominee(s) for directorship and membership of Board Committees by going through the profile and interviewing the nominee(s), following which the NRC will submit its recommendation to the Board for decision.</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 Independent Director are required to declare and confirm their independence based on the criteria set out in the MMLR of Bursa Malaysia.</p> <p>AAX's diverse Board includes and makes good use of differences in skills, regional and industry experience, background, race, gender, ethnicity, age and other attributes of Directors. Besides, AAX maintains a good mix of diversity in the Senior Management of the Company. The ultimate decision of a Board appointment will be based on merit and contributions the candidate can bring to the Board.</p> <p>The Company Secretaries will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory obligations are met.</p> <p>The current diversity in the race/ethnicity (cultural background), nationality, age and gender of the existing Board is as follows:-</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="3">Race/Ethnicity</th> <th colspan="2">Gender</th> <th colspan="3">Age Group</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>Male</th> <th>Female</th> <th>50-59</th> <th>60-69</th> <th>70-89</th> </tr> </thead> <tbody> <tr> <td>4</td> <td>2</td> <td>1</td> <td>6</td> <td>1</td> <td>3</td> <td>2</td> <td>2</td> </tr> </tbody> </table>	Race/Ethnicity			Gender		Age Group			Malay	Chinese	Indian	Male	Female	50-59	60-69	70-89	4	2	1	6	1	3	2	2
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4	2	1	6	1	3	2	2																			

	<p>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>The appointment of key Senior Management was also made with due regard for diversity in skills, experience, age, cultural background and gender. Their detailed particulars are provided on pages 14 to 22 of the Annual Report 2019.</p>	
<p>Explanation for departure :</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>Measure :</p>		
<p>Timeframe :</p>		

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>AAX currently has one (1) woman director. During the Financial Year, AAX board does not support the gender quota of 30% representation of women by 2021 as the women directors should not be restricted to a number, and it could be more than 30%. The Board through its NRC had commenced with the process and engaged an external organisation to help seek professional women to be appointed to the Board.</p> <p>The Board has established a Board Diversity Policy which ensures a broad dimension of diversity is present to guarantee diverse viewpoints. In particular, the Board places emphasis in recruiting women directors to achieve an optimum and balanced composition of the Board. This is reflected in paragraph 5.2 of the Policy as follows: -</p> <p><i>“In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. The following criteria are set in the selection of suitable candidates:-</i></p> <ul style="list-style-type: none"><i>(i) Leadership role in mid-large size organisation;</i><i>(ii) Millennial appeal;</i><i>(iii) Gender diversity (female);</i><i>(iv) Entrepreneur skills;</i><i>(v) Global mindset;</i><i>(vi) Digital savvy; and</i><i>(vii) Influencer.”</i><p>The NRC and the Board are actively seeking new women directors to join AAX. Selection of candidates will be made based on recommendations made by existing Board members, Senior Management or major shareholders.</p>

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

Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a formal and transparent process whereby the NRC is responsible to identify candidates suitably qualified to become Board members, including Independent Directors and make recommendations to the Board of such individuals for appointment by taking into considerations the competencies, commitment, contribution and performance of such potential candidates.</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 the following:-</p> <ul style="list-style-type: none"> (i) Leadership role in mid-large size organisation; (ii) Millennial appeal; (iii) Gender diversity (female); (iv) Entrepreneurial skills; (v) Global mindset; (vi) Digital savvy; and (vii) Influencer. <p>The ultimate decision as to who shall be nominated shall be the responsibility of the full Board after considering the recommendations of the NRC.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The membership of the NRC is set out in its Terms of Reference. The members of the Committee shall be appointed by the Board and shall comprise at least three (3) members, all of which shall be non-executive directors, a majority of whom shall be independent directors. The current Chairman of the NRC is the Senior Independent Non-Executive Director, who is appointed by the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The NRC reviews the composition of the Board and the Board Committees annually.</p> <p>During 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>Each Director and Board Committee member completes the evaluation form online and submits it on a confidential basis to the Company Secretaries who collate the responses and produces a report for tabling to the NRC Chairman. The NRC Chairman then reviews the report and submits its findings and reports to the NRC and the Board for assessment of the performance and effectiveness of the Board and Board Committees, as well as the performance of each of the Board Committees and its members. 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 Board Committee meetings are evidenced by the attendance record as set out in the Company's Corporate Governance Overview Statement.</p> <p>The NRC was 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 conduct 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>

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

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.

