

Introduction

In our quest to achieve our Company's vision and mission, we are committed to managing a cost effective airport network and services; providing World Class Aviation Gateways; and striving to exceed the expectations of customers, shareholders and other stakeholders.



Therefore, MAHB's commitment is to maintain an organisation which is not only profitable but continues to strive for the highest level of governance in the Company, and to endeavour to exceed the expectations of our customers, shareholders and other stakeholders. The Board of Directors strongly believes that good corporate governance is vital in delivering the long-term sustainable business growth and creating economic value for shareholders as well as other stakeholders.

The Board is fully committed towards achieving full compliance with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (“Code”), Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“Bursa Malaysia Listing Requirements”) and the adoption of recommendations on corporate governance in the “Green Book Enhancing Board Effectiveness” initiated by the Putrajaya Committee on GLC High Performance as part of the GLC Transformation Programme (“Green Book”) as well as the Corporate Governance Guide (“CG Guide”) issued by Bursa Malaysia. The Board constantly strives its efforts in enhancing and raising a high standard of corporate governance throughout MAHB Group, which are fundamental to fulfilling its responsibility of protecting and enhancing the shareholders’ value and the financial performance of the Group.

Good corporate governance practices, however, should extend beyond mere statement of compliance. It should aim at achieving the highest standards of conduct, business integrity, ethics, accountability and professionalism across all the Group’s activities. The Board acknowledges the importance of corporate governance in enhancing stakeholders’ value, increasing investors’ confidence, establishing customers’ trust and building a competitive organisation to support the Group’s corporate mission and vision. The commitment of the Board, Management and staff of MAHB Group in ensuring the interests of investors and all other stakeholders are well taken care of, is affirmed by the award and recognition that MAHB had received, namely, a Distinction Award (rated A+) under the inaugural Malaysian Corporate Governance (“MCG”) Index 2011 by the Minority Shareholder Watchdog Group (“MSWG”). The index, an initiative by MSWG, creates awareness and encourages best corporate governance (CG) practices among public listed companies (PLCs) in Malaysia. The Index

rates and ranks PLCs on many different levels which include, among others, compliance with CG best practices, quality of disclosures, financial sustainability, and corporate responsibility efforts. MAHB had also been given special recognition under the category of “the Companies with 30% Women on its Board” by MSWG in the MCG Index 2011.

MAHB had also received Practice Solution Award (Public Listed Company Category) of the National Award for Management Accounting (NAFMA) 2011 by Malaysian Institute of Accountants (MIA) and Chartered Institute of Management Accountants (CIMA).

MAHB had been ranked second (2nd) position in Score A category under MCG 2010 and received the Distinction Award in the MCG Index 2009 as well as ranked seventh (7th) position (2007:14th and 2006:40th) in the MSWG – Nottingham University Business School (NUBS) CG survey conducted in 2008.

Business Direction

As the Group progresses past the midway point of the 5-year business direction under the “Malaysia Airports – Runway to Success”, the Board consistently and diligently ensures that the Group’s businesses and affairs strictly adhere to the doctrine and principles of good corporate governance. The Board’s fundamental approach in this regard is to ensure that the right executive leadership, transparent business conduct and internal controls are well in place, particularly with the forthcoming opening of the new klia2. With the commitment to enhance sustainable value, the Group is seeing optimistic traffic growth and steady EBITDA performance in line with the 2014 targets, whilst maintaining top quality service levels.

THE BOARD OF DIRECTORS OF MALAYSIA AIRPORTS HOLDINGS BERHAD

The Board

The Board is responsible for the overall governance of the Group by ensuring the strategic guidance and succession plan of the Group, the effective monitoring of management goals, and accountability to the Group and shareholders.

Board Charter

The Board of Directors of MAHB has formally adopted the Board Charter, which provides guidance to the Board in the fulfilment of its roles, duties and responsibilities which are in line with the principles of good corporate governance.

The Board Charter clearly outlines the principles and adoption of best practices on the structures and processes towards achieving the highest governance standards, which include amongst others, the right balance and composition of the Board, the Board's obligations and liabilities, Directors' Code of Ethics, appointment of new directors, roles of the Board, Chairman and Managing Director, remuneration policy and the establishment of Board Committees together with the required mandates and activities.

The Board updates the Board Charter from time to time to reflect changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations. The Board Charter is subject to review periodically.

During the year, there were several changes in the MAHB Board's composition as follows:-

Name	Designation	Remark
Tan Sri Datuk Dr. Aris bin Othman	Non-Independent Non-Executive	Resigned with effect from 6 June 2012
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	Non-Independent Non-Executive	Appointed with effect from 7 June 2012
Chua Kok Ching (Alternate Director to Datuk Seri Long See Wool)	Non-Independent Non-Executive	Appointed with effect from 25 June 2012
Dato' Syed Faisal Albar bin Syed A.R Albar	Non-Independent Non-Executive	Appointed with effect from 5 December 2012
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	Non-Independent Non-Executive	Appointed with effect from 5 December 2012
Hajah Jamilah binti Dato' Hj Hashim	Non-Independent Non-Executive	Resigned with effect from 5 December 2012

Directors' Code of Ethics

The Directors continue to adhere to the Directors' Code of Ethics formulated in the Board Charter, which is based on principles in relation to integrity, sincerity, honesty, responsibility, social responsibility and accountability in order to enhance the standard of corporate governance and behaviour.

The Balance and Composition of the Board

Malaysia Airports' business scope covers domestic and international markets and is consistently faced with political, commercial and technical risks associated with its business ventures. Consequently, particular attention is paid to the composition and balance of the Board to ensure that it has wide experience of the sector and regulatory environment in which Malaysia Airports operates, added with appropriate financial and risk management skills. The Board considers that objectivity and integrity, (as well as the relevant skills, knowledge, experience, mindset and ability, which will assist the Board in strengthening its key functions), are the prerequisites for appointment of new directors on the Board of Malaysia Airports.

The Board currently comprises six (6) Non-Independent Non-Executive Directors, three (3) Independent Non-Executive Directors and one (1) Managing Director, the composition of which is in compliance with paragraph 15.02 of Bursa Malaysia Listing Requirements. The directors' biographies are enclosed from pages 82 to 94 of this Annual Report.

The composition of the Board fairly reflects the interest of the significant shareholders, which is adequately represented by the appointment of their nominee directors without compromising the interest of the minority shareholders. The Independent Directors on the Board act as a caretaker of the minority shareholders and their views carry significant weight in the Board's decision-making process.

The Board regularly reviews the composition of the Board and its Committees to ensure appropriate balance and a good mix of skills and experience. The Board also considers the need to rotate the membership of the Committees amongst the directors, in order for them to gain exposure on the different functions of the Committees.

The Board encourages female candidates to take up board positions. Following the resignation of Puan Hajah Jamilah binti Dato' Hj Hashim on 5 December 2012, the female representation of the Board has been reduced to below the recommended 30%. The Board aims to appoint additional female representation on the Board as soon as practicable in order to reach at least 30% female representation on the Board in the near term.

Senior Independent Non-Executive Director

Given the composition of the Board, in particular the strong and independent presence of the members and the Board as a whole, and the separation of the roles of the Chairman and the Managing Director, the Board does not consider it necessary to nominate a recognised Senior Independent Non-Executive Director, at this juncture.

Moreover, all Independent Directors of the Company are always willing and able to be within reach of the shareholders and thus, a Senior Independent Non-Executive Director to serve as a point of contact for shareholders, is unnecessary at this juncture.

