

AIRASIA X BERHAD

(Company No. 734161-K)

(“**AAX**” or “**Company**”)

Nomination and Remuneration Committee

Terms of Reference

TERMS OF REFERENCE

Item	Name of Committee	:	Nomination and Remuneration Committee of AirAsia X Berhad (“the Committee”)
1	Applicable laws / Guidelines	:	<p>Including but not limited to:</p> <ul style="list-style-type: none"> (a) the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) including but not limited to the Capital Markets and Services Act 2007 (“CMSA”); (b) the Companies Act 2016 (“CA”); (c) the Malaysian Code on Corporate Governance 2017 issued by the Securities Commission Malaysia (“MCCG”); and (d) where applicable, the provisions of the Constitution of Association of the Company.
2	Objectives/Principles	:	<p><i>For Nomination:</i></p> <p>To conduct regular review of the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors of the AAX (the “Board”) and make recommendations of any proposed changes to the Board, consistent with all legal and regulatory requirements including, but not limited to, the MMLR.</p> <p>To identify candidates suitably qualified to become Board members and make recommendations to the Board of such individuals for appointment by taking into consideration the competencies, commitment, contribution and performance of such potential candidates. The ultimate decision as to who shall be nominated shall be the responsibility of the Board after considering the recommendations of the Committee.</p> <p>To make recommendations on the nomination policy, succession planning framework, talent management, training programmes and/or any other related matters for Directors and senior management and to oversee succession planning for the Board Chairman and directors.</p> <p><i>For Remuneration:</i></p> <p>To provide a formal and transparent procedure for developing remuneration policy</p>

		<p>for the Directors, Group Chief Executive Officer (“GCEO”), Chief Executive Officer (“CEO”) and senior management (as defined in the appendix) and ensuring that compensation is competitive and consistent with the Company’s business strategy and long-term objectives.</p> <p>Within the terms of such agreed policy, to determine the specific remuneration packages of all Directors, GCEO, CEO and senior management with a balance as to be able to attract and retain the best against its interest in paying competitive and fair remuneration.</p> <p>To review and recommend to the Board the compensation payable to Directors, GCEO, CEO and senior management in connection with their individual contributions to the Company’s overall performance or any loss or termination of their office or appointment, and the compensation arrangements relating to their dismissal or removal due to misconduct.</p>
3	Roles and Responsibilities	<p>: <i>For Nomination:</i></p> <p>The Committee is responsible for:</p> <p>(a) recommending to the Board for approval, the minimum requirements for the Board, i.e. mix of skills, knowledge, experience, qualification and/or other core competencies required of a Director;</p> <p>(b) assessing and recommending to the Board for their approval, nominees for directorships and Board committee members taking into consideration the nominees’:</p> <p>(i) skills, knowledge, expertise and experience;</p> <p>(ii) professionalism;</p> <p>(iii) integrity;</p> <p>(iv) time commitment to the Company;</p> <p>(v) potential conflict of interest situations and/or related party interests; and</p> <p>(vi) in the case of nominees for the position of independent non-executive directors, the Committee should also evaluate the candidates’ ability to discharge such responsibilities/functions as expected by the Board;</p> <p>(c) developing, maintaining and reviewing criteria for recruitment process and considering, in making its recommendations, candidates for</p>

