

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5099
COMPANY NAME : AIRASIA GROUP 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 TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("the Board") of AirAsia Group Berhad ("AAGB" or "the Company") is responsible for the oversight of the overall management of the Company and retains full and effective control over the affairs of the Company. It reviews the policies and strategies of the AAGB group of companies ("the Group"), actively oversees the conduct, management and business affairs of the Company, 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 the stakeholders.</p> <p>Its role can be summarised by the following:</p> <ul style="list-style-type: none">• Reviews, approves and adopts strategic corporate plans and actions, and key policies for the Group.• Approves the Company's annual budget, including major capital commitments, and periodically reviews achievements against business targets.• Approves new ventures.• Approves material acquisitions and disposals of undertakings and properties.• Identifies principal risks and ensures the implementation of appropriate internal control systems and mitigation measures to manage such risks.• Oversees and evaluates the conduct of the Group's businesses, and ensures that the operations are conducted prudently and within the framework of relevant laws and regulation.• Monitors and, if necessary, approves changes to the management and control structure within the Company and its subsidiaries, including key policies and delegated authority limits.• Considers emerging issues, which may be material to the business affairs of the Company.

	<ul style="list-style-type: none"> • Ensures the Company has a proper succession plan for Executive Directors and Senior Management. • Reviews the Board evaluation annually through assessments administered by the Nomination and Remuneration Committee (“NRC”) and ensures optimum balance of diverse skillsets amongst the members of the Board. • Develops and implements an investor relations programme. • Reviews the adequacy and integrity of the Company’s management information and system of internal controls. • Reviews key elements of business sustainability practices of the Company. • Reviews and addresses major and/or material litigation matters against the Group as and when they arise. • • Reviews any other matters which require its approval pursuant to the applicable laws, regulations, rules, directives and guidelines.
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 is responsible to -</p> <ul style="list-style-type: none"> ● take the lead in engaging with the Government, aviation regulators and airport authorities in Malaysia. ● oversee the Board in the effective discharge of its role. ● monitor the workings of the Board and conduct of Board meetings. ● ensure all relevant issues for the effective running of the Company's business are on the agenda for Board meetings. ● ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis. ● encourage all Directors to play an active role in board activities. ● chair general meetings of shareholders. ● liaise with the Chief Executive Officer ("CEO") and Company Secretary on the agenda for Board meetings. <p>Such roles and responsibilities have been clearly specified in Paragraph 3.6 of the Board Charter, which is available on the Company's website at: https://ir.airasia.com/misc/board-charter-policy.pdf</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

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 and CEO of AAGB are held by different individuals.</p> <p><u>Executive Chairman:</u> Datuk Kamarudin bin Meranun is the Executive Chairman and takes the lead in engaging with the Government, aviation regulators and airport authorities in Malaysia and markets where the Group currently and will potentially operate. Based on his extensive experience in international finance, he is also the key person in handling very large and critical financing needs of the Company, and oversees the overall governance of the Company, its subsidiaries and associate companies.</p> <p><u>Chief Executive Officer:</u> Tan Sri Anthony Francis Fernandes is the CEO and Executive Director of the Company. As the CEO, he is the driving force behind the digital strategy of the Group and provides overall leadership in building brand value, reducing costs and driving efficiencies in order to improve the performance of the airline and other associate companies, including AirAsia Thailand, AirAsia Indonesia, AirAsia Philippines, AirAsia India and AirAsia Japan.</p> <p>The divisions of roles and responsibilities of the Chairman and CEO are set out in the Board Charter, ensuring 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, Ms. Jasmindar Kaur A/P Sarban Singh and Ms. Rebecca Kong Say Tsui of Tricor Corporate Services Sdn Bhd are the Company Secretaries of the Company. They are qualified Company Secretaries and are Fellow and/or Associate members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). 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"). The Company Secretaries advise on measures to be taken and requirements to be observed by the Company and its Directors arising from new statutes and guidelines issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Securities Commission Malaysia ("SC") and the Companies Commission of Malaysia ("CCM"). The Company Secretaries also advise the Directors on their obligations and duties to disclose their interests in the Company's securities, as well as any conflicts of interest in transactions involving the Company. In addition, the Company Secretaries also monitor and ensure the timely lodgment of statutory documents with Bursa Malaysia, SC and CCM.</p> <p>The Company Secretaries 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 the Company. The Company Secretaries also facilitate timely communication of decisions made, and policies set by the Board at Board meetings to the Senior Management for action. The Company Secretaries work closely with the Senior Management to ensure timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and the Senior Management.</p> <p>The Company Secretaries also serve notice to the Directors on the closed periods for trading in the Company's securities, in accordance with Chapter 14 on Dealings in Listed Securities of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia.</p> <p>The Company Secretaries undertake continuous professional development to keep them abreast of current developments in laws and regulations related to corporations and businesses.</p>