Application	: Applied
Explanation on application of the practice	<p>The Board has in place a Remuneration Policy which is clear and transparent, designed to support and drive business strategy and long-term objectives of the Company. The Remuneration Policy is reviewed by the NRC prior to making its recommendations to the Board for approval.</p> <p>AAX maintains transparent procedures in determining the remuneration policy for the Directors, GCEO, CEO and Senior Management. The NRC is responsible to review and recommend to the Board the compensation payable to the Directors, GCEO, CEO and Senior Management in connection with their individual contributions to AAX'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>The remuneration packages of Non-Executive Directors are determined by the Board as a whole. All the individual directors concerned are to abstain from discussing their own remuneration. This is to ensure the compensation is competitive and consistent with AAX's business strategy and long-term objectives.</p> <p>The policy and procedures would be periodically reviewed and updated to ensure the same remains competitive, appropriate, and align with the prevalent market practices.</p> <p>The Remuneration Policy is available on the corporate website at http://airasiax.listedcompany.com/home.html.</p>

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

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.

Application	: Applied																					
Explanation on application of the practice	<p>The NRC comprises three (3) Non-Executive Directors with a majority of Independent Directors. The segregation of NRC's functions and responsibilities in relation to nomination and remuneration matters is clearly stated in its Terms of Reference, which are available on AAX's website at: http://airasiax.listedcompany.com/home.html.</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.</p> <p>The Company maintains transparent procedures in determining the remuneration policy for Directors. The determination of remuneration packages of Non-Executive Directors is a matter for the Board as a whole. All the individual directors concerned abstained from discussing their own remuneration.</p> <p>Based on the annual review of the Directors, the NRC recommended and the Board affirmed that the Non-Executive Directors' Remuneration for the period from 27 June 2019 until the next AGM of the Company to be held in the year 2020 shall be as shown below:-</p> <table border="1"><thead><tr><th>Non-Executive Directors' Fees (per annum)</th><th>Non-Executive Chairman (RM)</th><th>Per Non-Executive Director/Per other Committee Member (RM)</th></tr></thead><tbody><tr><td>Board of Directors</td><td>165,000</td><td>65,000</td></tr><tr><td>AC</td><td>40,000</td><td>30,000</td></tr><tr><td>NRC</td><td>30,000</td><td>20,000</td></tr><tr><td>SRB</td><td>30,000</td><td>20,000</td></tr><tr><td>RMC</td><td>30,000</td><td>20,000</td></tr><tr><td>Non-Executive Directors' Benefits (per attendance by</td><td>Board Directors</td><td>Board Committees</td></tr></tbody></table>	Non-Executive Directors' Fees (per annum)	Non-Executive Chairman (RM)	Per Non-Executive Director/Per other Committee Member (RM)	Board of Directors	165,000	65,000	AC	40,000	30,000	NRC	30,000	20,000	SRB	30,000	20,000	RMC	30,000	20,000	Non-Executive Directors' Benefits (per attendance by	Board Directors	Board Committees
Non-Executive Directors' Fees (per annum)	Non-Executive Chairman (RM)	Per Non-Executive Director/Per other Committee Member (RM)																				
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AC	40,000	30,000																				
NRC	30,000	20,000																				
SRB	30,000	20,000																				
RMC	30,000	20,000																				
Non-Executive Directors' Benefits (per attendance by	Board Directors	Board Committees																				

