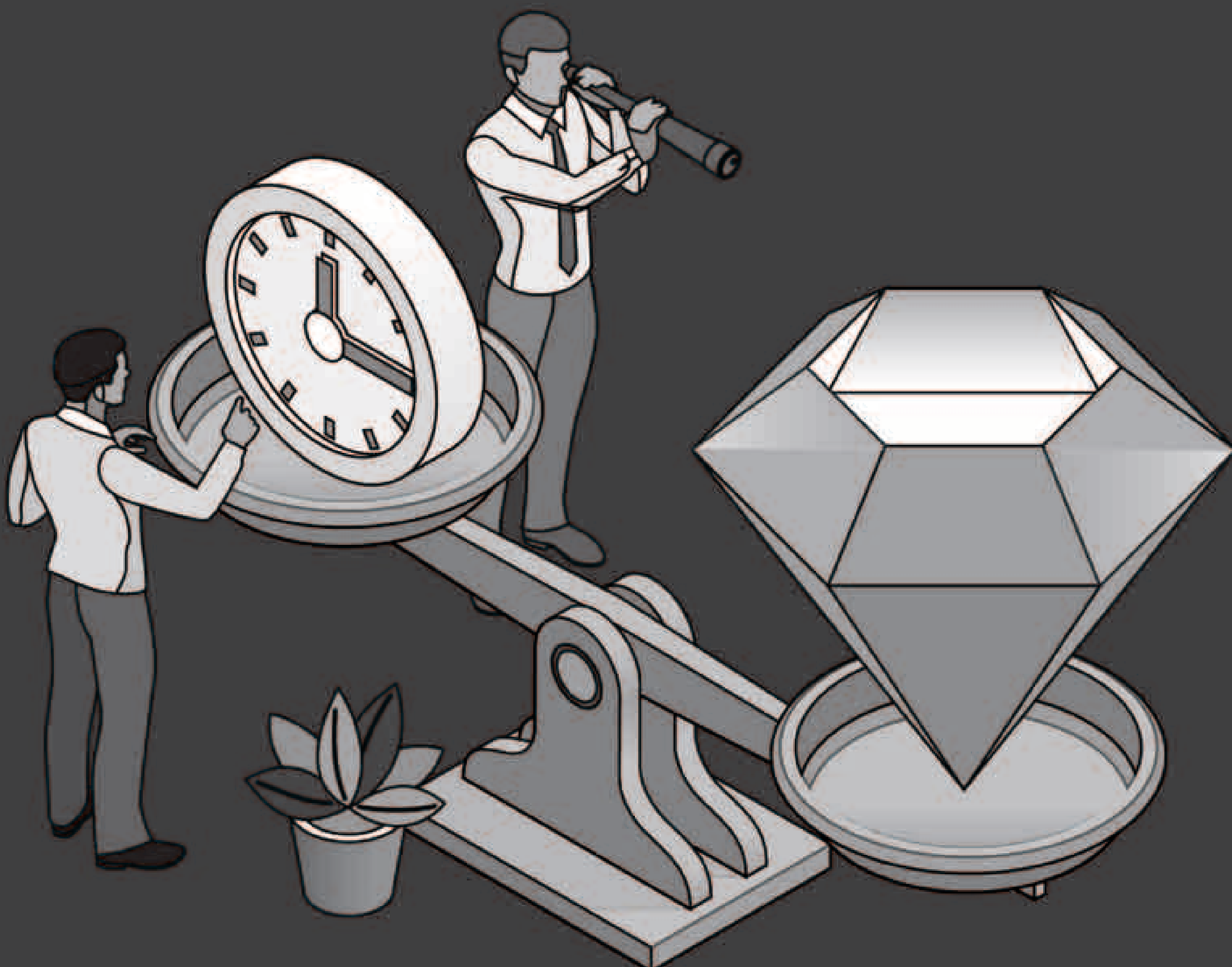


Strategic *Review*

Our Business Model

How We Create Value

Capital A is about democratising services that people value. Through our airline business AirAsia, we have pioneered low-cost air travel in Asean, adapting the lean, no-frills business model employed in the US and Europe to the local landscape. Through our digital and technology platforms, we are replicating our low-cost model across various lines of business in order to make quality everyday lifestyle services affordable, accessible and inclusive to all.

OUR CAPITALS ... **... ENABLE VALUE-ADDING**

INPUT

FINANCIAL CAPITAL

Shareholders' equity, borrowings and income from our operations enable us to meet our day-to-day as well as growth financial requirements.

- Shareholders' equity: -RM6.0 billion
- Total borrowings: RM2.4 billion
- Fund raising: RM2 billion

MANUFACTURED CAPITAL

We operate a fleet of 213 aircraft and operate out of headquarters in each of our four main bases in Malaysia, Thailand, Indonesia and the Philippines. We also have a digital hub in Bengaluru, AirAsia Software Engineering & Technology (AASET); and a digital training centre, airasia academy housed in KL Sentral. ADE utilises hangar space in KLIA and Subang; and we also have two flagship Santan outlets in Mid Valley Megamall & Sunway Pyramid.

- Aircraft: 168 Airbus A320; 40 Airbus A320neo; 4 Airbus A321neo; 1 Airbus A330ceo
- Airline headquarters: RedQ (Malaysia), RedNest (Thailand), RedHouse (Indonesia), RedPoint (Philippines)
- Digital headquarters: RedStation and Chartered Square (airasia Super App), Wisma Tune (other digital entities)

INTELLECTUAL CAPITAL

Over the years, we have been building a robust IT infrastructure to support both our airline and non-airline businesses. We also have various systems and processes that ensure safe and efficient flight operations. Meanwhile, the AirAsia brand has become a household name throughout Asia.