	The appointment and removal of the Company Secretaries must be approved 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

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>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>The Company encourages a paperless environment. It grants digital access to the Directors via a dedicated Google Drive for meeting documents. Google Drive allows them to access various company documents for easy reference and in a timely manner.</p> <p>Upon conclusion of the meeting, the Company Secretaries would circulate the minutes of the meetings to the Management present and Directors for review to ensure that the minutes accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. The minutes of the meetings would be confirmed and signed by the Chairman at the forthcoming meetings which normally takes place within two (2) to three (3) months from the preceding meeting.</p> <p>The Company makes use of video conferencing to enable the participation of members of Senior Management from other offices without their having to travel when the need arises. The video conference allows the Board to have access to information in a timely manner from the relevant person in charge while saving time and cost.</p>
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 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 the Company. It sets out, amongst other things, the membership and operation of the Board and principles of good corporate governance and practice in accordance with the applicable laws.</p> <p>Paragraph 9.0 of the Board Charter sets out the division of roles between the Board and the Board Committees and between the Board and Management, as well as the delegated authorities of certain functions to the following committees to assist the Board with the execution of its responsibilities: -</p> <ul style="list-style-type: none">(a) Audit Committee (“AC”);(b) Nomination and Remuneration Committee (“NRC”);(c) SRB; and(d) Risk Management Committee (“RMC”). <p>As stated in Paragraph 21 of the Board Charter, the Board will review the Board Charter annually to ensure its relevance in assisting the Board to discharge its duties while adhering to any changes that may have arisen in corporate laws and regulations, and to remain consistent with the Board’s objectives and responsibilities. The Board Charter is available on the Company’s website at: https://ir.airasia.com/misc/board-charter-policy.pdf</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>The Company has formalised ethical standards expected of its Directors, employees, agents and representatives through a Code of Conduct. The Code of Conduct is available at: https://www.airasia.com/my/en/about-us/airasia-code-of-conduct.page</p> <p>The Code of Conduct allows the Company to do its business fairly, impartially, ethically, and with the utmost regard to safety. It regards integrity as the basis of the Company's relationships with its guests, suppliers and communities. It ensures the Company's Directors, employees, agents and representatives carry out their respective functions with honesty and impartiality, while complying with all applicable laws and regulations. It sets out the prohibited activities or misconduct involving gifts, gratuities, bribes, dishonest behaviour and sexual harassment. The Code of Conduct also promotes prudent management of conflict of interests to ensure objectivity in carrying out the Company's duties.</p> <p>In addition to the Company's own Code of Conduct, the Directors are also required to observe the Code of Ethics established by the CCM in furtherance of their duties.</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 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 are addressed to the Group Head of Internal Audit who will then assess such concerns and recommend the appropriate action, and subsequently compile all reports received and submit to the Chairman of the AC.</p> <p>All details pertaining to the name and position of the whistleblower 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	:	Applied
Explanation on application of the practice	:	<p>The Board of the Company consists of seven (7) members and comprises a majority of independent directors, as follows:</p> <ul style="list-style-type: none"> • An Executive Chairman; • An Executive Director and CEO; • A Non-Independent Non-Executive Director; and • A Senior Independent Non-Executive Director. • Three (3) Independent Non-Executive Directors. <p>Board members have declared their directorships in companies other than in the Group, and all satisfied the restriction of not being a director in more than five (5) public listed companies. They have also declared their respective shareholdings in the Group, and interests in any contract with the Group, and abstained from any discussion or decision making related to other companies in which they hold directorships or shareholdings.</p>
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