Principal Responsibilities of the Board

The Board members exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied, through compliance with relevant rules and regulations, directives and guidelines in addition

to adopting the best practices in the Code and CG Guide, and act in the best interest of the Group and shareholders.

The principal responsibilities of the Board include formulating, reviewing and adopting an effective strategic planning of the Group, steering the Group in the right direction to achieve its desired goals, overseeing the conduct of the Group's businesses to ensure that the business processes are in place to maintain the highest integrity of the Group's businesses, identifying and managing the risks affecting the Group, reviewing the adequacy and integrity of the Group's system of internal control and ensuring timely and accurate disclosure of material information regarding the financial situation, performance, ownership and governance of the Company. Apart from that, the Board also assumes the responsibility of developing and implementing an investor relations programme or shareholder communications policy for the Group, as well as ensuring that the Group has its own succession planning programme for the senior management of the Group.

The Role of the Board

The Board is responsible to the stakeholders for overseeing and protecting the long-term interests of all through effective management of the Group's businesses. It challenges the views of the Management by undertaking thorough examination of the Group's present and future strategic directions. It is also responsible for ensuring that management maintains and updates its system of internal control that provides satisfactory assurances of its effectiveness and efficiency, in relation to operations, internal financial controls, and compliance with the laws and regulations.

In order to ensure that Directors have sufficient time to focus and fulfil their roles and responsibilities effectively, the Board has adopted a restriction policy on external appointments. The Board is in compliance with the Bursa Malaysia Listing Requirements on the number of directorships in other listed companies.

Independence of Non-Executive Directors

The Board considers all the three (3) Independent Non-Executive Directors, namely Datuk Alias bin Haji Ahmad, Datuk Siti Maslamah binti Osman and

Jeremy bin Nasrulhaq to be independent based on the definition as set out under the Bursa Malaysia Listing Requirements. The Board is satisfied that the three (3) Independent Non-Executive Directors represent the interest of the minority shareholders by virtue of their roles and responsibilities.

The Board reviews the issue of directors' independence on an annual basis and has concluded that each of them continues to demonstrate behaviours that reflect their independence, which are in accordance with the definition under the Bursa Malaysia Listing Requirements therein.

The Board took note of the Code's recommendation on the tenure of an independent director for a cumulative term of 9 years. In consideration of the current crucial and critical stage of the klia2 project development and to ensure smooth transition upon the commencement of klia2 operation, the Board shares the view that Datuk Alias bin Haji Ahmad, being the sole Independent Director in the Board Procurement Committee, should continue office until the completion of the klia2 project, in order to continue to uphold the integrity of the Company's procurement procedures and processes whilst, Datuk Siti Maslamah binti Osman, the Chairman of the Board Audit Committee, has played a crucial role in reviewing and auditing the klia2 project and therefore, she should also continue office until the completion of the klia2 project to ensure continuity in the monitoring and control processes.

The Board therefore, suggested that both Datuk Alias bin Haji Ahmad and Datuk Siti Maslamah binti Osman, who have reached the cumulative term of 9 years by December 2012, should continue to serve as Independent Non-Executive Directors of the Company for another year.

The Roles of the Executive Director and Non-Executive Directors

The Executive Director (i.e. Managing Director) and the Non-Executive Directors have been given clear roles and accountability for intensifying performance management in the Group.

The Executive Director is responsible for the following:-

- (a) Implementation of the overall design of the performance management scheme, particularly developing the strategy, defining the Key Performance Indicators and cascading them through the organisation;
- (b) Review of the performance of the businesses, taking corrective actions and reporting them to the Board; and
- (c) Review of the performance of the Senior Management and delivering meaningful rewards and compensation.

On the other hand, the Non-Executive Directors are responsible for the following:-

- (a) Providing independent judgement on the Group's Strategy and Policies;
- (b) Overseeing that the internal control systems and the risk management processes are appropriate and effective;
- (c) Setting the appropriate targets/objectives and reviewing the performance of the Company and the Executive Director; and
- (d) Setting the right remuneration of the Executive Director, and evaluating the effectiveness of the Company's succession planning programme.

The Board opined that the quality of its directors, each of whom possesses an impeccable background and offers relevant experience, ensures that they are able to challenge and help develop and drive the Group's vision and strategy, scrutinise performance and controls in ensuring that the governance standards are continuously upheld. The Chairman will always ensure that the board's decisions are based on consensus, and any concerns expressed by any director, will accordingly be recorded in the minutes of meetings by the Company Secretary.

The Chairman and Managing Director

The responsibilities and authorities between the Chairman and the Managing Director are clearly separated and defined in order to maintain a balance of power, as outlined below:

Chairman

The Chairman's roles and responsibilities are as follows:-

- (a) Ensure orderly conduct and working of the Board, where healthy debates on issues being deliberated are encouraged to reflect any level of scepticism and independence;
- (b) Ensure that every Board Resolution is put to a vote to ensure that the decision is made collectively and reflects the will of the majority;
- (c) Ensure that the Board agrees on the strategy formulated by the Company and checks on its implementation;
- (d) Exemplify the highest standards of corporate governance practices and ensure that these practices are regularly communicated to the stakeholders;
- (e) Ensure the appropriateness and effectiveness of the succession planning programme at the Board and Senior Management levels;
- (f) Ensure a healthy working relationship with the Managing Director and provide the necessary support and advice as appropriate; and
- (g) Determine the agenda for the Board meetings in consultation with the Managing Director and the Company Secretary and ensure effective time management to allow the Board to have a rich and deep discussion.

Managing Director

The Managing Director's roles and responsibilities are as follows:-

- (a) Implementing the policies and decisions of the Board, overseeing the operation, as well as coordinating the development and implementation of business and corporate strategies;
- (b) Developing and translating the strategies into a set of manageable goals and priorities;
- (c) Setting the overall policy and direction of the business operations, investment and other activities based on effective risk management controls;
- (d) Ensuring that the financial results are accurate and not misleading;
- (e) Ensuring that the financial management practice is carried out at the highest level of integrity and transparency for the benefit of the shareholders;
- (f) Ensuring that the business and affairs of the Company are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- (g) Ensuring that whilst the ultimate objective is to maximise the shareholders return, the social and environmental factors are not being neglected;
- (h) Developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts etc; and
- (i) Providing the leadership and represent the Company with major customers and industry organisations together with the involvement of the Chairman.

Furthermore, the responsibilities and authorities between the Chairman and the Managing Director are also clearly outlined in the Board Charter.

Induction and Continuous Professional Development

All newly-appointed directors have undergone a comprehensive induction programme arranged by the Company Secretary, tailored to their individual requirements, comprising, briefings by the Senior Management, training on Directors' duties and responsibilities, and visits to the airports. The training is normally initiated within the first six months period following the Director's appointment.

All the directors have attended and successfully completed the Mandatory Accreditation Programme as required by the Bursa Malaysia Listing Requirements. In this context, the listing requirements also prescribed that the onus is on the Board of Directors to determine and oversee the training needs of its members, whereby they should be encouraged to attend talks, seminars and training programmes to enhance their skills and knowledge, and to keep abreast with new developments within the business environment.