- Data: from over 600 million guests
- Digital partners: Google, GE, Oracle, VisionBox & Salesforce, etc

HUMAN CAPITAL

Our Allstars are the driving force of Capital A, helping us develop and execute our strategies, and maintaining strong relationships with guests, customers, business partners and the community.

- No. of Allstars Group-wide: 14,778
- % female Allstars: 35%

SOCIAL & RELATIONSHIP CAPITAL

We place great emphasis on our relationship with guests (customers) while building strong trust-based relationships with our business partners and the investing community. Through AirAsia Foundation, we are supporting the development of a number of underserved communities throughout Asean.

- Guests flown to date: over 600 million
- BIG members: 24.4 million
- Social enterprises supported: 28
- airasia ride drivers: 30,000

NATURAL CAPITAL

Our airline operations depend heavily on jet fuel, which is derived from oil & gas. However, it is part of our business model to minimise our fuel consumption in order to reduce costs and decrease our carbon footprint.

- Jet fuel consumption: 123,389 tonnes
- Electricity consumption: 4,711 MWh

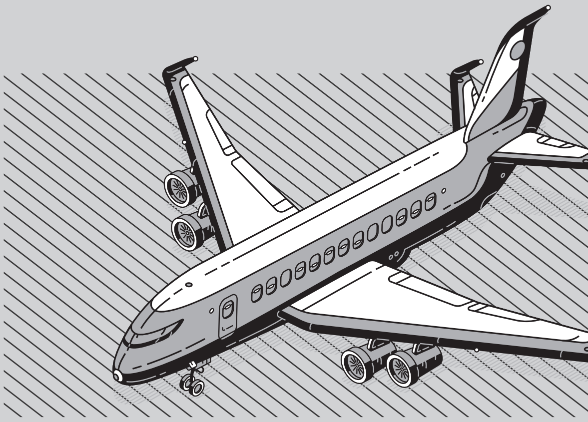
Our **Business**

Aviation

- Provide safe and affordable flights for people in Asean with great customer service
- Provide ground-handling services for our own and third-party airlines in Malaysia, Singapore and beyond
- First fast food airline chain in the air and on the ground, Santan

Digital

- Travel, delivery, e-hailing, fintech & media/content services via the airasia Super App
- Fintech services through BigPay
- Logistics, Freightchain & home delivery via Teleport
- Lifestyle airasia rewards programme



Supported **by**

- √ Good governance
- √ Robust safety & risk management
- √ ESG principles

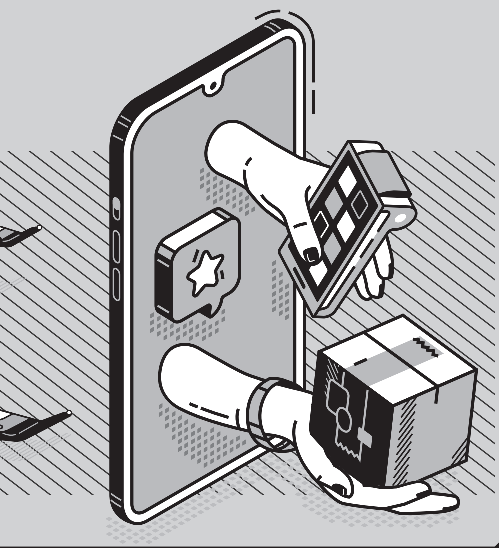
ACTIVITIES THAT CREATE ... ... VALUE FOR OUR STAKEHOLDERS.

Ventures

- Groceries & farm-to-table marketplace via airasia grocer
- Digital training at airasia academy
- Muslim-centric products and services through IKHLAS

Engineering

- Provide industry leading maintenance, repair and overhaul (MRO) services for airlines in the region via Asia Digital Engineering



√ Our Allstar Values:

- Dare to Dream: Dream the impossible. Believe the unbelievable.
- Make a difference: Get stuff done. Be passionate.
- Change the Game: Keep moving. Do Better.
- Win as One: We are always better together.
- Celebrate All Individuals: People and their talents are the heart of it all.

OUTPUT & OUTCOMES

The year 2021 saw the transformation of AirAsia into Capital A - a fully diversified Group with a strong and growing digital and lifestyle business. While air travel was still subdued throughout the year, our non-airline businesses gained traction and contributed to significant outcomes, as depicted below.

STAKEHOLDERS

Board of Directors, Employees (Allstars), Business Partners, Customers (Guests), Investors, Market Analysts, Regulators/ Governmental Bodies, Social Enterprises, Suppliers, Local Communities

ECONOMIC

- Revenue ***RM1.7 billion****
- Flight capacity ***36%*** of capacity in 2020*
- Load factor ***74%****
- airasia Super App monthly active users (MAU) ***8.5 million***
- airasia Super App monthly page views ***110 million***
- e-commerce orders delivered ***1.45 million***
- BigPay active card users ***1 million***
- Acquisition ***Gojek Thailand, DeliverEat & Dacsee***

ENVIRONMENTAL

- Scope 1 emissions ***392,942 tCO_2e*** (2020: 1,262,946 tCO_2e)
- Scope 2 emissions (electricity purchased) ***2,979 tCO_2e*** (2020: 3,356 tCO_2e)
- Carbon intensity ratio ***68.1 gCO_2/ASK, 94gCO_2/RPK*** (2020: 65.7 gCO_2/ASK, 88gCO_2/RPK)
- Non-renewable electricity purchased ***4,711 MWh*** (2020: 5,266 MWh)
- Scheduled waste generated ***17.5 tonnes and 42,746 litres*** (2020: 31.8 tonnes and 25,792 litres)
- Recycled ***2,287kg*** of waste from RedQ
- Water consumption ***38,943m³*** (2020: 46,286m³)