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

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>The Company 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. The Company recognises the benefits of having a diverse Board. In line with its Board Diversity Policy, selection of candidates to join the Board is in part dependent on the pool of candidates with the necessary skills, knowledge and experience. The NRC will review the nominees for directorship and membership of Board Committees by going through their profiles and interviewing the nominees, following which the NRC will submit its recommendations to the Board.</p> <p>Potential candidates are required to declare and confirm in writing their current directorships, that they are not undischarged bankrupts, or involved in any court proceedings in connection with the promotion, formation or management of a corporation involved in fraud or dishonesty punishable upon conviction with imprisonment, or subject to any investigation by any regulatory authority under any legislation. Furthermore, candidates being considered for the position of an independent director are required to declare and confirm their independence based on the criteria set out in the MMLR.</p> <p>AAGB'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 the Directors. The ultimate decisions on Board appointments will be based on merit and the value the candidate could bring to the Board.</p> <p>The current diversity in the race and/or ethnicity (cultural background), nationality, age and gender of the existing Board are as follows:</p> <table border="1"><thead><tr><th colspan="4">Race/Ethnicity</th><th colspan="2">Nationality</th></tr><tr><th>Malay</th><th>Chinese</th><th>Indian</th><th>Others</th><th>Malaysian</th><th>Foreigner</th></tr></thead><tbody><tr><td>4</td><td>1</td><td>1</td><td>1</td><td>6</td><td>1</td></tr></tbody></table> <table border="1"><thead><tr><th colspan="3">Age Group</th><th colspan="2">Gender</th></tr><tr><th>26-40</th><th>41-55</th><th>56-70</th><th>Male</th><th>Female</th></tr></thead><tbody><tr><td>1</td><td>4</td><td>2</td><td>6</td><td>1</td></tr></tbody></table>	Race/Ethnicity				Nationality		Malay	Chinese	Indian	Others	Malaysian	Foreigner	4	1	1	1	6	1	Age Group			Gender		26-40	41-55	56-70	Male	Female	1	4	2	6	1
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	<p>The Board holds strongly that diversity of 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 in 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	:	<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 on recruiting women directors to achieve an optimum and balanced composition. This is reflected in paragraph 5.7 of the Policy as follows:</p> <p>“In identifying suitable candidates for appointment to the Board, the NRC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. 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) Millennial appeal; (ii) Gender diversity (female); (iii) Entrepreneurial skills; (iv) Global mindset; (v) Digital savvy; (vi) Influencer; and (vii) Leadership role in middle to large size organisation.” <p>The Board Diversity Policy is available at: https://ir.airasia.com/misc/180921_Board_Diversity_Policy.pdf</p>
Explanation for departure	:	<p>The Company has appointed a woman Non-Executive Independent Director. This demonstrates AAGB's efforts in achieving gender diversity.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	The NRC and the Board are actively seeking new women directors to join the Company. Selection of candidates will be made based on recommendations of existing Board members, Senior Management or major shareholders.
Timeframe	:	Others

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 for identifying candidates who are suitably qualified to become Board members, including Independent Directors, and make recommendations to the Board on the appointment of such individuals taking into consideration their competencies, commitment, contribution and performance. The existing Directors were appointed based on recommendations from non-executive directors, the CEO, third-party search firms and other independent sources.</p> <p>In identifying suitable candidates for appointment to the Board, the NRC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. Some of the criteria to be taken into consideration in the selection process can include the following:</p> <ul style="list-style-type: none">(i) Millennial appeal;(ii) Gender diversity (female);(iii) Entrepreneurial skills;(iv) Global mindset;(v) Digital savvy;(vi) Influencer; and(vii) Leadership role in middle to large size organisation. <p>The ultimate decision as to who is 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	:	<p>The membership of the NRC as provided in the Board Charter shall comprise of three (3) non-executive directors and chaired by the senior independent director.</p> <p>The NRC is chaired by Dato' Fam Lee Ee, the Senior Independent Non-Executive Director. The other members of the NRC are Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar, Non-Independent Non-Executive Director and Mr. Stuart L Dean, Independent Non-Executive Director.</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