The Board of Directors of MAHB had attended various training programmes during the financial year 2012. The training programmes attended by the Directors are as follows:

- (a) "Competition Law Effective Awareness: Aims and Objectives" by Messrs Azmi & Associates;
- (b) Risk Management Conference: Managing Risks is Everyone's Responsibility – The Journey Continues;
- (c) Talk on Guerrilla Marketing with Social Media by Orvel Ray Wilson of Guerrilla Sales Speaker;
- (d) Sesi Warga GLC Bersama YAB Perdana Menteri: Memacu Transformasi Negara;
- (e) International Directors' Summit 2012: Awakening the Corporate Entrepreneurship for High Income Economy by Malaysian Directors Academy ("MINDA");

- (f) Bursa Malaysia's Half Day Governance Programme: Governance, Risk Management and Compliance: "What Directors Should Know";
- (g) Luncheon Talk on "Growth through Innovation" co-hosted by MINDA, Khazanah Nasional Berhad and GE International Inc.;
- (h) Luncheon Talk on "Building A Winning Team: How Cruyff Changed the Game" co-hosted by MINDA and Khazanah Nasional Berhad;
- (i) Women Directors Onboarding Training Programme by NAM Institute for the Empowerment of Women ("NIEW"), Ministry of Women, Family and Community Development; and
- (j) Board Retreat Programme: Updates on 5 years Business Plan.

The Board members are continuously updated with the latest information on issues related to governance, risk management, board performance and sustainability. In addition, the Board members also strive to develop their understanding of the business through regular airport visits and in-depth presentations on topical issues.

Board Performance Evaluation

The Board performance evaluation framework and processes in MAHB have been developed and adopted in accordance with the principles as enunciated in the Green Book and the Code.

The annual performance evaluation of the Board was primarily based on the answers to a detailed questionnaire. The questionnaire covers topics that include, amongst others, the roles and responsibilities and influence of the Board, Board structure, independence of the independent director, conduct of Board/Board Committees meetings, decision-making and output etc. Similar topics were covered in respect of the questionnaire for each of the Board Committees. Thereafter, the results of these questionnaires, were documented, and collectively formed the basis of a report to be tabled at the Board Nomination & Remuneration Committee Meeting, subsequently for onward submission to the Board of Directors' Meeting for deliberation thereof, whereby the Board had

evaluated their performance and formulate a “moving forward initiatives”, to enhance the effectiveness of the Board.

The Board is passionate about conducting such performance evaluation, as this enables the Board performance to be properly gauged. At this juncture, the recommendation to conduct a one-on-one session between the Directors and the Chairman (as practised by the UK Public Listed Companies) would be considered at an appropriate time, at a later stage to come.

Whistleblowing Programme

In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, whilst at the same time being an entity that serves the interest of the nation, the Company has instituted the whistleblowing programme which acts as a formal internal communication channel, where the staff can communicate concerns in cases where the Company’s business conduct is deemed to be contrary to the Company’s common values. The categories of concern may cover the following:-

- (a) Commission of fraud, bribery and/or corruption;
- (b) Unauthorised use of Company’s money, properties and/or facilities;
- (c) Exposure of Company’s properties, facilities and/or staff to the risks of safety and security;
- (d) Abuse of position;
- (e) Involvement in unlawful act;
- (f) Failure to meet Professional Standards;
- (g) Negligence/malpractice;
- (h) Disclosure of Company’s information without proper authorisation; and
- (i) Breach of Code of Ethics.

All concerns should be addressed to the Whistleblowing Independent Committee (“WIC”). During the year, the Board Audit Committee was tasked with overseeing the WIC, whereby an independent member of the Board Audit Committee shall be the Chairman of WIC. Pursuant thereof, Encik Jeremy bin Nasrulhaq was appointed as the Chairman of WIC with effect from 1 January 2013 to promote transparency and independence.

The WIC will assess all concerns reported and act accordingly in accordance to its terms of reference. Subsequently, the WIC will submit a report to the Board Audit Committee on a quarterly basis. All details pertaining to the name and position of the whistleblower will be kept strictly confidential throughout the investigation proceedings.

During the year, a total of eleven (11) concerns were reported, which cover broad areas of concerns as mentioned above, and where appropriate, actions have been taken to address the issues raised.

Meetings and Attendances

The Board requires all members to devote sufficient time to the working of the Board, to effectively discharge their duties as the directors of Malaysia Airports, and to use their best endeavours to attend meetings. The Chairman will be notified before the members accept any new directorship.

The Board meetings as well as Board Committee meetings are scheduled in advance before the end of each financial year so as to enable the Directors to plan accordingly and fit the year’s meetings into their schedules. Special Board meetings may be convened to consider urgent proposals or matters that require expeditious decision or deliberation by the Board.

The Board is scheduled to meet once a month with additional meetings convened, as and when deemed necessary. During the year 2012, fourteen (14) Board meetings were held, of which two (2) were Special Board meetings. All the directors had proportionately attended more than 50% of the Board meetings held for the financial year 2012, in compliance with the Bursa Malaysia Listing Requirements.

The following table sets out the number of Board meetings held during the financial year 2012 and the attendance of respective Directors. Directors who were unable to attend the Board meetings would review the relevant Board papers and thereafter convey their comments to the Chairman

or the Company Secretary prior to the proceeding of the meetings. Alternatively, the alternate director will attend the meetings on behalf of the principal director.

Directors	Number of Board Meetings attended/held (during the Directors' tenure)	Percentage
Non-Independent Non-Executive		
Tan Sri Datuk Dr. Aris bin Othman ¹	5 out of 5	100%
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah ²	9 out of 9	100%
Datuk Seri Long See Wool	9 out of 14	64%
Hajah Jamilah binti Dato' Hj Hashim ³	12 out of 13	92%
Mohd Izani bin Ghani	11 out of 14	79%
Eshah binti Meor Suleiman	14 out of 14	100%
Dato' Syed Faisal Albar bin Syed A.R Albar ⁴	1 out of 1	100%
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin ⁴	1 out of 1	100%
Chua Kok Ching (Alternate Director to Datuk Seri Long See Wool)	5 out of 5	100%
Norazura binti Tadzim (Alternate Director to Eshah binti Meor Suleiman)	–	–
Independent Non-Executive		
Datuk Siti Maslamah binti Osman	14 out of 14	100%
Datuk Alias bin Haji Ahmad	13 out of 14	93%
Jeremy bin Nasrulhaq	14 out of 14	100%
Non-Independent Executive		
Tan Sri Bashir Ahmad bin Abdul Majid	14 out of 14	100%

Notes:-

¹ Resigned as Director with effect from 6 June 2012

² Appointed as Director with effect from 7 June 2012

³ Resigned as Director with effect from 5 December 2012

⁴ Appointed as Directors with effect from 5 December 2012

Non-attendance at the Board and Committee meetings is an exception, normally where directors have prior commitment, or in the case of newly-appointed directors, if there is a clash with a meeting which had been scheduled earlier and could not be re-arranged.