SOCIAL

- ***920 Allstars & family members*** vaccinated at RedQ
- ***1,689 Allstars*** vaccinated at RedHouse
- AirAsia Foundation collected ***over RM500,000*** for Malaysia Flood Relief Campaign
- Conducted first-ever ***Diversity, Inclusion*** and ***Belonging survey*** in five languages
- Conducted gender ***pay gap*** analysis
- NPS increased from 52 in 2020 to ***60*** in 2021
- ***Zero*** fatalities
- Awarded ***7-star*** rating in recognition of high Covid-related safety standards
- ***RM10.5 million*** spent on Allstars training

GOVERNANCE

- Listed in ***FTSE4Good*** Bursa Malaysia Index
- Sustainability now overseen by ***Risk Management and Sustainability Committee***
- Introduced ***Anti-Harassment*** Policy
- Identified the Group's ***climate-related risks*** and ***opportunities***

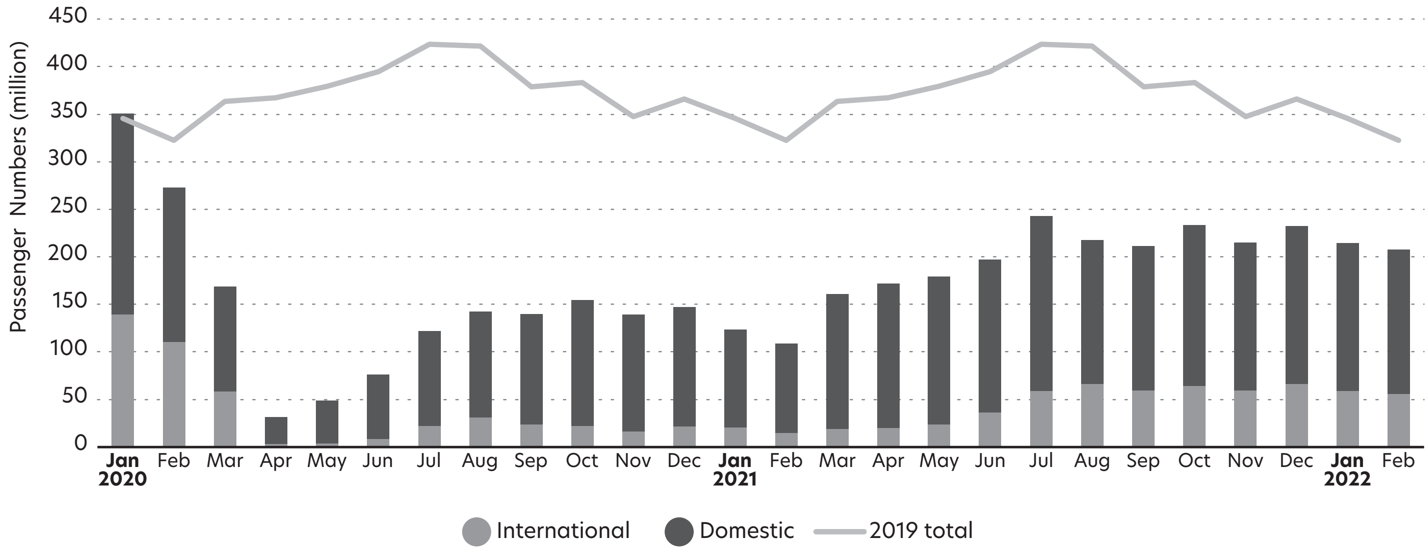
*These figures refer to the Consolidated Group, ie AirAsia Malaysia, AirAsia Indonesia, AirAsia Philippines and other subsidiaries. We have been presenting consolidated financial reporting for Capital A in accordance with MFRS 10 since 1 January 2017.