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 ended 2019 (“the Financial Year”), the NRC conducted a digital performance evaluation of the Board and Committees and reviewed the summary results thereof and recommended the proposed improvement(s) to the Board for approval.</p> <p>The surveys assessed the performance of the Board and Board committees, as well as the performance of individual Board and Committee members, using the following:</p> <ul style="list-style-type: none">• Board & Board Committee Evaluation Form• Performance Evaluation Sheet by all Board Committees. <p>These assessments took 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 were also evaluated.</p> <p>Each Director and Board Committee member completes the evaluation form online and submits it on a confidential basis to the Company Secretary who collates 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.</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 conducts of Board meetings were more efficient and effective. The members of the Committees have sufficient and relevant expertise in fulfilling their roles. The NRC also reviewed and assessed the independence of the Independent Directors of the Company as per the requirement under the MMLR of Bursa Malaysia.</p> <p>To further improve the ability to discharge its functions, the Board is planning to engage an independent expert to facilitate Board evaluations and implement the action plan recommended.</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 6.1

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>The Company maintains transparent procedures in determining the remuneration policy for its Directors, CEO and Senior Management. The NRC is responsible for reviewing and recommending to the Board the compensation payable to the Directors and CEO in connection with their individual contributions to AAGB's overall performance or any loss or termination of their office or appointment, and the compensation arrangements relating to their dismissal or removal for misconduct.</p> <p>Executive Directors play no part in decisions on their own remuneration. The remuneration packages of Non-Executive Directors are determined by the Board as a whole. All the individual Directors concerned abstain from discussing their own remuneration. This is to ensure that compensation is competitive and consistent with AAGB's business strategy and long-term objectives.</p> <p>The policy and procedures would be periodically reviewed and updated to ensure the same remain competitive, appropriate, and aligned with the prevalent market practices.</p> <p>The Remuneration Policy is available on the Company's website at https://ir.airasia.com/misc/AirAsia_Group_Remuneration_Policy_Statement_2004021.pdf</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 is available on AAGB's website at https://ir.airasia.com/misc/terms-of-reference-of-nomination-and-remuneration-committees.pdf</p> <p>The NRC meets as and when required. It held seven (7) meetings during the Financial Year which were attended by all the members (save for one Director who was absent with apology). The NRC also reviewed and recommended to the Board, AAGB's overall remuneration policy for the Directors, Executive Chairman, CEO, Presidents, CEOs of subsidiaries and staff to ensure rewards commensurate with their contributions to the Group's growth and profitability annually. The NRC also reviewed the service contract and performance of the Executive Chairman and CEO and recommended to the Board specific adjustments in remuneration and/or reward payments, if any, reflecting their contributions for the year. Their total remuneration package was also benchmarked against the market. The NRC ensured the remuneration for Non-Executive Directors and Independent Directors are linked to their responsibilities as members of the Board and Board Committees and contributions to the effective functioning of the Board.</p> <p>Based on the annual review of the Directors' Remuneration by the NRC, the NRC proposed and the Board affirmed that the Non-Executive Directors' Remuneration for the period from 28 June 2019 until the next Annual General Meeting ("AGM") of the Company to be held in the year 2020 shall be as shown below:-</p>

	Non-Executive Directors' Fees (per annum)			
	Non-Executive Directors' Fees (per annum)	Non-Executive Chairman (RM)	Per Non-Executive Director/ Per other Committee Member (RM)	
	Board of Directors	N/A	262,500	
	AC	75,000	60,000	
	NRC	55,000	35,000	
	SRB	55,000	35,000	
	RMC	55,000	35,000	
	Non-Executive Directors' Benefits (per attendance by each director or committee member)		Board of Directors (RM)	Board Committees (RM)
	Meeting allowance	2,000		2,000
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 the Non-Executive Directors		
<p>Section 230(1) of the Companies Act 2016 provides, amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company shall be approved at a general meeting. In this respect, shareholders' approval had been sought at the Second AGM on the above Directors' remuneration.</p> <p>The resolution was approved at the Second AGM of the Company.</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