Matters Reserved to the Board

The Board has a formal schedule of matters specifically reserved to it. These reserved matters include the following:-

- (a) Approval of the overall strategy, vision, values, and governance framework of the Group;
- (b) Approval of the Company's Annual Report and Quarterly Financial Statements;
- (c) Approval of any interim dividend, recommendation of the final dividend and the Company's dividend policy;
- (d) Approval of the Group's annual budget and amendments to that budget in relation to the amount, borrowing and security, acquisitions and disposals of tangible/non-tangible assets, and capital expenditure over a specified amount;
- (e) Approval of the Company's long term financial plan and the annual capital expenditure programme;
- (f) Approval of any significant change in the accounting policies and practices;
- (g) Approval of all circulars, resolutions and corresponding documentation sent to the stakeholders;
- (h) Approval of changes in the capital structure of the Company with regard to issuance or allotment of shares or other securities, or its status as a public listed company;
- (i) Appointment, re-appointment or removal of the Directors and the recommendation for their election or re-election for the consideration of the shareholders, pursuant to the Company's Articles of Association;
- (j) Appointment or removal of the company secretary;
- (k) Recommendation to shareholders for the appointment, re-appointment or removal of the external auditors;

- (l) Approval of the division of responsibilities between the Chairman and Managing Director; and
- (m) Approval for the establishment of the Board Committees, their terms of reference (i.e. membership and financial authority), reviewing their activities and, where appropriate, ratifying their decisions.

Quality of Information

The Chairman takes responsibility for ensuring that the Directors receive accurate, timely and clear information with regard to the Group's financial and operational performance, to enable the Board to make sound decision and provide the necessary advice, with all Board and Committee papers being issued in advance prior to the scheduled meetings. The Company Secretary will assist the Chairman to ensure that the process of disseminating the information is effective and reliable.

Under the current practice, Notices pertaining to all Board meetings are issued to the directors, at least 14 days from the date of the meeting, whilst the notices of the Board Committee meetings are circulated to the Committee members and all those invited to attend the meeting, at least 7 days before each meeting. The agenda and the board papers are circulated within 7 days from the date of the meeting. Furthermore, in order to provide an in-depth discussion of the respective matters within a reasonable and sufficient time, the Managing Director, together with the Chairman would decide on the agenda and accordingly structure and prioritise the respective matters based on their relevancy and importance. Confidential papers or urgent proposals are presented and tabled at the Board meetings under special agenda.

The format and structure of the Board papers are in such a way that they contain the right amount of details and are clear and concise. Furthermore, an executive summary to the Board papers will be prepared to enable the directors to comprehend on the subject matters within the first few minutes of reading. The minutes of each Board meeting are circulated together with the Board papers to all Directors for their perusal before confirmation of the minutes.

The summary of the minutes of meetings is also enclosed to ensure that decisions, requests and requirements were recorded accurately and could be tracked and monitored upfront for clarity and ease of reference, as well as for the Board's comfort that actions are being followed up. The Board may, if required, and in the best interest of time, refrain from considering any last minute agenda items during the proceedings of the Board meetings, unless the matter is of genuine and exceptional circumstances.

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Company. An interested Director will abstain from deliberations and decisions of the Board on the transaction. In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting on the resolutions relating to the corporate proposals, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

Access to Information and Advice

The directors have full and unrestricted access to all information pertaining to the Group's businesses and affairs to enable them to discharge their duties. They also have full and unrestricted access to the advice and services of the Senior Management and the Company Secretary of the Group.

Company Secretary

Sabarina Laila binti Dato' Mohd Hashim, the Company Secretary for the Group, is responsible for advising the Board on issues relating to compliance with laws, rules, procedures and regulations affecting the Group, as well as the principles of best corporate governance practices. The Company Secretary is also responsible for advising the directors of their obligations and adherence to matters pertaining to disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

Apart from playing an active role as the advisor to the directors, the duties of the Company Secretary also include, amongst others, attending all Board and Board Committee meetings, ensuring that the proceedings of Board meetings and decisions made thereof, are accurately and sufficiently recorded, and properly kept for the purposes of meeting statutory obligations, as well as obligations arising from Bursa Malaysia Listing Requirements or other regulatory requirements, communicating the decisions of the Board for Management's attention and further action, ensuring all appointments and resignation of directors are in accordance with the relevant legislations, the Board Performance Assessment are properly executed, the Board succession planning programme is put in place, review of Board Charter periodically, handling company share transactions, such as issuance of new shares, arranging for payment of dividends, ensuring that Board initiatives are achieved, liaising with external auditors, lawyers, tax advisors, bankers and shareholders as well as to promote high standard of corporate governance.

Independent Professional Advice

The Board allows the directors, in furtherance of their duties, to obtain independent professional advice from external consultants, at the Company's expenses. Copies of any reports, advice and recommendations provided by the independent professional adviser to a respective director, would be forwarded by the said director to the Company Secretary, who will, where appropriate, circulate them to other directors to ensure that they are kept informed of pertinent issues, which may have an impact on the Group's sustainability. However, there was no such advice sought by any director during the year.

Appointment to the Board

There is a formal procedure for the appointment of new directors to the Board, the primary responsibility of which is delegated to the Board Nomination & Remuneration Committee ("BNRC"), with the membership comprising exclusively, non-executive directors, the majority of whom are independent. This composition of only non-executive directors in the Committee ensures that any decisions made are impartial and in the best interest of the Group, without any element of fear or favour.

The BNRC is responsible for identifying and determining clear criteria for the selection and appointment of new directors. The BNRC is also responsible for the review, evaluation and recommendation of suitable candidates for appointment as directors based on criteria set and on the needs of the Board and the present composition of the Board, pertaining to balance of skills, knowledge and experience of the Board and future strategic direction. The BNRC is also responsible for assessing and ensuring, amongst others, that the candidate possesses technical competencies, a strong sense of professionalism and integrity, organisational and strategic awareness, and the ability to add value, as well as adherence to the highest standards of business conduct. The potential candidates, upon such review and evaluation, will be recommended to the Board for appointment.

The BNRC is also responsible for evaluating the findings of the Board Performance Evaluation for the Board and the relevant Board Committees. Each Director's ability and capability will be individually self assessed by them, and any weaknesses identified will be discussed, and thereafter a plan will be formulated to address the gap.

The BNRC, upon analysing the result of the annual Board Performance Evaluation, is satisfied that the size of the Board is sufficiently appropriate and that there is a good mix of knowledge, skills, attributes and core competencies in the composition of the Board. The BNRC is also satisfied that all the Board members are suitably qualified to maintain their positions as Directors of the Board and members of the Committees in view of their respective academic and professional qualifications, experience and qualities.

Re-election of Directors

All directors, including the Managing Director, are subject to re-election by the shareholders at their first opportunity after their appointment, and are subject to re-election at least once every three (3) years, in accordance with Articles 129, 131 and 132 of the Company's Articles of Association. The re-election of directors at a regular interval not only promotes the creation of an effective Board, but also present the shareholders with the opportunity to gauge the performance of the directors.

The retiring directors who are seeking re-election would be subjected to performance assessment carried out by the BNRC, which would then submit its recommendations to the Board for deliberation and approval. The Board would endorse a director for re-election if his or her performance is considered as satisfactory and meet the expected roles and responsibilities.

At the Fourteenth Annual General Meeting, Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah, Dato' Syed Faisal bin Syed A.R Albar and Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin will stand for re-election in accordance with Article 129, whilst Datuk Alias bin Haji Ahmad and Jeremy bin Nasrulhaq shall retire in accordance with Article 131 of the Company's Articles of Association and being eligible, have offered themselves for re-election.

The Board has determined that the performance of the above directors who are subject to re-election, have continued to exemplify and demonstrate the highest commitment towards strengthening the effectiveness of the governance framework. Hence, the Board unanimously recommend that the shareholders vote in favour of the re-election of the above directors at the Company's Fourteenth Annual General Meeting.

Directors over the age of seventy years old are also required to submit themselves for re-appointment annually, in accordance with Section 129 (6) of the Companies Act, 1965. Currently, the Company has no Directors who have reached the above stipulated age.