Our Operating Environment

AIRLINES

Impact of Covid-19

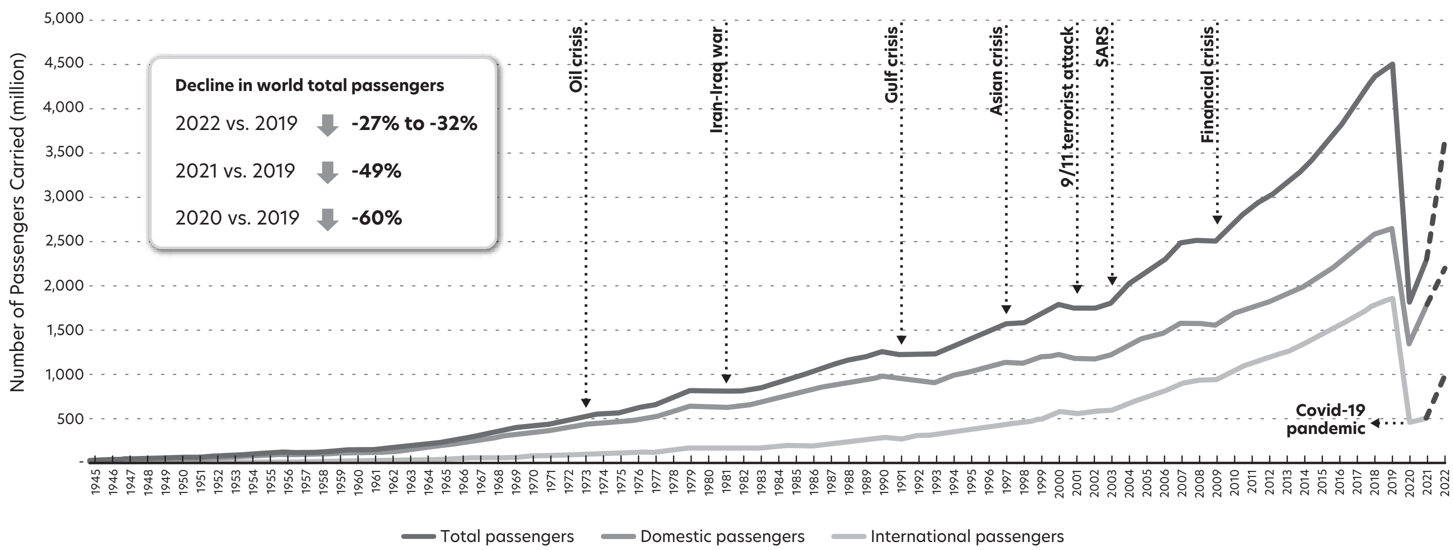
When the pandemic broke out in March 2020, it was crippling for airlines the world over, as not only were entire fleets grounded but there was no clarity on how long the pandemic would last nor the extent of its impact. In April 2020, international air travel came to a virtual halt. From July 2020, domestic travel started to recover, albeit in a jagged manner; however, as at January 2022, international operations are still only at about a-third of pre-Covid levels. In Asean, international borders started opening very tentatively only towards end 2021.



Global Monthly Passenger Numbers in 2020-2021 vs. 2019

Source: *ICAO estimates*

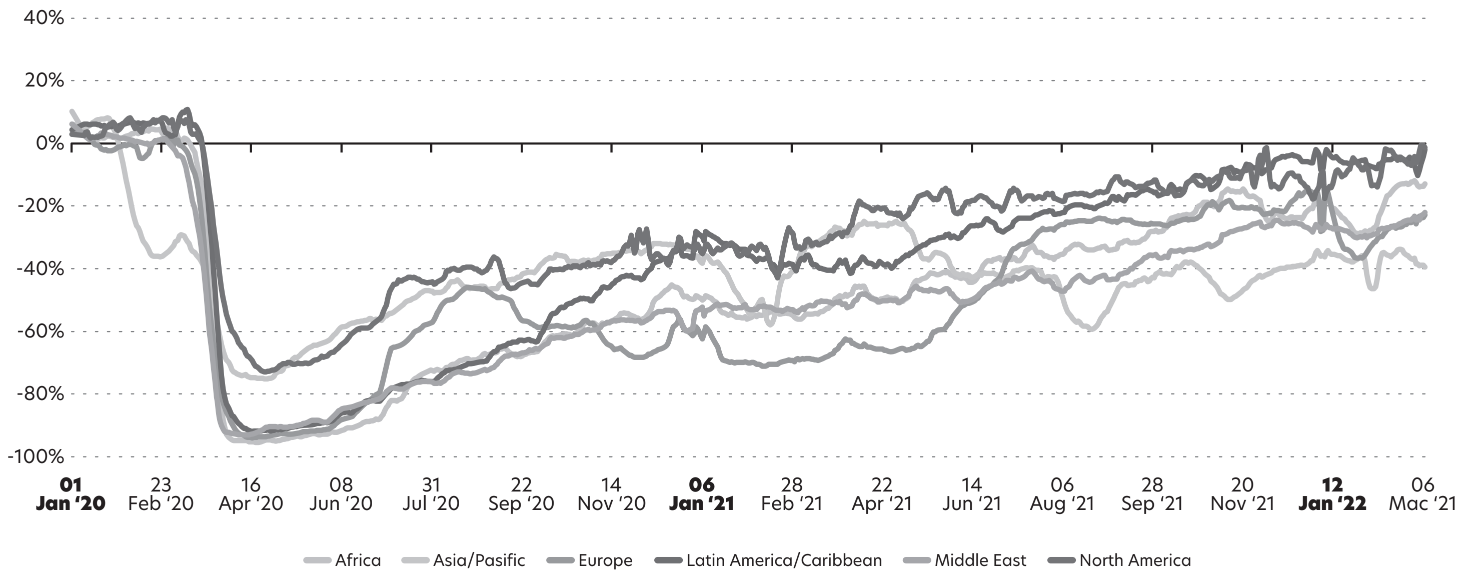
According to the International Civil Aviation Organization (ICAO), the number of passengers carried globally dropped by 60% in 2020 from 2019, and by 49% in 2021 from 2019. This translates into an overall reduction of 2,703 million passengers in 2020 (compared to 2019), and 2,201 million passengers in 2021 (compared to 2019).