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 periodically to support long-term sustainability and shareholder value, consistent with AAGB's business strategy.</p> <p>The remuneration package for the Financial Year comprised the following elements:</p> <p>1. Fee The fees payable to each Non-Executive Director for his or her service on the Board is based on a basic Board fee and the respective additional responsibilities on the Board Committees during the year. Any proposed revision of the fees and benefits would be recommended by the NRC to the Board for final approval by shareholders of the Company at the AGM.</p> <p>2. Basic salary The basic salary for each Executive Director is recommended by the NRC and approved by the Board, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates for similar positions in comparable companies internationally. Salaries are reviewed annually.</p> <p>3. Bonus scheme The Group operates a bonus scheme for all employees, including the Executive Directors, which is based on various performance measures of the Group, together with an assessment of each individual's performance during the period. The bonus for the Executive Directors is recommended by the NRC and approved by the Board.</p> <p>4. Benefits-in-kind Other customary benefits (such as private medical care, travel coupons, etc) are made available as appropriate.</p> <p>5. Service contract The Executive Chairman and CEO each have a three-year service contract with the Company.</p>

	<p>6. Directors' share options</p> <p>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 page 188 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

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

Intended Outcome

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

Practice 7.3 - Step Up

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

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 an Independent Non-Executive Director, a Senior Independent Non-Executive Director and one Non-Independent Non-Executive Director.</p> <p>The AC Chairman, Dato' Mohamed Khadar bin Merican, is a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants. He is not the Chairman of the Board. He is an Independent Non-Executive Director of the Company and a member of the Risk Management Committee and Safety Review Board. He reports to the Directors at Board meetings on any salient matters raised at the AC meetings which require the Board's notation, approval or 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.</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	:	None of the members of the Board were former key audit partners. Item 5 of Terms of Reference of the AC is consistent with the requirements in Practice 8.2 of the MCCG.	
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 8.3

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 Auditors Independence Policy. The AC meets the external auditors without the presence of Senior Management whenever necessary, and at least twice a year. Meetings with the external auditors are held to discuss AAGB's audit plans, audit findings, financial statements as well as to seek their professional advice on other related matters. From time to time, the external auditors would inform and update the AC on matters that may require their attention.</p> <p>In the assessment of the performance of the external auditors, including their independence policies and procedures, the AC noted that the external auditors had in accordance with the independence requirements set out in the By-Laws (on professional ethics, conduct and practice) of the Malaysian Institute of Accountants, evaluated the level of the threat to objectivity and potential safeguards to prevent any threats prior to acceptance of any non-audit engagement.</p> <p>The AC was satisfied and remains confident with the suitability, objectivity and independence of the external auditors, Messrs Ernst & Young ("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.</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. Members of the AC are expected to update their knowledge and enhance their skills continuously.</p> <p>Based on the Performance Evaluation Sheet for the Audit Committee 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>Internal Audit</p> <ul style="list-style-type: none">● Mandated the Group Internal Audit Department ("GIAD") to report directly to the AC.● Reviewed the adequacy of the Internal Audit Charter.● Approved the Internal Audit Charter, which defines the purposes, authority, scope and responsibility of the Internal Audit Function within the Group.● Reviewed the scope, functions, budget, competency and resources of the GIAD, and that it had the necessary independence and authority to carry out its work professionally and with impartiality and expediency.● Reviewed and approved the Internal Audit plan for the Group.● Reviewed Internal Audit Reports and ensured that appropriate and prompt remedial actions were taken by the Management on lapses in controls or procedures identified by the GIAD.

- Reviewed the Internal Audit Reports relating to the AirAsia Group's affiliates.
- Monitored that all recommended actions by the GIAD were implemented in a timely manner.
- Reviewed the performance of the GIAD, including the internal assessment of the internal audit function.
- Undertook the performance appraisal of the Group Head, GIAD.
- Approved the appointment or termination of senior staff of the GIAD.
- Noted the resignations of GIAD's staff, together with the reasons for their resignations.
- Reviewed reports on ad-hoc investigations performed by the GIAD and monitored that appropriate actions were taken in relation to those investigations.
- Reviewed the results of the external assessment performed on the internal audit function.