DIRECTORS' REMUNERATION

The BNRC is responsible for the review, assessment and recommendation to the Board of Directors, the appropriate remuneration packages for the Directors, Managing Director, and to deliberate the remuneration package for the Senior Management of the Group. The component parts of the remuneration are structured as such, so as to link rewards to corporate and individual performance, in line with the "Enhancing Business and Performance Management" Programme developed by the Group with the assistance and in consultation with the external consultants.

The Managing Director's remuneration comprises basic salary and other customary benefits which are competitive that reflect his performance for the year, whilst the non-executive directors' remuneration package, comprises fees and allowances, which reflect the individual's roles and responsibilities. The calibre of the non-executive directors serving the Company is essential in upholding the standards of Corporate Governance. The Board remuneration structure is reviewed by benchmarking the Chairman and the directors' remuneration against peer companies,

locally and regionally. The Board hopes the alignment of the remuneration package offered to the non-executive directors of the Company will continue to attract and retain directors of such calibre to provide the necessary skills and experiences required for the effective management and operations of the Group. During the year, the meeting allowance for respective meeting has been revised to reflect the increase in Directors' responsibilities and liabilities and to align their total remuneration to other public listed companies.

The Chairman and Non-Executive Directors received the following fees in respect of the financial year 2012:-

	Fee	Chairman	Non-Executive Director
1.	Directors' Fee	RM10,000/month	RM3,000/month
2.	Meeting Allowance		
2.1	- Board Meeting	RM2,000/meeting <i>(from January to July 2012)</i>	RM1,500/meeting <i>(from January to July 2012)</i>
		RM5,000/meeting <i>(from August to December 2012)</i>	RM3,000/meeting <i>(from August to December 2012)</i>
2.2	- Board Committee Meeting	RM1,000/meeting <i>(from January to July 2012)</i>	RM500/meeting <i>(from January to July 2012)</i>
		RM4,000/meeting <i>(from August to December 2012)</i>	RM2,000/meeting <i>(from August to December 2012)</i>
2.3	- Subsidiary Meeting	RM1,500/meeting	RM1,000/meeting

The details of the total remuneration of directors for the financial year 2012 are as summarised below:-

Category	Salary, Bonus and Other Emoluments (RM)	Directors' Fees (RM)	Directors' Other Emoluments (RM)	Benefits in Kind (RM)	Total (RM)
Non-Executive Directors					
Tan Sri Datuk Dr. Aris bin Othman	–	52,000	26,500	6,667	85,167
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	–	83,600	69,000	187,000	339,600
Datuk Seri Long See Wool	–	36,000	26,500	–	62,500
Chua Kok Ching (Alternate Director to Datuk Seri Long See Wool)	–	–	16,500	–	16,500
Hajah Jamilah binti Dato' Hj Hashim	–	**36,000	**34,000	–	**70,000
Mohd Izani bin Ghani	–	**36,000	**37,000	–	**73,000
Eshah binti Meor Suleiman	–	36,000	42,500	–	78,500
Norazura binti Tadzim (Alternate Director to Eshah binti Meor Suleiman)	–	–	5,000	–	5,000
Dato' Syed Faisal Albar bin Syed A.R Albar	–	–	–	–	–
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	–	–	–	–	–
Datuk Siti Maslamah binti Osman	–	36,000	51,500	–	87,500
Datuk Alias bin Haji Ahmad	–	36,000	60,500	–	96,500
Jeremy bin Nasrulhaq	–	36,000	50,000	–	86,000
Total	–	387,600	419,000	193,667	1,000,267
Executive Director*					
Tan Sri Bashir Ahmad bin Abdul Majid	1,462,317	–	–	16,889	1,479,206
Total	1,462,317	–	–	16,889	1,479,206
Grand Total	1,462,317	387,600	419,000	210,556	2,479,473

* Being the Managing Director

** The amount of fee paid to Khazanah Nasional Berhad, the immediate holding company, in respect of services rendered to the Company by Hajah Jamilah binti Dato' Hj Hashim and Mohd Izani bin Ghani.

The number of directors of the Company whose total remuneration falls within the specified bands during the financial year 2012 is tabulated, as follows:-

	Number of Directors	
	2012	2011
Executive Director:		
RM1,000,001 – RM1,050,000	–	–
RM1,050,001 – RM1,100,000	–	–
RM1,100,001 – RM1,150,000	–	–
RM1,150,001 – RM1,200,000	–	–
RM1,200,001 – RM1,250,000	–	–
RM1,250,001 – RM1,300,000	–	1
RM1,300,001 – RM1,350,000	–	–
RM1,350,001 – RM1,400,000	–	–
RM1,400,001 – RM1,450,000	–	–
RM1,450,001 – RM1,500,000	1	–
Non-Executive Director:		
Less than RM50,000	2	7
RM50,001 – RM100,000	8	5
RM100,001 – RM150,000	–	–
RM150,001 – RM200,000	–	1
RM200,001 – RM250,000	–	–
RM250,001 – RM300,000	–	–
RM300,001 – RM350,000	1	–

Board Committees

The Board of Directors delegates certain of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of reference, to assist the Board in discharging its responsibilities:-

Board Committee	Key Functions
Board Audit Committee (“BAC”)	Review and evaluate performance of External Auditors and Internal Audit Division in ensuring efficiency and effectiveness of the Company’s operations, adequacy of internal control system, compliance to established policies and procedures, transparency in decision-making process and accountability of financial and management information.
Board Nomination & Remuneration Committee (“BNRC”)	Review, assess and recommend to the Board of Directors, remuneration packages of the Executive Director and senior management as well as to determine criteria for Board/ Board Committees’ membership, structure, responsibilities and effectiveness, and to formulate/ review policies and procedures on human resource matters with regard to recruitment, appointment, promotion and transfer of senior management.
Board Finance and Investment Committee (“BF&IC”)	Review and monitor the financial performance of the Group, including the budgets, and monitor investment policy and portfolio of the Group.
Board Risk Management Committee (“BRMC”)	Formulate the overall risk management, occupational safety and health, ICAO safety management system and information security strategy of the Group and recommend for approval and/or approve (whenever applicable) any major risk financing decisions by the Group.
Board Procurement Committee (“BPC”)	Approve procurement value above RM5 million up to RM200 million, review and approve procurement policies and procedures, oversee and monitor the overall implementation of the Red Book, ensuring efficiency and effectiveness of procurement process, and support of national development objectives.

The Chairman and members of each Board Committee shall be appointed by the Board. As a matter of good practice, the Chairmen of the various Board Committees will report the outcome of the Board Committee Meetings to the Board, and such reports and also the minutes of Committee meetings would be noted in the minutes of the Board meetings.

The Special Board Procurement Committee (“SBPC”) was formed to expedite the deliberation of all procurement matters pertaining to the construction of klia2 project. The minutes of SBPC meetings would also be noted in the minutes of the Board meetings.