		<p>directorships proposed by the CEO and, within the bounds of practicability, by any other senior executive or any director or shareholder. The Committee should also use a variety of approaches and sources to ensure that it is able to identify the most suitable candidates. This may include sourcing from a directors' registry and open advertisements or the use of independent search firms;</p> <p>(d) assessing and evaluating, on an annual basis:</p> <ul style="list-style-type: none"> (i) the desirability of the overall composition of the Board, considering the structure and development of excessive number of directorships, to ensure appropriate size, skills and professionalism; (ii) the balance between executive Directors, non-executive Directors and independent Directors are maintained in accordance with the MMLR and in consideration of corporate governance best practices; (iii) the required mix of skills and experience and other qualities, including core competencies, which non-executive Directors should bring to the Board; (iv) the desirable number of independent directors and independence of the Board's independent directors based on the criteria pre-determined by the Committee consistent with all legal and regulatory requirements including, but not limited to, the MMLR and the MCCG; (v) the desirability of renewing existing directorships, with due consideration given to the extent to which the interplay of the directors' expertise, skills, knowledge and experience was demonstrated with those of other Board members; and (vi) the possible representation of interest groups on the Board;
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		<p>(e) recommending to the Board the removal of Director(s) from the Board, if the Director is ineffective, errant and/or negligent in discharging his/her responsibilities;</p> <p>(f) establishing a mechanism for the formal annual assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board and the contribution of the Board's various committees. The Committee's annual assessment should be based on objective performance criteria, in line with established key performance indicators, as approved by the Board. All assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented;</p> <p>(g) reviewing the term of office and performance of the Audit Committee ("AC") and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with its respective terms of reference.</p> <p>(h) recommending and ensuring that all Directors receive appropriate and continuous training in order to maintain an adequate level of competency in order to effectively discharge their roles as Directors, including but not limited to keeping abreast with the developments in the aviation industry and with changes in the relevant statutory and regulatory requirements;</p> <p>(i) overseeing the appointment, management, succession planning and performance evaluation of the Board, the Board committees, individual Directors and senior management and to report their performance and areas of improvement to the Board at the end of each fiscal year; and</p> <p>(j) periodically reporting to the Board on succession planning for Chairman of the Board, GCEO and CEO, and working with the Board to evaluate potential successors.</p>
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		<p><i>For Remuneration:</i></p> <p>The Committee must:</p> <p>(a) review annually and recommend to the Board the overall remuneration policy for the Directors, GCEO, CEO and senior management (including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind) that support AAX's long-term success and shareholder value, and ensure that compensation is consistent with AAX's business strategy and long-term objectives, including but not limited to:</p> <ul style="list-style-type: none"> i) attracting and retaining Directors, GCEO, CEO and senior management of requisite quality that increases productivity and profitability in the long run; ii) motivating and creating incentives for Directors, GCEO, CEO and senior management to perform to their best ability; and iii) focusing attention on the achievement of desired goals and objectives. <p>(b) make recommendations to the Board on the individual remuneration packages for executive Directors, GCEO, CEO and senior management (including but not limited to Director's fees, salaries, allowances, bonuses, share options and benefits-in-kind). The Committee shall ensure that such remuneration packages are competitive and fair, and in determining such packages and arrangements the Committee must consider:</p> <ul style="list-style-type: none"> i) the individual level of responsibilities undertaken, skills and experience as well as performance and contribution to AAX's growth and profitability, ensuring that the linkage between remuneration and performance is robust; ii) the underlying performance of AAX as a company on the whole, in light of AAX's business plans and consider competitors' results, analyst reports and the views of the Chairman of other Board committees; iii) the relative weighting of fixed and
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		<p>variable remuneration for target performance varies with level of responsibility, complexity of the role and typical market practice;</p> <ul style="list-style-type: none"> iv) relevant market comparisons and practice as well as any other relevant guidance; v) that the performance criteria set are genuinely challenging and that they are more suitable than possible alternatives; and vi) any other such factors as the Committee considers necessary or appropriate; <p>(c) review annually the performance of the Directors, GCEO, CEO and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments, if any, taking into account the consideration the points set out in (b) i) to vi) above;</p> <p>(d) obtain advice from external sources or experts, if necessary, regarding remuneration practices of other companies of a similar size in a comparable industry sector for the purposes of comparison;</p> <p>(e) review and recommend to the Board the compensation payable to Directors, GCEO, CEO and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and competitive for AAX;</p> <p>(f) review and recommend to the Board compensation arrangements relating to dismissal or removal of executive Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable, appropriate, fair and competitive for AAX;</p> <p>(g) review its own performance and terms of reference at least once a year or as and when required in compliance with the regulations to ensure that the Committee is operating at maximum effectiveness and recommend any change it considers necessary to the Board for approval; and</p>
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			(h) ensure adequate disclosure of the remuneration of Directors for the financial year in the Company's annual report in accordance with the MMLR.
4	Authority		The Committee is authorised to seek independent professional advice, at the expense of the Company, in carrying out their duties.
5	Members	:	<p>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.</p> <p>For the avoidance of conflict of interest, a member of the Committee shall abstain from participating in discussions and decisions on any matters involving him/her. Directors who are shareholders should abstain from voting at general meetings to approve their fees. Similarly, executive Directors should not be involved in deciding their own remuneration.</p> <p>If a member of the Committee resigns, dies, is incapacitated or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months appoint such number of new members as may be required to make up the minimum of three (3) members.</p> <p>Each appointed Committee member shall hold office until the earlier of: (i) such time as the Board determines to terminate his/her appointment; or (ii) the Committee member ceasing to be a member of the Board.</p> <p>Where there is a specific need for information or clarification on any matters, the relevant employee may be invited to attend the specific part(s) of the Committee's meeting(s).</p>
6	Chairman	:	<p>The Chairman of the Committee shall be appointed by the Board and must be an independent Director or a senior independent Director. In the absence of the Chairman and/or an appointed deputy in any meeting, the remaining members present shall elect one (1) of themselves to chair the meeting.</p> <p>As chair of the Committee, an independent Director or a senior independent Director shall:</p> <p>(a) lead the succession planning and</p>