External Audit

- Considered and recommended the appointment of the External Auditors and their audit fees.
- Monitored the External Auditor's performance and reviewed their independence and objectivity.
- Discussed with the External Auditor, before the audit commenced, the audit plan, which included the scope, methodology and timing of the audit, as well as the areas of audit emphasis for the year under review.
- Discussed the coordination with other external auditors in the Group.
- Reviewed major findings raised by the External Auditors and Management's responses, and monitored that all recommendations arising from the audit were properly implemented, including the status of the previous audit recommendations.
- Discussed matters arising from the interim and final audits with a view to further improve controls in the Group.
- Met with the External Auditors without the presence of the Management.
- Provided a line of communication between the Board and the External Auditors.
- Ensured that there is coordination between both Internal and External Auditors.
- Reviewed the extent of assistance and co-operation extended by the Group's employees to the External Auditors and ensured that all information required by the External Auditors were made available to them.

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

Financial Reporting

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

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

Related Party Transactions

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

Investigations

- Considered major findings of internal investigations and Management's response.

	<ul style="list-style-type: none"> ● Reviewed AAGB’s procedures for detecting fraud and whistleblowing. <p>Internal Control</p> <ul style="list-style-type: none"> ● By way of discussions with key Senior Management and through the review of the process undertaken by the GIAD and the External Auditors, evaluated the overall adequacy and effectiveness of: <ul style="list-style-type: none"> □ the system of internal controls, including controls within information technology; □ the Group’s finance, accounting and audit organisations and personnel; and □ the Group’s policies and compliance procedures with respect to business practices. ● Reviewed the employee code of business practice, vendor code of business practice, the whistleblowing policy and the outcome of any cases investigated. <p>Annual report</p> <ul style="list-style-type: none"> ● The AC has reviewed the Statement of Risk Management and Internal Control and the Statement of Corporate Governance prior to their inclusion in the Group’s Annual Report. <p>Annual Review of the Terms of Reference of the Audit Committee</p> <ul style="list-style-type: none"> ● Reviewed and assessed the adequacy of the terms of reference of the AC annually, and; where necessary, obtained the assistance of the Management, Group’s External Auditors and external legal counsel, and recommended changes to the Board for approval.
<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 risk to the Risk Management Committee ("RMC"). The RMC was established in the year 2018 and comprises four (4) Non-Executive Directors with a majority of Independent Directors.</p> <p>The RMC enables the Board to undertake and evaluate key areas of risk exposures. The primary responsibilities of the RMC are as follows:</p> <ul style="list-style-type: none">● To oversee and recommend the Enterprise Risk Management ("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 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 the Group'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><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 9.2

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 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 assessment. <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 Senior Management and business units, 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 GIAD 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 every quarter.</p> <p>Internal Control Framework</p> <p>The following key internal control structures (including the AC and the GIAD disclosed above) are in place to assist the Board to maintain a proper internal control system:</p>

Board Governance

The Board has governance over the Group's operations. The Board is kept updated on the Group's activities and operations on a timely and regular basis through Board meetings with a formal agenda on matters for discussion. The Board of AAGB has established five (5) committees, namely the AC, RMC, NRC and SRB, to assist it in executing its governance responsibilities. Further information on the various Board Committees is provided in the Corporate Governance Overview Statement on page 183 of Annual Report 2019.

Senior Management Responsibilities

Regular management and operations meetings are conducted by Senior Management, which comprises the Chief Executive Officer ("CEO"), President (Airlines), President (RedBeat Ventures) of AAGB, CEOs of various airline operating companies, and Heads of Department.

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

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

Segregation of Duties

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

Internal Policies and Procedures

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

Financial Budgets

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

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

People Management

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

Limits of Authority

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

Insurance

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

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

Information Security

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

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

	<ul style="list-style-type: none"> ● 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><u>Code of Conduct</u> Please refer to Practice 3.1 for information in relation to AAGB’s Code of Conduct.</p> <p><u>Whistleblowing Policy</u> Please refer to Practice 3.2 for information in relation to AAGB’s Whistleblowing Policy.</p> <p>Adequacy and Effectiveness</p> <p>Based on assurance received from the Management and updates from the Board Committees, the Board is of the view that AAGB’s risk management and internal control systems were operating adequately and effectively in all material aspects during the Financial Year up to the date of approval of this report.</p>
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

