

**COMPLIANCE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 (“MCCG2012”)
PRINCIPLES AND RECOMMENDATIONS**

The table below is provided to facilitate understanding of Axiata Group Berhad (“**Axiata**” or “**Company**”)’s compliance with the MCCG2012 in respect of the financial year ended 31 December 2013.

Axiata’s Corporate Governance Statement is included in the 2013 Annual Report (“**2013AR**”) from which is available in Axiata’s website (http://axiata.com/download/ax_corporategovstatement.pdf).

Our corporate governance website is available at <http://axiata.com/about-us/corporate-governance.htm> Also available on the website are the Memorandum and Articles of Association, Board and Board Committees Charter/Terms of Reference (“**ToR**”), Directors’ Code of Ethics, Employees Code of Conduct and Bye Laws of Axiata Share Scheme.

Principles/Recommendation		Status of Compliance	Remarks	Ref. ¹
Principle 1 – Establish Clear Roles and Responsibilities				
1.1.	The Board should establish clear functions reserved for the Board and those delegated to management	Complied	Board reserved matters are outlined in the Appendixes of Board Charter and incorporated in the Limits of Authority (“ LOA ”) document. The LOA outlines decisions based on financial threshold that is delegated to Management and decisions items that requiring Board’s approval.	p.89
1.2	The Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions	Complied	Roles and responsibilities of the Board are incorporated in the Board Charter and LOA.	p.88-89
1.3	The Board should formalise ethical standards through a code of conduct and ensure its compliance	Complied	Directors’ Code of Ethics prescribed by Companies Commission of Malaysia adopted by the Board in 2011. Section 4.2, Group Policy , approved by the Board also sets out the principles for employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity.	p.93-94
1.4	The Board should ensure that the Company’s strategies promote sustainability	Complied	Sustainability strategies are encapsulated in the Group’s Vision and Mission and forms part of the published Corporate Responsibility Report.	p.105 ²
1.5	The Board should have procedures to allow its members access to information and advice	Complied	Procedure for Directors to seek Independent Advice has been established in Section 15.0 of Board Charter.	p.97-98
1.6	The Board should ensure it is supported by a suitably qualified and competent company secretary	Complied	The Board is supported by a qualified and competent Company Secretary. Profile of Company Secretary available in website.	p.98
1.7	The Board should formalise, periodically review and make public its Board Charter	Complied	The Board Charter was approved by the Board in 2012 and subject to review and revised in accordance with addition statutory or regulatory requirements.	p.88-89
Principle 2 – Strengthen Composition				
2.1	The Board should establish a Nominating Committee which should comprise exclusively of Non-Executive Directors (“ NEDs ”), a majority of whom must be independent	Complied	i) Members of Board Nomination Committee (“ BNC ”) and Board Remuneration Committee (“ BRC ”) comprise only NEDs ii) 4 out of 5 members of BNC and 3 out of 4 members of the BRC are Independent Non-Executive Directors (“ INEDs ”)	p.100-101
2.2	The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors	Complied	ToR of BNC sets out the criteria for recruitment of candidates for appointment as Directors. Gaps analysis identifies the skillsets required for a particular candidate to fill based on Board Composition Framework. Criteria for annual	p.92-93, 99

¹ All references are to sections of the Corporate Governance Statement in AR2013 (page 88-115) unless stated otherwise

² Please refer to Axiata’s ‘Sustainability and National Contribution Report - Our Commitment to Development’ available for download at www.axiata.com