The composition of the Board Committees and the attendance of members at Board Committee meetings held during the financial year 2012 are detailed below:

Composition of the Board Committees

Director	BAC	BNRC	BF&IC	BRMC	BPC	SBPC
Non-Independent Non-Executive						
Tan Sri Datuk Dr. Aris bin Othman ¹			C	C	C	C
Tan Sri Dato’ Sri Dr. Wan Abdul Aziz bin Wan Abdullah ²			C	C	C	C
Datuk Seri Long See Wool				M	M	M
Hajah Jamilah binti Dato’ Hj Hashim ³		M		M		
Mohd Izani bin Ghani ⁴	M	M	M			
Eshah binti Meor Suleiman		M			M	M
Dato’ Syed Faisal Albar bin Syed A.R Albar ⁵	M			M		
Independent Non-Executive						
Datuk Siti Maslamah binti Osman	C	M	M			
Datuk Alias bin Haji Ahmad	M	C		M	M	M
Jeremy bin Nasrulhaq	M	M	M			

Attendance at the Board Committee Meetings

Director	BAC	BNRC	BF&IC	BRMC	BPC	SBPC
Non-Independent Non-Executive						
Tan Sri Datuk Dr. Aris bin Othman ¹			2/2	2/2	4/4	4/4
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah ²			2/2	1/1	4/4	6/6
Datuk Seri Long See Wool				2/3	5/8	6/10
Chua Kok Ching (Alternate Director to Datuk Seri Long See Wool)					2/2	4/4
Hajah Jamilah binti Dato' Hj Hashim ³		6/6		2/2		
Mohd Izani bin Ghani ⁴	7/7		4/4			
Eshah binti Meor Suleiman		6/6			3/8	4/10
Norazura binti Tadzim (Alternate Director to Eshah binti Meor Suleiman)					3/3	4/4
Dato' Syed Faisal Albar bin Syed A.R Albar ⁵				1/1		
Independent Non-Executive						
Datuk Siti Maslamah binti Osman	7/7	6/6	4/4			
Datuk Alias bin Haji Ahmad	7/7	6/6		3/3	7/8	9/10
Jeremy bin Nasrulhaq	7/7	6/6	4/4			

Notes:-

- ¹ Ceased as Chairman of the Board Finance & Investment Committee, Board Risk Management Committee and Board Procurement Committee with effect from 6 June 2012
- ² Appointed as Chairman of the Board Finance & Investment Committee, Board Risk Management Committee and Board Procurement Committee with effect from 7 June 2012
- ³ Ceased as a member of the Board Nomination & Remuneration Committee and Board Risk Management Committee with effect from 5 December 2012
- ⁴ Resigned as a member of the Board Audit Committee and appointed as a member of Board Nomination & Remuneration Committee with effect from 18 December 2012
- ⁵ Appointed as a member of the Board Risk Management Committee with effect from 5 December 2012 and appointed as a member of Board Audit Committee with effect from 18 December 2012

Terms of Reference

The salient terms of reference of the Board Committees are as follows:

Board Audit Committee (“Audit Committee”)

The Audit Committee comprises no fewer than four (4) members, all of whom are non-executive directors with majority being independent directors. At least one (1) member must be a member of the Malaysian Institute of Accountants, or he/she complies with the requirement of paragraph 15.09 (1)(c) of the Bursa Malaysia Listing Requirements.

The terms of reference and summary of activities carried out by the Audit Committee are set out under the Audit Committee Report from pages 184 to 186 of this Annual Report.

The Audit Committee meets at least six (6) times during the financial year to carry out its functions. The Audit Committee is also responsible for recommending the person(s) to be nominated as the external auditor and the remuneration and terms of engagement of the external auditor.

The Audit Committee will also review its terms of reference at least once in every two (2) years to assess its relevancy and clarity.

Board Nomination & Remuneration Committee (“BNRC”)

The BNRC shall have at least 3 members, all of whom shall be non-executive directors with the majority being independent directors. The Chairman and the members of the BNRC shall be appointed by the Board. The Committee’s main responsibilities and such other responsibilities as may be determined by the Board include, amongst others, the following:

Nomination

- (a) To determine the criteria for Board membership, including qualities, experience, skills, expertise, education background and qualifications, competencies, integrity, contribution, level of commitment in terms of time and other qualities that will best qualify a nominee to serve on the Board;
- (b) To review annually and recommend to the Board with regard to the structure, size, tenure, directorships, balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which the Directors should bring to the Board and other qualities to function effectively and efficiently;
- (c) To consider, review, evaluate and recommend to the Board any new Board appointment, whether of executive or non-executive position, to fill board vacancies as and when they arise. The BNRC shall recommend to the Board with regard to the candidate for directorship, based on the following:-
 - Size, composition, mix of skills, experience, competency and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and Group;
 - Gender diversity targets in the boardroom; and
 - In the case of an Independent Director, the independence of the Director in bringing independent and objective judgment to the board deliberation.

- (d) To propose to the Board the responsibilities of the Directors, including membership and chairmanship of the Board Committees;
- (e) To evaluate and recommend the appointment, promotion, transfer and dismissal of Executive Director and Senior Management;
- (f) To implement Board Performance Evaluation on an annual basis for evaluating:-
- The effectiveness of the Committees of the Board;
 - The effectiveness of the Board as a whole; and
 - The independence of the Independent Directors, particularly when there is any new interests or relationships surface.
- (g) To review the results of the Board Performance Evaluation and recommends to the Board the initiatives/improvements moving forward, to enhance the effectiveness of the Board;
- (h) To recommend to the Board:-
- Whether Directors who are retiring by rotation should be put forward for re-election; and
 - Termination of membership of individual Directors in accordance with policies for cause or other appropriate reasons.
- (i) To establish appropriate framework and plans for succession at Board level to ensure that the Board is comprised of directors with the skills and experience relevant to the Company's strategic direction and objectives;
- (j) To provide for adequate training and induction of new Directors with respect to the business, structure and management of the Group, as well as the expectations of the Board with regard to the time devoted to attend meetings and their contribution to the Board and Group;
- (k) To review and set policies and procedures on human resources matters pertaining to Senior Management;
- (l) To review and determine the level and make-up of Senior Management;
- (m) To develop policies and recommend appropriate proposals to facilitate the recruitment and retention of Senior Management, as well as a development programme for Senior Management;
- (n) To recommend to the Board of Directors to review and approve the appointment and promotion of Senior Management as well as the extension and termination of service/contract and renewal of contract of Senior Management;
- (o) To review and consider the directorships of Senior Management on the Board of subsidiaries of MAHB; and
- (p) To review and recommend the succession planning for Senior Management.

Remuneration

- (a) To review and recommend to the Board, the Directors' fees, allowances and other fringe benefits to be accorded to the Directors in accordance with the contribution and level of responsibilities undertaken by the Board of Directors;
- (b) To establish and recommend to the Board, the remuneration structure and policy for Executive Director and Senior Management including the terms of employment or contract of employment/service, benefits, pension or incentive scheme entitlement; bonuses, fees and expenses and any compensation payable on the termination of the service contract by the Company and/or Group and to review changes to the policy, as necessary;
- (c) To review Executive Director and Senior Management's goals and objectives and to assess their performance against these objectives as well as contribution to the corporate strategy;

- (d) To ensure that a strong link is maintained between the level of remuneration and individual performance against the performance of the Group and the achievement of the organisation targets; the performance-related elements of remuneration setting forms a significant proportion of the total remuneration package of Executive Director;
- (e) To establish and review the scheme of service for Senior Management;
- (f) To review and recommend the general remuneration policies and practices for Senior Management; and
- (g) To recommend to the Board of Directors suitable short and long term policies of having performance-related incentive schemes for Senior Management, where appropriate.

The BNRC will consider other matters as referred by the Board to them.

The BNRC will also review its Terms of Reference at least once in every two (2) years to assess its relevancy and clarity.