	each director or committee member)		
	Meeting allowance	1,000	1,000
	Other Non-Executive Directors' Benefits		
	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 Non-Executive Directors	
<p>Section 230(1) of the CA provides amongst others, that “the fees” of the directors and “any benefits” payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the shareholders’ approval had been sought at the Thirteenth Annual General Meeting (“13th AGM”) on the above Non-Executive Directors’ remuneration.</p> <p>The resolution was approved at the 13th AGM.</p>			
Explanation for departure	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Directors' remuneration package is reviewed annually to support long-term sustainability and shareholder value, consistent with AAX's business strategy.</p> <p>The remuneration package for the Financial Year comprises the following elements:-</p> <p>1. Fee The fees payable to the Directors for their services to the Board are based on a basic board fee and their respective additional responsibilities on the Board Committees during the Financial Year.</p> <p>2. Benefits-in-kind Other customary benefits (such as meeting allowance of RM1,000 per attendance 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>3. Service contract The GCEO and CEO have a three-year service contract with AAX, subject to further review.</p> <p>4. Directors' share options 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 58 to 67 of the Annual Report 2019.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	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.	
		Alternatively, the disclosure of the salary of Senior Management personnel is made on an aggregate basis in the Audited Financial Statements for the Financial Year.	
		The Board will monitor the market practices in respect of such disclosure on a yearly basis.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The AC comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.</p> <p>The AC Chairman, Dato' Yusli bin Mohamed Yusoff qualified as a member of the Institute of Chartered Accountants England and Wales, and is a member of the Malaysian Institute of Accountants. He is not the Chairman of the Board. He is an Independent Non-Executive Director of AAX and a member of the NRC as well as the RMC of the Board. He reports to the Directors at Board meetings any salient matters raised at the AC meetings which require the Board's notation, approval or decision.</p> <p>Item 6 of the Terms of Reference of the AC is consistent with the requirements in Practice 8.1 of the MCGG that <i>"The AC Chairman is not the Chairman of the Board"</i>.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. Hence, there is no such person being appointed as a member of the AC.</p> <p>Item 5 of the Terms of Reference 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>.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through the AC, has maintained an appropriate, formal and transparent relationship with the external auditors and has adopted an External Auditor Independence Policy. The AC meets the external auditors without the presence of management, whenever necessary, and at least twice a year. Meetings with the external auditors are held to further discuss AAX'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 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 & Young PLT ("EY") and has recommended the re-appointment of EY for the ensuing year.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 Terms of Reference of the AC. The AC members 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>Financial Reporting</p> <ul style="list-style-type: none">● Reviewed and deliberated on the quarterly financial announcements and annual audited financial statements prior to submission to the Board for consideration and approval. <p>External Audit</p> <ul style="list-style-type: none">● Reviewed external auditor's overall work plan and recommended to the Board their remuneration, terms of engagement and considered in detail the results of the audit, external auditor's performance and independence and the effectiveness of the overall audit process.● Reviewed updates on the Malaysian Financial Reporting Standards and how they will impact the Company and has monitored progress in meeting the new reporting requirements.● Updated continuously by the external auditors on changes to the relevant guidelines on the regulatory and statutory requirements.

	<ul style="list-style-type: none"> ● Deliberated and reported the results of the annual audit for recommendation to the Board. ● Met with the external auditors without the presence of the Management to discuss any matters that they may wish to present. <p>Internal Audit</p> <ul style="list-style-type: none"> ● Deliberated and approved the Internal Audit Plan for the Financial Year to ensure adequate scope and comprehensive coverage of audit as well as to ensure the audit resources are sufficient to enable AC to discharge its functions effectively. ● Deliberated on the investigation reports and after having understood the case in detail, directed the Management to implement controls to strengthen the control environment and prevent recurrence. ● Reviewed the quarterly status reports on audit finding and deliberated on the rectification actions and timeline taken by the Management to ensure the control lapses are addressed and resolved promptly. ● Reviewed the results of operational audit reports. ● Provided assistance to the appointed external auditor in all oversight of the operational audits on each quarterly review. <p>Related Party Transactions</p> <ul style="list-style-type: none"> ● Reviewed the related party transactions entered into by the Company and its affiliates in conformity to the established procedures in adherence to the MMLR. <p>Annual Report</p> <ul style="list-style-type: none"> ● Reviewed the Statement on Risk Management and Internal Control and the Corporate Governance Overview Statement prior to their inclusion in the Company’s Annual Report.
<p>Explanation for departure :</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>Measure :</p>	
<p>Timeframe :</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.