World Passenger Traffic Evolution 1945-2022

Source: *ICAO*

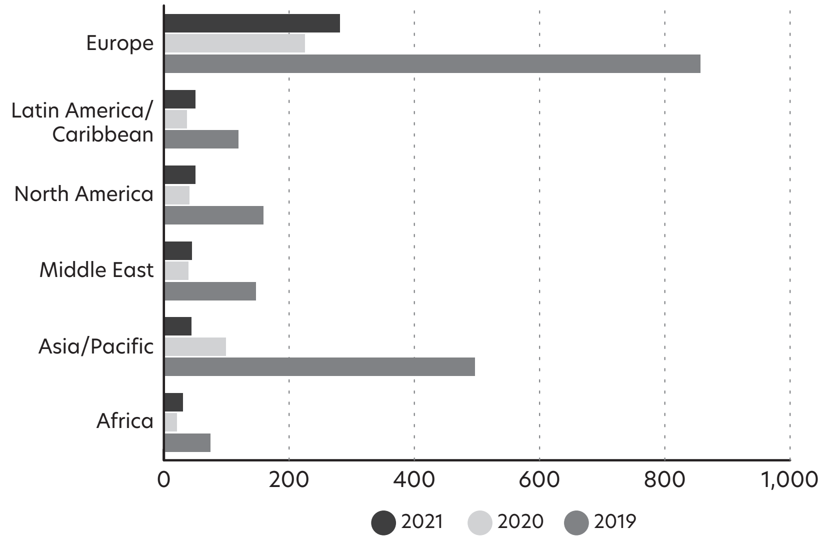
Recovery of air travel has not been the same throughout the world, with Asia Pacific currently lagging behind North America, Latin America, Africa, Europe and the Middle East.

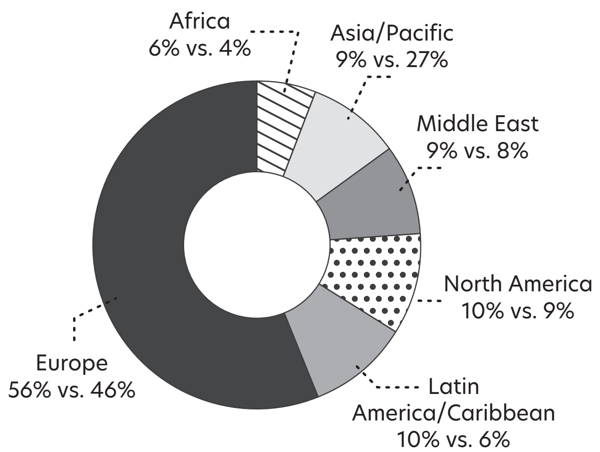


Comparison of Total Seat Capacity by Region (7-Day Average, YOY Compared to 2019)

Source: *ICAO*

In terms of international travel, Europe accounted for 56% of the total market in 2021, with Asia Pacific and the Middle East accounting for 9% each.





Number of International Passengers by Region (2019-2020-2021, Based on from/to State)

Source: *ICAO*

Other than the financial loss sustained from grounding of aircraft, airlines will face higher maintenance costs when aircraft are put back into service. At the same time, having laid off pilots and cabin crew, they will need to ensure they are able to attract these critical talents relatively quickly once operations start up again as industry experts predict a V-shaped recovery.

Source

1. *https://www.icao.int/sustainability/Documents/Covid-19/ICAO_coronavirus_Econ_Impact.pdf*

Our Operating Environment *(cont'd.)*

Regulatory requirements

Even prior to the pandemic, there has been increasing pressure on airlines to transition to low-carbon operations as the world seeks to manage the issue of climate change. Within the industry itself, in 2016 ICAO set the target for airlines to be carbon neutral by 2021 compared to the baseline year of 2019, and to achieve net zero emissions by 2050. As at end 2021, its Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) had been voluntarily adopted by 104 countries including Malaysia, Thailand, Indonesia and the Philippines. Accordingly, all registered airlines in these nations are required to comply with CORSIA and its targets on CO_2 emissions from international aviation.

e-Economy

The pandemic has accelerated e-economy growth throughout the world, including Asean. According to a 2021 Bain, Temasek and Google report, gross merchandise value (GMV) of the e-economy in Vietnam, Thailand, Malaysia, Singapore and Indonesia would record strong double-digit growth during the year, while that in the Philippines was expected to surge by 138%.

Driven by pandemic-imposed movement restrictions, more consumers are going online. As many as 40 million people across the six countries surveyed came online for the first time in 2021, pushing the total number of internet users to 440 million. Of this number, 80% made at least one online purchase. According to the same report, at least 60 million people in the region used digital services for the first time post-Covid, 20 million in the first half of 2021.[1]

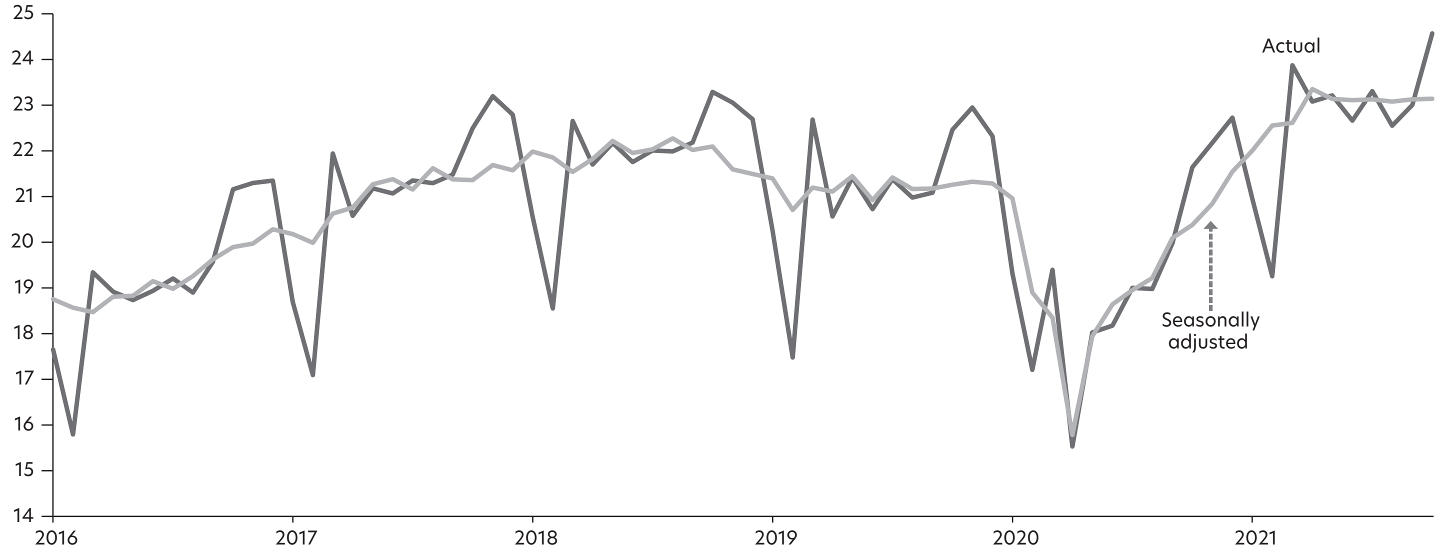
Among the fastest-growing e-economy sectors are:

- Food delivery – 65% of e-commerce users reported an increased frequency in purchasing food online in 2021. Food also remains the most on-demand penetrated service, with 71% of internet users ordering food online.
- Groceries – 62% of users reported increased frequency in purchasing groceries online.
- Ride hailing – 55% of new users in 2021 hailed a ride weekly or more, compared to only 38% of existing users, indicating that ride-hailing is seen to offer unique pandemic advantages (eg better contact tracing than traditional taxis; and greater security than public transport)
- Fintech – year on year there has been a 17% increase in digital remittance flow; 48% increase in lending loan books; 9% increase in digital payments; 40% increase in digital insurance premiums; and 35% increase in digital assets under management

Overall, the internet economy in the six countries is predicted to cross USD360 billion by 2025, and to be between USD700 billion and USD1 trillion by 2030 as online shopping becomes the norm.

Logistics

As with most industries, logistics has been significantly impacted by the pandemic, with the grounding of aircraft severely depleting the belly space that operators have relied on. In the first couple of months after Covid-19 was declared a pandemic, the volume of air cargo ton kilometres (CTKs) dropped drastically. However, as passenger aircraft were converted into fully-cargo carrying flights (preighters), CTKs picked up and by early January 2022 was even 5% higher than pre-Covid volume in August 2018.

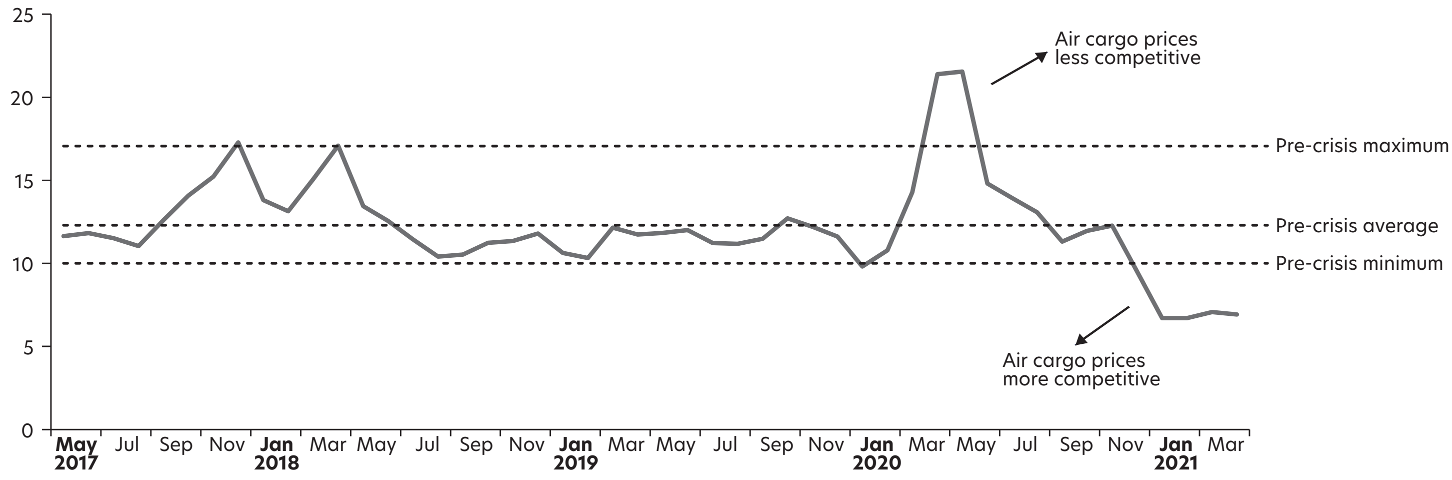


Industry CTKs (billion per month)

Source: *IATA Economics, IATA monthly statistics*

Another key development in the air-freight industry is its increasing attractiveness vis-à-vis shipping. Pre-Covid, air freight accounted for only about 35% of global trade by value[2] – and would be used mainly for perishables or high-value goods – as it was around 13 to 15 times more expensive than ocean freight[3]. However, the price differential has narrowed significantly (airfreight is only three to five times more expensive now) as the shipping industry faces a container shortage, increasing ocean freight rates.

This, together with congestion and huge delays at seaports and the global container shortage, has created what appears to be a long-term shift in volumes from sea to air, which bodes well for air cargo operators.



