

**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 2015.

Axiata’s Corporate Governance Statement (“**CGS**”) is included in the Annual Report 2015 (“**AR2015**”) which is available in Axiata’s website (<https://axiata.com//media/upload/corporate/Corporate%20Governance.pdf>).

Axiata’s corporate governance website is available at <https://axiata.com/corporate/corporate-governance/>. 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, Bye Laws of Axiata Share Scheme, Whistleblowing Policy and Supplier Code of Conduct.

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	Description on how Axiata Board discharged its key fiduciary duties and leadership functions under MCCG2012 is provided under ‘Roles and Responsibilities’ section. Board reserved matters, in full, 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.55-56 Axiata Website
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 Axiata Website
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. Employees Code of Conduct 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.56 Axiata Website
1.4	The Board should ensure that the Company’s strategies promote sustainability	Complied	Axiata’s sustainability framework comprises 4 Sustainability Pillars (4Ps): Beyond Short-Term Profits, Nurturing People, Process Excellence and Governance and Planet & Society.	p.93-94 ² See Also SR2015
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.61-62 Axiata Website
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.45 & p.61 Axiata Website
1.7	The Board should formalise, periodically review and make public its Board Charter	Complied	The Board Charter was approved by the Board in 2013 and subject to review and revised in accordance with addition statutory or regulatory requirements.	p.55 Axiata website
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.63-64

¹ All references are to AR2015 unless stated otherwise

² Please refer to Axiata’s ‘Sustainability and National Contribution Report – Commitment to Development and Towards a Digital Future’ (**SR2015**) available for download at www.axiata.com

Principles/Recommendation		Status of Compliance	Remarks	Ref. ¹
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 assessment of Directors are determined by BNC prior to undertaking Board Evaluation Exercise ("BEE") annually.	p.58 & 62 Axiata Website
2.3	The Board should establish formal and transparent remuneration policies and procedures to attract and retain Directors	Complied	Remuneration philosophy is not only to commensurate responsibilities at both Board/Board Committees but also to attract/incentivise and retain quality Directors NEDs' remuneration and benefits, in its entirety, is being reviewed and recommended by BRC and approved by the Board. Remuneration structure for NEDs disclosed in AR2015.	p.64-65
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 and INEDs reaffirms independence based on criteria prescribed under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (" Main LR ").	p.57, 62-63
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. In 2016, the Board adopted the 9-year independence limit prescribed by MCGG2012; including ability to retain as INED subject to shareholders' approval or re-designated as NED.	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/	None of INED has reached the 9-year term limit until 2017. As part of the Phased Retirement Plan of its INEDs, Juan Villalonga Navarro who retire under rotation at the 24th Annual General Meeting (" 24th AGM ") will not be seeking re-election. See also remarks for Item 3.2 .	p.59 p.55 Notice – 24th AGM
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. See also Board Charter for roles and responsibilities of Chairman and CEO.	p.57 Axiata Website
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.55
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	Directors are expected to commit sufficient time to carry out his/her roles as Director/Committee members and to attend all Board and committee meetings, AGM/EGM, training, networking events, meetings with stakeholders and site visits. Directorships limits : 5 listed companies, 10 non-listed companies. Time commitment and protocols for accepting directorships are set out in Section 12.0 of Board Charter.	p.57 p. 57 p.57 and Axiata Website

Principles/Recommendation		Status of Compliance	Remarks	Ref. ¹
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.62
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.70 See also Board Audit Committee Report (“BAC Report”) , p.83
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. The BAC had on 16 February 2016 considered the re-appointment of PricewaterhouseCoopers (“ PwC ”) as Auditors of the Company based on the criteria prescribed under Paragraph 15.21 of the Main LR. Details on the assessment and criteria used by the BAC on their review are provided in the SCG.	p.71 p.71 Notice – 24th AGM
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. 71 See also Statement on Risk Management & Internal Control , p.74-82
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.84-85
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.66-67
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.66-68
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.68-69 See also AGM Minutes – Axiata Website
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. Rights of shareholders to demand for poll included in CGS.	AGM/EGM Minutes – Axiata Website p.68

Principles/Recommendation		Status of Compliance	Remarks	Ref. ¹
			<p>Poll voting on substantial transaction i.e. acquisition of Ncell Private Limited at EGM held on 17 February 2016.</p> <p>Outcome of poll voting i.e. voted 'For' and 'Against' announced to Bursa Securities after the conclusion of the EGM.</p>	<p>EGM Minutes and Announcement to Bursa Securities</p>
8.3	The Board should promote effective communication and proactive engagements with shareholders.	Complied	<p>This was carried out through the following channels:</p> <ul style="list-style-type: none"> • Investor Conferences • Roadshows • Direct one-on-one Meetings • Tele-conferences 	<p>p.67-68</p> <p>See also Investor Relations, p.51-53</p>