Summary of activities undertaken by BNRC during the financial year

The BNRC carried its duties and responsibilities in accordance with its TOR. During the year, the main activities undertaken by the BNRC were, amongst others, as follows:

- Reviewed the Corporate Scorecard achievement and the performance of the Senior Management;
- Reviewed the Terms of Reference of BNRC;
- Reviewed the findings of Board Performance Assessment and determined Board initiatives;
- Reviewed the terms and conditions of service of the Managing Director;
- Reviewed the terms and conditions of the new Chairman;
- Reviewed and evaluated the appointment of new Directors;

- Reviewed and evaluated the curriculum vitae of potential candidates for future appointment as directors;
- Reviewed Director's fees, allowances and benefits;
- Reviewed the composition of the Board Committees;
- Reviewed the independence of independent directors and their tenure;
- Reviewed talent assessment and salary structure of Senior Management;
- Reviewed the renewal of the employment contract of Senior Management;
- Reviewed the commission scheme for subsidiary company;
- Reviewed the appointment of new General Managers;
- Reviewed the succession plan for Senior Management;
- Reviewed the appointment of Senior Management on the boards of subsidiaries and associate companies;
- Reviewed procedure for recruitment of Senior Management; and
- Reviewed the selection criteria for appointment of new directors.

Board Finance & Investment Committee ("Finance & Investment Committee")

The Finance & Investment Committee comprises at least four (4) members and at least one (1) member must be a member of the Malaysian Institute of Accountants or fulfils the requirements which are more particularly set out in the Committee's Terms of Reference.

The Chairman of the Company shall be the Chairman of the Finance & Investment Committee. The Finance & Investment Committee will conduct its meeting at least once every quarter or four (4) meetings per annum, and to convene additional meetings as and when necessary.

The functions and duties of the Finance & Investment Committee are to:

- (a) Review the annual business plans and budgets and any supplementary budgets and recommend them to the Board for approval;
- (b) Review and monitor the financial position and performance of the MAHB Group on a quarterly basis;

- (c) Review and monitor the financial investment policy and financial investment portfolios of the MAHB Group;
- (d) Review, evaluate and assess prospective investments/divestments, new businesses, projects and overseas ventures, taking into account factors such as strategic rationale, return on investment and resource requirements of those prospects, and make appropriate recommendations to the Board;
- (e) Review and monitor the progress of all capital projects against the approved project schedule and budget the source to ensure completeness of all project deliverables within schedule and budget. Capital projects include construction of new airports, land development projects and any other expansion projects for domestic and foreign airports;
- (f) Review and monitor the performance of overseas ventures;
- (g) Review group Financial Limit of Authority (FLOA) and recommend it to the Board for their approval;
- (h) Consider other duties as directed by the Board; and
- (i) Oversee current and future capital and financial resource requirements.

The Finance & Investment Committee will also review its Terms of Reference at least once every two (2) years to assess its relevancy and clarity.

Board Risk Management Committee (“Risk Management Committee”)

The Risk Management Committee comprises at least four (4) members, made up of independent non-executive directors and non-independent non-executive directors. The members of the Risk Management Committee are appointed by the Board.

The responsibilities of the Risk Management Committee are to, inter alia:

- (a) Approve the overall Risk Management, Occupational Safety and Health (OSH), ICAO Safety Management System (SMS) and Information Security policies and strategies;
- (b) Oversee senior management’s responsibilities in managing risks including information security risks and safety to ensure that the risk management process is in place and functioning;
- (c) Review major risk and safety strategies, policies and risk tolerance standards proposed or to be proposed to the Board and to opine or make recommendations to the Board;
- (d) Review risk management, OSH, Safety and Information Security activities to ensure that all risks are taken into account in business plans and strategies;
- (e) Review the Corporate Risk Profile and understand the significant risks that affect the achievement of company’s objectives and ensure the implementation of appropriate systems to manage these risks;
- (f) Oversee the adequacy of resources for implementation of risk management and safety strategies, activities and initiatives; and
- (g) Ensure a risk management statement is included in the annual report confirming that risks are being identified, evaluated/assessed and that appropriate Management Action Plans are in place to manage and mitigate those risks effectively.

The Risk Management Committee will also review its Terms of Reference at least once every two (2) years to assess its relevancy and clarity.

Board Procurement Committee (“Procurement Committee”)

The Procurement Committee comprises at least three (3) members, made up of both independent non-executive directors and non-independent non-executive directors. The members of the Procurement Committee are appointed by the Board.

The general functions of the Procurement Committee are to:

- (a) Ensure that the project and tender documents comply with prescribed procurement policies and procedures;
- (b) Determine the tender evaluation criteria;
- (c) Approve the selective tendering method and the list of selected tenderers for procurement values above RM10 million;
- (d) Recommend to the Board on award of tender above RM200 million;
- (e) Approve procurement exercises for value of RM5 million to RM200 million;
- (f) Approve the proposed earnings from rental space, commercial activities for value of RM5 million to RM50 million per contract and its related issues such as reduction and discounts of rental rates arising out of business transactions of MAHB Group and its subsidiary companies. For value above RM50 million, to recommend to the Board;
- (g) Approve variation orders (VO) more than 10% of the contract sum of above RM10 million to RM150 million and up to 10% of the contract sum of above RM150 million;
- (h) Approve extension of time (EOT) for projects approved by Procurement Committee;
- (i) Approve procurement for wholly owned and majority owned subsidiary companies for a value more than RM5 million and up to RM50 million. Above RM50 million, Procurement Committee to recommend to the Board for approval;
- (j) Approve appointment of consultants/specialists for the amount of Professional Fees of value more than RM1 million and up to RM10 million. For Professional Fees of value more than RM10 million, Procurement Committee to recommend to the Board for approval;
- (k) Appoint sub-committees for technical and commercial evaluations when necessary;
- (l) Review and approve procurement policies and procedures, including the anti-corruption policy and codes of conduct; and
- (m) Oversee and monitor the overall implementation of the Red Book objectives, ensuring efficiency and effectiveness of procurement process, and support of national development objectives.

The Procurement Committee will also review its Terms of Reference at least once every two (2) years to assess its relevancy and clarity.

SHAREHOLDERS

Relations with Major Shareholders and Stakeholders

The Stakeholder Management Committee, led by the Managing Director and the Chief Financial Officer of the Company and including, where appropriate, other members of senior management, will regularly hold meetings with the Company’s major shareholders, namely Khazanah Nasional Berhad and its major stakeholders (which involve, the Ministry of Finance, Ministry of Transport, and Airlines, amongst others) to discuss the company’s strategy, financial performance and specific major investment activities.

Relations with Institutional Shareholders

The investor relations team is responsible for managing the day-to-day communications with institutional shareholders through briefings to fund managers, institutional investors and investment analysts, normally held after the release of the Group's quarterly results to Bursa Malaysia. Press conferences are also held to brief the members of the media, and to highlight any significant events undertaken by the Group. All non-executive directors have always been invited to the briefings, should they wish to.

Relations with Private Shareholders

Each year, shareholders will receive the annual report of the Company. The shareholders can also access up-to-date information on the Group's latest activities such as financial performance, group background and future events throughout the year on the Company's official website at www.malaysiaairports.com.my, which has since been revamped with a new outlook to satisfy the discerning taste of our shareholders.