Ratio of chargeable weight rates per kg for air cargo and container

Source: *Boeing, IATA CargoIS, Freightos Baltic Index*

Delivery Service

Last-mile delivery associated with online sales was already growing pre-pandemic and has surged tremendously since. According to Statista's Online Food Delivery Report 2019, revenue from online food delivery was growing at 7.5% in the UK, 7.7% in Germany, 10.6% in France, 10.7% in Spain, and 8.4% in Italy. In 2020, the number for the UK had increased to 11.5%. While the need for F&B outlets to partner on-demand delivery service providers is evident, even retail outlets are joining the bandwagon as consumers demand their purchases within 24 hours. This demand is being met by traditional logistics providers as well as startups relying on gig-economy riders.

Sources

2. *https://www.reedsmith.com/en/perspectives/global-air-freight/2022/01/impact-of-covid19-on-cargo-related-claims*
3. *https://www.freightwaves.com/news/why-is-air-cargo-suddenly-more-affordable-compared-to-ocean-shipping*

Key Risks and Mitigation

All business operations carry inherent risks. As Capital A has diversified into digital and tech-based businesses, we are aware of new risks that have emerged and have put in place systems to help us identify and manage both existing as well as emerging risks. Our objective is to maintain all risks within our risk appetite so as not to jeopardise our ability to create value.

Below, we describe some of our key risks and rate them (on a scale of 1-5, 5 being the most severe) according to their probability of occurrence and potential severity.

1 Pandemic Risk: Financial/Liquidity

Rating: ●●●●●

The aviation industry has been the hardest hit by the pandemic due to the closure of geographical borders. This has severely restricted air travel, specifically international air travel, causing a sharp decline in revenue. In turn, airlines including AirAsia are facing operating cash flow challenges and operating losses which could lead to insolvency.

MITIGATION

The Group has outlined restructuring plans to deliver cash flow, undertake cost optimisation, secure fundraising and loans, and negotiate lease/payment terms with vendors. We are also monitoring early indicators of travel recovery and actively strategising our next steps accordingly.

2 Pandemic Risk: Health & Safety

Rating: ●●●○○

It has been critical to keep our Allstars, guests and other customers safe from the pandemic in order to protect their well-being, as well as our reputation.

MITIGATION

From the time the pandemic was announced, the Group has adhered to all relevant SOPs across our operations, paying special attention to air travel and delivery services under airasia Super App. Conscientious efforts to protect our guests led to AirAsia being one of the first airlines to be awarded the top 7/7 rating from experts at airlineratings.com in 2020 for upholding the highest levels of safety and operational integrity. We repeated the feat in 2021.

3 Safety Risk

Rating: ●●○○○

As our airlines resume flight operations, once again expanding their routes and attracting greater passenger volumes, our exposure to operational safety hazards will increase.

MITIGATION

The Group has in place a robust Safety Management System (SMS) overseen by our Safety Review Board (SRB) comprising a Chairman, Capital A CEO, Board members, our Chief Safety Officer, and CEOs as well as senior management from across the Group. The SMS creates a safety framework supported by various policies and quality standards that together ensure we meet rigid safety targets. We have also implemented various digital tools enabling us to capture and analyse data for continuous improvement of our safety performance. Further assuring the safety of our airline operations, our AOCs are subject to mandatory safety audits. We have been adhering to the IATA Operational Safety Audits (IOSA) Standards and Recommended Practices, widely recognised as the industry gold standard for airline operational safety and efficiency.

4 Regulatory Risk

Rating: ●●○○○

Non-compliance or breach of local laws, regulations, industry guidelines or consumer authority requirements of multiple jurisdictions could lead to our license and/or operations to be revoked.

MITIGATION

The Group maintains high-level engagement with the regulators of each jurisdiction to keep updated on all regulatory requirements. We also monitor the regulatory landscape of all the markets we are in for new or amended regulations that affect the Group. We have a regulatory team that ensures we adhere to all the relevant regulations at all times.

5 Market Risk

Rating: ●●●●○

Recovery of air travel across the markets we serve is proceeding at different rates. Some of our markets have yet to open their borders to international travel or are continuing to make flying difficult as well as costly with constantly changing regulations, excessive quarantine requirements, and the need for travellers to take the PCR test.

MITIGATION

The Group closely monitors and adapts to regulations and policies as these change. We have also expanded our business to new frontiers like digital platform, cargo, e-hailing, etc.

6 Cybersecurity Risk

Rating: ●●●○○

These arise from different information system channels that bring about threats such as ransomware, phishing, data leakage, hacking and inside threats. These threats can cause significant damage and loss to the Group.

MITIGATION

The Group has a dedicated information security team that focuses on detecting, containing and remediating cyber threats. We have adopted a robust information security system that revolves around the ISO/IEC 27001 process and methodology to secure all our systems. Regular security assessments, penetration tests and source code reviews are performed on these systems to ensure cyber resilience.

Our Strategy/Blueprint

Over the last few years, AirAsia has transformed from a low-cost airline democratising air travel into Capital A, a digital travel and lifestyle platform supported by a powerful super app. Our ambition today is to further expand our lifestyle footprint and grow all our businesses to become a world-leading travel and lifestyle brand, driven by a strong commitment to sustainability. To achieve this vision, we will fully leverage data, the wealth of experience accumulated over the years, and the passion as well as dedication of our highly valued Allstars.