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 four (4) Non-Executive Directors with a majority of Independent Directors. The RMC enables the Board to undertake and evaluate key areas of risk exposures.</p> <p>The primary responsibilities of the RMC are:</p> <ul style="list-style-type: none">● 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 GRD.</p> <p>The Terms of Reference of the RMC are available on AAGB's website: https://ir.airasia.com/misc/airasia-risk-management-committee.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 is responsible for ensuring the integrity and effective operation of the internal audit function. In this respect, the Group has a well-established in-house GIAD to assist the AC in carrying out its functions. During the Financial Year, the AC reviewed, challenged and approved GIAD and the respective IADs' audit plan. In doing so, the AC ensured, among others, consistency in the audit methodology deployed, as well as robustness in the audit planning process.</p> <p>The GIAD plans and provides supervision on internal audit services across all subsidiaries and associated companies in the Group, including the various AOCs. The internal audit teams in the respective AOCs have a reporting line to the Group Head, GIAD. The GIAD reviews and compiles their reports in the form of a Group Internal Audit Report to be submitted and presented to the AC for its review and deliberation.</p> <p>The principal responsibility of the GIAD is to undertake regular and systematic reviews of the systems of internal controls so as to provide reasonable assurance that the systems continue to operate efficiently and effectively. The GIAD adopts a risk-based audit methodology to develop its audit plans by determining the priorities of the internal audit activities, consistent with the strategies of the Group. Based on risk assessments performed, greater focus and appropriate review intervals are set for higher risk activities and material internal controls, including compliance with AAGB's policies, procedures and regulatory responsibilities.</p> <p>The audits of the GIAD cover, among others, the review of the adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirements, governance and management efficiency. The audit reports, which provide the results of audits conducted, are submitted to the AC for review. Key control issues and recommendations are highlighted to enable the AC to execute its oversight function. Areas for improvement and audit recommendations are also forwarded to the Management for their attention and further action. The Management is responsible for the implementation of corrective actions within the required time frame.</p>

	<p>The AC reviews and approves the human resource requirements of the GIAD and IADs in other AOCs to ensure the audit function is adequately resourced with competent and proficient internal auditors. The total operational costs of the GIAD and IADs in other AOCs for the Financial Year was RM4,234,376, as shown below:</p> <table border="1" data-bbox="544 409 1289 607"> <thead> <tr> <th data-bbox="544 409 916 483">Location</th> <th data-bbox="916 409 1289 483">Internal Audit Cost (RM)</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 483 916 524">Group and Malaysia</td> <td data-bbox="916 483 1289 524">3,045,411</td> </tr> <tr> <td data-bbox="544 524 916 564">Other AOCs</td> <td data-bbox="916 524 1289 564">1,188,965</td> </tr> <tr> <td data-bbox="544 564 916 607">Total</td> <td data-bbox="916 564 1289 607">4,234,376</td> </tr> </tbody> </table>		Location	Internal Audit Cost (RM)	Group and Malaysia	3,045,411	Other AOCs	1,188,965	Total	4,234,376
Location	Internal Audit Cost (RM)									
Group and Malaysia	3,045,411									
Other AOCs	1,188,965									
Total	4,234,376									
<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>On 22 January 2020, GIAD confirmed its organisational independence to the AC, with the Group Head, GIAD and all the internal auditors signing the Annual Code of Ethics and Conflict of Interest Declaration indicating that they were and had been independent, objective and in compliance with the Code of Ethics and Conflict of Interest as per the International Professional Practice Framework (“IPPF”) in carrying out their duties for the Financial Year.</p> <p>The GIAD has 25 personnel comprising the Group Head of IA, 18 internal auditors, 5 personnel specialising in fraud and investigation and a coordinator. The GIAD continued to equip AAGB’s internal auditors with adequate knowledge and proficiency. Approximately RM52,568 was spent on training in the areas of auditing skills, technical skills and personal development. During the Financial Year, the average training days attended by each staff was five (5) days.</p> <p>The Group Head, Ms. Tan Eng Eng, is a Member of the Malaysian Institute of Accountants (“MIA”), IIA and Association of Chartered Certified Accountants (“ACCA”). All of the department personnel have minimum tertiary education from various backgrounds. Most of the personnel have relevant professional qualifications such as that of Certified Internal Auditor, Certified Fraud Examiner, Certified Information Systems Auditor and Certified Public Accountant (“CPA”).</p> <p>The GIAD is guided by its Internal Audit Charter that provides independence and reflects the roles, responsibilities, accountability and scope of work of the department in line with the IPPF on Internal Auditing issued by the Institute of Internal Auditors. For any significant gaps identified in the governance processes, risk management processes and controls during the engagements, GIAD provides recommendations to Management to improve their design and effectiveness of controls where applicable.</p>