Application	: Applied
Explanation on application of the practice	<p>The Board has delegated the governance of Group's risk to the RMC. The Board established its RMC in August 2017 and comprises three (3) 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">● To oversee and recommend the Enterprise Risk Management ("ERM") strategies, frameworks and policies of Group;● To implement and maintain sound ERM frameworks, which identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks; and● To develop and inculcate a risk awareness culture within the Group. <p>In fulfilling its responsibilities in risk management, the RMC is assisted by the Risk Management Department ("RMD").</p> <p>Risk Management Framework</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 AAX's business risks. The RMD's principal roles and responsibilities are as follows:</p> <ul style="list-style-type: none">● Review and update risk management methodologies, specifically those related to identification, measuring, controlling, monitoring and reporting of risks;● Provide risk management training and workshops;● Review risk profiles and mitigation plans of departments;● Identify and inform the RMC and Management of critical risks faced by the Group; and● Monitor action plans for managing critical risks.

	<p>Internal Control Framework</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>Explanation for departure</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>Measure</p>	<p>:</p>	
<p>Timeframe</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 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>Risk Management Framework</p> <p>The ERM framework standardises the process of identifying, evaluating and managing the 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">● Roles and responsibilities of the RMC, RMD, Management and departments;● Guidance on risk management processes and associated methodologies and tools; and● Guidance on risk register and controls assessments. <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">● The first line of defence is provided by Management and departments, which are accountable for identifying and evaluating risks under their respective areas of responsibilities;● The second line of defence is provided by the RMD and RMC, which are responsible for facilitating and monitoring risk management process and reporting; and● The third line of defence is provided by the IAD which provides assurance on the effectiveness of the ERM framework. <p>A Management-level Risk Committee ("MRC") is established to increase participation by Management in risk management processes. The MRC is tasked to review key risks of the Group prior to submission to the RMC.</p> <p>Internal Control Framework</p> <p>The following key internal control structures 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 Group's activities and operations on a timely and regular basis through Board meetings with a formal agenda on matters for discussion. Other Board Committees, namely the AC, RMC, NRC and SRB are established to assist the Board in executing its governance responsibilities. Further information on the various Board Committees is provided in the Corporate Governance Overview Statement from pages 58 to 67 of the Annual Report 2019.

Audit Committee

The AC monitors the adequacy and effectiveness of the system of internal controls through a review of the results of work performed by the IAD and External Auditors and discussions with Senior Management.

The AC comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The duties and responsibilities of the AC are set out in its Terms of Reference.

Senior Management Responsibilities

Regular management and operation meetings are conducted by Senior Management which comprises the CEO and Heads of Department.

The Board of our associated company includes our representatives. Information on the financial performance of this associated company 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 venture entered into by AAX, the Management of the joint venture, which consist of representatives from the Company and other joint venture partners, are responsible to oversee the administration, operation and performance of the joint venture. Financial and operational reports of this joint venture are provided regularly to the Management of the Company.

Internal Audit Department

The IAD regularly reviews the AAX's systems of internal controls and evaluates the adequacy and effectiveness of the controls, risk management and governance processes implemented by Management. It integrates a risk-based approach in determining the auditable areas and frequency of audits. The annual audit plan for AAX is reviewed and approved by the AC.

IAD is guided by its Internal Audit Charter that provides independence and reflects the roles, responsibilities, accountability and scope of work of the department. For any significant gaps identified in the governance

processes, risk management processes and controls during the engagements, IAD provides recommendations to Management to improve their design and effectiveness of controls where applicable.

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 the Group’s businesses and operations are documented and readily made available to employees across the Group on the AAX’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, AAX 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

AAX 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, AAX 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 ensures compliance of the same with all applicable laws and regulations.

Limits of Authority

AAX 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 must be tabled to and approved by the Board. The latest version of LOA was approved by the Board in July 2018.