Principles/Recommendation		Status of Compliance	Remarks	Ref. ¹
			assessment of Directors are determined by BNC prior to undertaking Board Evaluation Exercise ("BEE") annually.	
2.3	The Board should establish formal and transparent remuneration policies and procedures to attract and retain Directors	Complied	NEDs' remuneration and benefits, in its entirety, is being reviewed and recommended by BRC and approved by the Board. Remuneration policy not only to attract/incentivise and retain quality Directors but also to commensurate their duties and responsibilities, including as members of Board committees.	p.102-103
Principle 3 – Reinforce independence				
3.1	The Board should undertake an assessment of its Independent Directors annually	Complied	The BNC is tasked to undertake annual assessment of Independent Directors. In Axiata, annual assessment of all its Directors is being carried out annually through the BEE.	p.91-92
3.2	The tenure of an Independent Director should not exceed a cumulative term of 9 years. Upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director	Complied	None of INEDs has reached the 9-year term limit until 2017. Succession planning to be in place 1 year in advance for any Board seat potentially to be vacated.	p.91-92
3.3	The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than 9 years	Not Applicable/ Complied	None of INED has reached the 9-year term limit until 2017.	-
3.4	The positions of Chairman and Chief Executive Officer (CEO) should be held by different individuals, and the Chairman must be a Non-Executive member of the Board	Complied	The positions of Chairman and Group Managing Director/President & GCEO are held by different individuals. The Chairman is a Non-Independent Non-Executive Director.	p.91
3.5	The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director	Complied	Independent Directors make up more than 50% of the total Board composition.	p.91
Principle 4 – Foster Commitment				
4.1	The Board should set out expectations on time commitment for its members and protocols for accepting new directorships	Complied	Time commitment and protocols for accepting directorships are set out in Section 12.0 of Board Charter.	p.92
4.2	The Board should ensure its members have access to appropriate continuing education programs	Complied	The Group Company Secretary facilitates the Directors' participation in training program and ensures the Directors undergo ongoing training.	p.93 & 98
Principle 5 – Uphold Integrity in Financial Reporting				
5.1	The Audit Committee should ensure financial statements comply with applicable financial reporting standards	Complied	The Board Audit Committee ("BAC") reviews the financial statements, both unaudited and audited, prior to the same being approved by the Board. In their review, the auditors of Axiata is present to brief the BAC on the review strategy and scope of the auditors' audit which include the financial statements being prepared in accordance with International Standards and effects/implications of new accounting standards, if any.	p.128
5.2	The Audit Committee should have policies and procedures to assess the suitability and independence of External Auditors	Complied	The BAC reviews the appointment, remuneration and terms of engagement annually and makes their recommendation to the Board on re-appointment of Axiata's auditors. Guidelines on non-audit services includes offer of non-audit services to external auditors when there are clear efficiencies and value-added benefits. Fees for non-audit services also reviewed by BAC on quarterly basis. Axiata's auditors in their quarterly also re-affirm	p.128

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			their independence with respect to Axiata Group, within the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants and the firm's requirements. Auditors also reviews the non-audit services provided to Axiata Group in accordance with the independent requirements and re-affirms that none of the non-audit services had compromised their independence as external auditors of Axiata Group.	
Principle 6 – Recognise and Manage Risks				
6.1	The Board should establish a sound framework to manage risks.	Complied	Axiata Group's Enterprise Risk Management ("ERM") Framework, approved by the Board, supplements Section 3.7 : Risk Management of Axiata's Group Policy. The Group Risk Management Policy and ERM Framework is to be reviewed periodically. Axiata's ERM Framework was based on the ISO 31000:2009 International Standard and can be applied throughout the life of an organisation and to wide range of activities, covering strategies, operations, projects and products and services.	p. 116
6.2	The Board should establish an internal audit function which reports directly to the Audit Committee.	Complied	The internal audit function has been established under Group Internal Audit and reports directly to the BAC.	p. 129-130
Principle 7 – Ensure Timely and High Quality Disclosure				
7.1	The Board should ensure the Company has appropriate corporate disclosure policies and procedures.	Complied	This recommendation is reflected in the Group Communication Policy.	p.105-107
7.2	The Board should encourage the Company to leverage on information technology for effective dissemination of information.	Complied	Information is disseminated via the Company's website and announcements made via Bursa LINK.	p.105-107
Principle 8 – Strengthen Relationship between Company and Shareholders				
8.1	The Board should take reasonable steps to encourage shareholder participation at general meetings.	Complied	Shareholders are encouraged to participate at general meeting and all questions addressed by Shareholders at general meetings are responded Chairman/Board Members where relevant.	p.107-108
8.2	The Board should encourage poll voting.	Complied	Poll voting is available upon request by shareholders. The Group Company Secretary highlights voting procedures including procedures for demand by way of poll and timing of such demand.	p.107-108
8.3	The Board should promote effective communication and proactive engagements with shareholders.	Complied	This was carried out through the following channels: <ul style="list-style-type: none"> • Investor Conferences • Roadshows • Direct one-on-one Meetings • Tele-conferences 	p.105-107