			<p>appointment of Board members, including the future Chairman, GCEO and CEO; and</p> <p>(b) lead the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed.</p>
7	Quorum	:	<p>The quorum for meetings shall be at least two (2) members, of which one (1) shall be an independent Director. A duly convened meeting of a Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.</p>
8	Frequency and notice of meetings	:	<p>The Committee shall meet not less than once a year and at such other times as the Chairman of the Committee considers necessary or appropriate.</p> <p>Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee.</p> <p>Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than seven (7) calendar days before the date of the meeting. Reasonable time should be given for the Committee members and to other attendees as appropriate, to consider all relevant papers and materials prior to the Committee meeting.</p>
9	Voting, Proceedings and Minutes of meeting	:	<p>Matters arising at any meeting shall be decided by a majority vote of the members present, each member having one (1) vote. In the event of equality of votes, the Chairman of the Committee shall have a second or casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman of the Committee will not have the second or casting vote.</p> <p>The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The minutes of the Committee, when approved by the Committee, should be circulated to the Board.</p> <p>The Committee may approve administrative/non-material matters by circular resolution.</p>

10	Reporting structure	:	<p>The Chairman of the Committee will report formally to the Board on the key aspects of its proceedings after each meeting. The Committee shall not be delegated with decision making powers but shall report its recommendations to the Board for decision.</p> <p>The Committee shall compile a report to shareholders on its own activities to be included in AAX's Annual Report.</p> <p>The Chairman of the Committee shall respond to any questions relating to the Committee's activities at the Annual General Meeting of AAX's shareholders, where required.</p>
11	Secretary	:	<p>The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman of the Committee, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.</p> <p>The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee, including the names of those present and in attendance. Meeting minutes shall be approved by the Committee at its next meeting.</p> <p>The minutes of the Committee, when approved by the Committee and signed by the Chairman of the Committee, should be circulated to the Board.</p> <p>Company Secretary of the Company shall be working together with personnel from the People Department.</p>
12	Review of the Terms of Reference	:	<p>The Terms of Reference of the Committee has been approved by the Board 30 August 2018.</p> <p>The Committee shall conduct annual review of its own performance and the Terms of Reference to ensure its effectiveness and recommend any changes to the Board, as it considers necessary and in compliance with any regulations.</p>

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Appendix

“Senior Management” shall mean Chief Executive Officer, Chief Financial Officer, Director Flight Operations, Director of Safety and Head Engineering.