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, AAX maintain its Aviation Insurance which provides coverage for the following:-

	<ul style="list-style-type: none"> • 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). <p>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.</p> <p>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 Information Security Management is in place to manage cyber security risk. The Information Security Management programme includes:</p> <ul style="list-style-type: none"> • Evaluations of the adequacy of controls for new infrastructures and information systems; • Evaluations of emerging security technologies; • Adequacy of information asset protection within the Group; and • Assurance of the adequacy of security controls by coordinating security reviews such as penetration testing and vulnerability assessment. <p>Code of Conduct Please refer to Practice 3.1 for information in relation to AAX’s Code of Conduct.</p> <p>Whistleblowing Policy Please refer to Practice 3.2 for information in relation to AAX’s Whistleblowing Policy.</p> <p>Adequacy and Effectiveness Based on assurance received from Management and updates from the Board Committees, the Board is of the view that AAX’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 this report.</p>
<p>Explanation for departure :</p>	

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

Measure :		
Timeframe :		

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The RMC comprises of three (3) members, all of whom are Non-Executive Directors of which a majority of whom are Independent Directors.</p> <p>The primary responsibilities of the RMC are: -</p> <ul style="list-style-type: none">• To oversee and recommend the ERM strategies, frameworks and policies of the Group;• To implement and maintain sound ERM frameworks, which identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks; and• To develop and inculcate a risk awareness within the Group. <p>In fulfilling its responsibilities in risk management, the RMC is assisted by the RMD.</p> <p>The Terms of Reference of the RMC are available at this link: http://airasiac.com/misc/RMC Terms of Reference.pdf.</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.

Application	: Applied
Explanation on application of the practice	<p>The AC's responsibility for the internal audit is fulfilled through reviews of the quarterly and other reports of the IAD.</p> <p>In discharging its duties and responsibilities, the AC has performed the following work on Internal Audit:</p> <ul style="list-style-type: none">• Deliberating and approving the Internal Audit Plan for the Financial Year to ensure adequate scope and comprehensive coverage of audit as well as to ensure the audit resources are sufficient to enable AC to discharge its functions effectively;• Deliberating on the investigation reports and after having understood the case in detail, directed the Management to implement controls to strengthen the control environment and prevent recurrence;• Reviewing the quarterly status reports on audit finding and deliberated on the rectification actions and timeline taken by the Management to ensure the control lapses are addressed and resolved promptly;• Reviewing the results of operational audit reports; and• Providing assistance to the appointed external auditor in all oversight of the operational audits on each quarterly review. <p>AAX has an in-house IAD to assist the AC in carrying out its functions. IAD is guided by its Internal Audit Charter approved by AC that provides independence & reflects the function and responsibilities of the department. IAD reports functionally to AC and administratively to the CEO. IAD executives declare yearly that they are free from any conflict of interest, which could impair their objectivity and independence.</p> <p>The principal responsibility of IAD is to undertake regular and systematic reviews of the systems of internal controls to provide reasonable assurance that the systems continue to operate efficiently and effectively. IAD adopts a risk-based methodology to develop its audit plans by determining the priorities of the internal audit activities.</p> <p>The audits cover the review of the adequacy of risk management, the strength and effectiveness of internal controls, compliance to internal statutory requirements, governance and management efficiency, among others.</p>

	<p>The audit reports which provide the results of the audit conducted, as well as key control issues and recommendations are highlighted and submitted to the AC for review and execution. The Management is to ensure that corrective actions are implemented within the required time frame.</p> <p>The AC reviews and approves the Internal Audit's human resource requirements to ensure that the function is adequately resourced with a competent and proficient internal auditor. The total operational costs of the IAD for the Financial Year were RM623,534.</p>	
<p>Explanation for departure :</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>Measure :</p>		
<p>Timeframe :</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.