	<p>The GIAD adopts a risk-based audit methodology with reference to the five elements of the Committee of Sponsoring Organisations of the Treadway Commission (“COSO”), i.e. control environment, risk assessment, control activity, information and communication as well as monitoring.</p>	
<p>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

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 AAGB's business partners, play an important role in AAGB's continuing success as a low-cost airline. To ensure consistency in the conveyance of information, the Company has established a few departments to interface with the Company's various stakeholders.</p> <p>The Global Affairs & Government Relations Department designs and advocates for policies that advance the Company's objectives in the areas of aviation, digital, trade and tourism to governments, international organisations, business associations and academia.</p> <p>On AAGB's website, the Company has an Investor Relations page which provides all relevant information on the Company and is updated regularly. It enhances Investor Relations by including notices, minutes and slide presentations of the AGM as well as copies of annual reports for the benefit of shareholders who are unable to attend the AGM. To facilitate stakeholders' understanding of the Company with respect to its business and its policies on governance, the Company has placed various documents pertaining to the organisation, Board and Senior Management, corporate governance, policies, charters, terms of references as well as other corporate information on its website for easy reference.</p> <p>Group Communications through the Newsroom page on the Company website, makes available official corporate announcements, including media releases, statements, travel advisories to the media and the public as a whole.</p>
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

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	:	AAGB will take the necessary measures to move towards a more integrated approach of reporting from its existing reporting.	
Timeframe	:	Others	In the next three years.

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	The notice of the Company's Second AGM held on 27 June 2019 was circulated to the shareholders on 30 April 2019 in consistent with the requirements in Practice 12.1 of the MCCG. This allows the shareholders to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys. It also enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.
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 the Group's performance for the year and future prospects. The Executive Chairman, all Board Committee chairmen and the CEO will be present to hear shareholders' views and answer their questions. Shareholders are encouraged to participate in the proceedings and engage in dialogue with the Board and Senior Management. Extracts of the minutes of the AGM are available on AAGB's website.</p> <p>At the Second AGM, the Directors save for one Director, who had an urgent overseas assignment, were present in person to engage directly with shareholders. Amongst them, four Directors were the Chairmen of the AC, RMC, SRB and NRC. This shows that the Board is accountable for its stewardship of the Company. In addition to the Directors, the CEO, Senior Management and external auditors were in attendance to respond to shareholder's queries.</p> <p>The proceedings of the Second AGM included a power-point presentation on an overview of the Group's activities throughout 2018, the presentation of the Audited Financial Statements together with the Reports of the Directors and Auditors, and a Question and Answer 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>The Company has adopted poll voting by using electronic voting devices for the conduct of a poll on all resolutions proposed. This aligns with the Company's aspiration to embrace digitalisation where electronic voting devices can provide a more efficient and accurate outcome of the results.</p> <p>Voting at the Second AGM was conducted by poll in accordance with Paragraph 8.29A of the MMLR. The Company had appointed Tricor Investor and Issuing House Services Sdn Bhd ("Tricor") 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>Upon verification of the poll voting results by the Independent Scrutineers, the results were projected on the screen in the meeting room. Minutes of the Second AGM is also available on AAGB's website.</p> <p>The Company's Second AGM was held at the Asian Aviation Centre of Excellence. This venue was easily accessible as it was familiar to most shareholders of the Company since several past AGMs of AirAsia Berhad had been held at the same venue.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company is currently exploring a suitable and reliable system which leverages on technology to facilitate voting in absentia and remote participation by shareholders. The Company will carefully consider all factors, including all applicable requirements, costs, necessary framework and processes, as well as a suitable system fit for the purpose of the implementation of this practice in due course.

Timeframe

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Within 2 years.

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

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

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