The Board acknowledges the importance of shareholders to be informed in prompt and timely manner of all material business matters affecting the Company. All announcements of quarterly financial results, change in the composition of the Board, etc are disclosed to Bursa Malaysia within statutory timelines, with clear, accurate and sufficient information to enable shareholders and investors to make informed decisions. Likewise, all formal queries by Bursa Malaysia and other regulatory authorities are expeditiously responded to.

Related Party Transactions

The Group has established appropriate procedures to ensure it complies with Bursa Malaysia Listing Requirements with regard to related party transactions.

The Group did not seek any mandate of its shareholders pertaining to related party transactions during the financial year under review.

Investor Relations

MAHB recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. Our Investor Relations Policy aims to build long-term relationships with our shareholders and potential investors through appropriate channels for the management and disclosure of information. We provide these investors with sufficient business, operations and financial information on the Group enabling them to make informed investment decisions.

MAHB holds analyst presentations in each quarter in 2012 in conjunction with the Group's quarterly financial results. The briefings include the corporate overview, review of business operations and financial performance, headline key performance indicators achievements and the business outlook for the Group.

In addition, MAHB organises regular one-on-one meetings with investment analysts and fund managers throughout the year. The analysts and fund managers briefings will continue to be held regularly in 2013.

MAHB has revamped its Investor Relations web portal in 2010, in line with our commitment towards corporate governance and best practice in investor relations. The website, www.malaysiaairports.com.my, provides a wealth of in-depth and up-to-date information for both existing and potential shareholders, with timely and accurate information about MAHB. The website also allows visitors to register and receive the latest information about MAHB, enhancing transparency, facilitate more effective communication with the investment community and promote Investor Relations best practice in the region.

Dividend Policy

The Company's dividend policy entails the payment of dividend at a payout ratio of at least 50% of the consolidated annual net profit after taxation and minority interest commencing from the financial year 2007. Nevertheless, the actual amount and timing of the dividend payments would depend on the Company's cash flow position, results of operations, business prospects, current and expected obligations, and such other matters as the Board of Directors may deem relevant.

Annual General Meeting

The Annual General Meeting (“AGM”) will take place at the Sama-Sama Hotel, Kuala Lumpur International Airport, Jalan CTA 4B, 64000 KLIA, Sepang, Selangor Darul Ehsan, and formal notification is sent to the shareholders at least 21 days in advance.

The Board believes that the AGM is an important forum to engage with shareholders, which allows the shareholders to gain direct access to the Board as well as the Company’s External Auditors, to channel their queries, grievances or even opinion on how to further enhance the Company’s performance.

A brief presentation on the financial performance of the Company and the activities of the Group throughout the year will normally be presented to the shareholders during the AGM to allow the shareholders to better understand the Company’s performance and the Group’s latest activities. The Board therefore, encourages shareholders to attend and participate in the AGM.

The Board will regularly maintain a good dialogue with shareholders by proactively organising meetings, presentations and events, so as to better understand the views of the shareholders on a range of issues from strategy to corporate governance.

Shareholders are also encouraged to contact the following personnel pertaining to investor relations matters:-

Faizal Sham bin Abu Mansor

Chief Financial Officer

The biography of Faizal Sham bin Abu Mansor is enclosed on page 101 of this Annual Report.

Contact Details

Tel: 603-8777 7004

Fax: 603-8777 7776

E-mail: faizalmansor@malaysiaairports.com.my

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual audited financial statements and quarterly financial results announcement to the shareholders, the Directors aim to present a balanced and understandable assessment of the Group’s position and prospects. The Board Audit Committee assists the Board by reviewing the information to be disclosed to ensure completeness, accuracy and adequacy.

The Board is fully aware of the changes in the accounting policies with the implementation of the Financial Reporting Standards (“FRS”) approved by the Malaysian Accounting Standards Board, and has adopted the relevant FRSs applicable for the Group’s financial year 2012.

The adoption of the FRSs has changed a number of the Group’s accounting policies. The principal effects of the changes in accounting policies resulting from the above adoption are set out from pages 210 to 232 of this Annual Report.

Statement on Risk Management & Internal Control

The Statement of Risk Management & Internal Control as set out from pages 176 to 183 of this Annual Report provides an overview of the system/process of risk management and internal controls within the Group.

Relationship with External Auditors

The Audit Committee and the Board place great emphasis on the objectivity and independence of the Group’s external auditors, Ernst & Young, in providing the relevant reports to shareholders. In order to ensure full disclosure of matters, Ernst & Young are regularly invited to attend the Committee’s meetings as well as the Annual General Meeting. The Board Audit Committee also has discussions with the external auditors and internal auditors at least twice in a year, without the presence of the Managing Director and Management, to discuss the adequacy of controls and any judgemental areas.

In order to ensure that the external auditors' independence and objectivity are not compromised by the provision of non-audit services, the Board Audit Committee's practice is to exclude them from providing tax services, merger and acquisition exercise, due diligence, management, strategic and IT consultancy, and other non-audit and non-tax-related services unless the services offered by the external auditors are more effective or competitively priced, and they are the expert in the field against the other providers.

Directors' Responsibility Statement

The Company and the Group's financial statements are drawn up in accordance with the applicable approved accounting standards, and the Board of Directors has the responsibility of ensuring that the financial statements of the Company and the Group give a true and fair view of the affairs of the Company and the Group. The Statement by Directors pursuant to Section 169 (15) of the Companies Act, 1965 is set out on page 194 of this Annual Report.

B. ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with paragraph 9.25 of the Bursa Malaysia Listing Requirements.

1. Option, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year 2012.

2. Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and/or its subsidiary companies, Directors or Senior Management arising from any significant breach of rules/guidelines/legislations by the relevant regulatory bodies during the financial year 2012.

3. Status of Utilisation of Proceeds raised from Corporate Proposal

The status of utilisation of proceeds raised from the Islamic Commercial Papers and Islamic Medium Term Notes pursuant to an Islamic Commercial Paper Programme ("ICP Programme") and an Islamic Medium Term Notes Programme, respectively with a combined aggregate nominal value of up to RM3.1 billion (with a sub-limit of RM1.0 billion in nominal value for the ICP Programme) as at 20 February 2013 is as follows:-

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Deviation	
				Amount (RM'000)	%
To part finance the construction of klia2 and/or to refinance MAHB's borrowings/ financings which were utilised for Shariah-compliant purposes and/ or for MAHB's Shariah-compliant general corporate purposes	3,100,000	3,100,000	-	-	-

4. Material Contracts

There were no material contracts nor any contracts entered into by the Company and/ or its subsidiaries involving interests of directors and/or major shareholders either subsisting as at 31 December 2012 or entered into since the end of the previous financial year ended 31 December 2011.

5. Non-Audit Fees

The amount of non-audit fees paid to the External Auditors, apart from the audit fees, during the financial year ended 31 December 2012, is as follows:

External Auditors	Report	Total Paid (RM)
Ernst & Young	Professional services and advisory work for Project	1,012,676.00
Total		1,012,676.00

6. Profit Guarantee

There was no profit guarantee given by the Company during the financial year 2012.

7. Share Buy-Back

There was no share buy-back exercised by the Company during the financial year 2012.

8. American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) Programme

The Company did not sponsor any ADR or GDR programme during the financial year 2012.

This Statement on Corporate Governance is made available on the Company’s official website at www.malaysiaairports.com.my under the section “Investor Relations – Investor Briefings”.

The Statement was duly reviewed and approved by the Board of Directors of MAHB on 4 February 2013.

On behalf of the Board



Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah
Chairman