Application	:	Applied
Explanation on application of the practice	:	<p>IAD is guided by its Internal Audit Charter approved by AC that provides independence & reflects the function and responsibilities of the department. IAD reports functionally to AC and administratively to the CEO. IAD executives declare yearly that they are free from any conflict of interest, which could impair their objectivity and independence.</p> <p>IAD is a corporate member of the Institute of Internal Auditors (“IIA”) and carries out its audits in accordance with the International Professional Practices Framework issued by the IIA.</p> <p>The IAD is staffed by five (5) executives. The Head of Internal Audit, Mr. Seng Kian Aik was appointed in April 2017. He is a member of Institute of Internal Auditors Malaysia and Malaysian Institute of Certified Public Accountants. He is also a Chartered Accountant of Malaysian Institute of Accountants and Chartered Accountants of Australia and New Zealand.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 AAX's business partners, play an important role in AAX'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>AAX recognises that open communication is essential, taking into account the importance of the activities in which they are engaged and the impact on national economies and individuals. To this end, AAX has comprehensive corporate information programmes and provides full relevant information about its activities to legitimately interested parties, subject to any overriding considerations of business confidentiality and cost.</p> <p>AAX is dedicated in maintaining good communications with shareholders and investors. Several communication channels are in place to disseminate information to shareholders and investors on the performance of AAX. These include the Annual Report, Financial Announcements and Key Operating Statistics and Announcements through Bursa Malaysia and AGMs.</p> <p>Senior Management that is supported by the Investors Relation Team, participate actively in investor relations activities that consist of road shows, conferences, quarterly investor briefings locally and globally with financial analysts, institutional investors and fund managers.</p> <p>Financial Results, Key Operating Statistics and Presentations on a quarterly basis are available for download at AAX's website.</p> <p>Shareholders may also obtain AAX's announcement on the website or via the Bursa Malaysia's website at www.bursamalaysia.com.</p> <p>In conjunction with AAX's Initial Public Offering ("IPO"), the Shareholders' Benefit Programme was implemented. This programme is running for three (3) years from the first anniversary of the IPO.</p>

	<p>During the AGM in the year 2016, the Board has proposed that the programme be extended for another three (3) years and was approved.</p> <p>Upon expiry of the programme, the Board has on 30 June 2020, approved that the programme be extended until 31 December 2020.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	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>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	AAX dispatched the Notice of the AGM to shareholders at least 28 days before the AGM. 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.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>At the AGM, there will be a brief presentation on AAX's performance for the year and future prospects. The Chairman, all Board Committee chairmen, GCEO and 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. Extract of the minutes of the AGM are available on AAX's website.</p> <p>At the 13th AGM, all seven (7) Directors were present in person to engage directly with shareholders. This shows the Board is accountable for its stewardship of AAX. In addition to the Directors, GCEO, CEO, Senior Management and external auditors were in attendance to respond to shareholder's queries.</p> <p>The proceedings of the 13th AGM included a power-point presentation on AAX's performance for 2018 and its strategies for 2019 by the CEO, the presentation of the Audited Financial Statements together with the Reports of the Directors and Auditors, and a Questions and Answers session during which the Chairman invited shareholders to raise questions, before putting any resolution to vote.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>AAX has adopted poll voting by using electronic voting devices for the conduct of a poll on all resolutions proposed. This aligns with AAX's aspiration to embrace digitalisation where electronic voting devices can provide a more efficient and accurate outcome of the results.</p> <p>The counting at the 13th AGM was conducted on a poll in accordance with Paragraph 8.29A of the MMLR of Bursa Malaysia. AAX had appointed Messrs Tricor Investor & Issuing House Services Sdn. Bhd. as Poll Administrator to conduct the polling process, and Messrs Coopers Professional Scrutineers Sdn. Bhd. as Independent Scrutineers to verify the poll results.</p> <p>Personalised coloured and bar-coded wristbands were issued by the Poll Administrator upon registration for e-voting at the 13th AGM. The polling process for the resolutions was conducted only upon completion of the deliberations of all items transacted at the 13th AGM. The representative of the Poll Administrator briefed on the e-voting procedures prior to the commencement of the e-voting. The shareholders/proxies cast their votes electronically with his/her personalised passcodes.</p> <p>Upon the verification of the poll voting results by the Independent Scrutineers, the results were projected on the screen in the meeting room. The poll results were also announced by AAX for the benefit of all shareholders. Extract of the Minutes of the 13th AGM are also available on AAX's website.</p> <p>The 13th AGM was held at the CAE Kuala Lumpur. This venue was easily accessible as it was familiar to most shareholders of AAX since several past AGMs were held at the same venue.</p>

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

Measure :		
Timeframe :		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
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.

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