Vision

Uniting Asean and beyond

10 key priorities

for the next 5 years

01

1 airasia, 1 brand, 1 people, 1 culture

02

Fully integrating all services into a single consumer-facing platform

03

Connecting and making available our products in **all cities across Asean**

04

Have the **best customer experience** across everything

05

Be the most efficient in everything we do

06

Become the **lowest-cost producer** in all lines of business

07

Grow **profits**

08

Become a top **10 airline globally,** driving traffic onto our platform, 75% via our super app

09

Increasing **data competencies and capabilities** in our people, processes and systems across the group

10

Grow **revenue with the aim of achieving 50:50 contributions** from our airline and non-airline businesses

Aviation

AirAsia Aviation Group

Vision

To be in the Top 10 airlines globally and continue to be the best and the largest airline group in Asean

Mission

To connect over 1 billion people throughout Asean by 2026

Santan

Vision

To be the leading Asean fast food chain, bringing nasi lemak to the world

Mission

To provide the best value for money nasi lemak in the air and on the ground

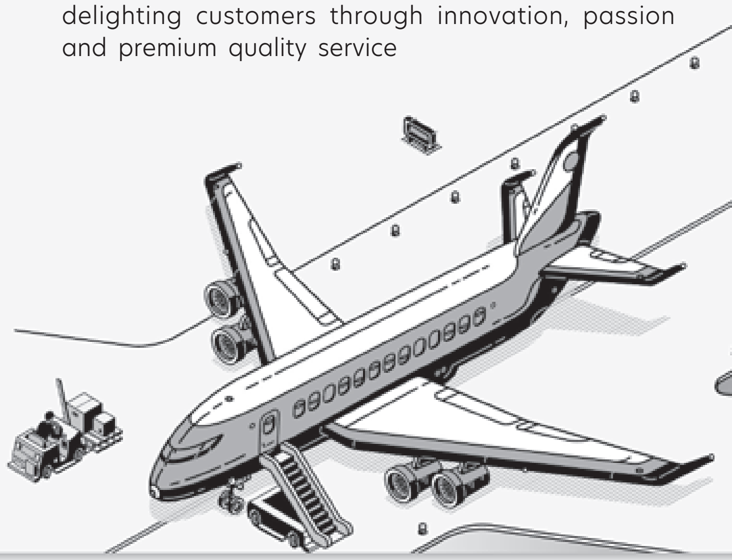
Ground Team Red

Vision

To be Asean's first choice gateway service provider

Mission

To create a globally recognised Asean brand by delighting customers through innovation, passion and premium quality service



Digital

airasia Super App

Vision

To be the superapp of choice in Asean

Mission

To connect our customers with everything, everywhere & to provide our customers with value, togetherness, affordability, accessibility and inclusivity

BigPay

Vision

To be the leading digital bank across Asean

Mission

To empower and improve the financial health of the next generation by improving accessibility to financial services

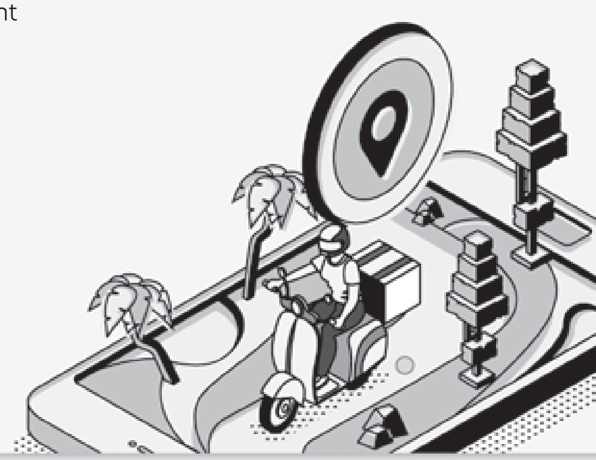
Teleport

Vision

To move things across Southeast Asia better than anyone else

Mission

- √ Speed: Our standard is the region's fastest
- √ Coverage: Everywhere in Southeast Asia, across 232 cities
- √ Values: Superior speed and coverage, priced just right



Our Strategy/Blueprint *(cont'd.)*

Ventures

Vision

To be a venture arm that builds and nurtures startups with the goal of incorporating them into the Capital A ecosystem in the future

Mission

To develop, incubate and accelerate leading innovative products and services for the Capital A ecosystem & to transform Capital A Group into a global digital corporation by building businesses through innovations and connecting with tech startups across the globe

airasia grocer

Vision

To be the Amazon fresh of Asean

Mission

Offer the best priced, high quality staples and Asean produce among B2C and B2B customers

airasia academy

Vision

To be the leading edutech provider in Asean

Mission

- √ To provide the underserved with access to leading certifications for the digital world
- √ To equip the workforce in Asean with required skills to meet the needs of Industrial Revolution 4.0 and beyond
- √ To establish itself as a learning centre of excellence for corporate education including the Capital A Group

IKHLAS

Vision

To become leading global Shariah Lifestyle Platform

Mission

To enrich the lives of Muslims through focusing on improving communities, convenience, education, affordability and also support through digitalisation

Engineering

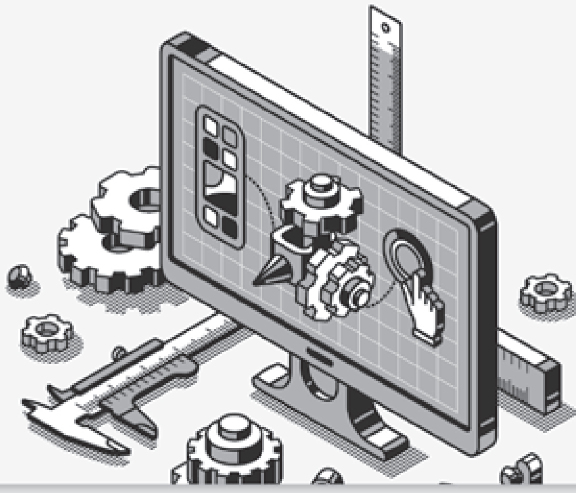
Asia Digital Engineering

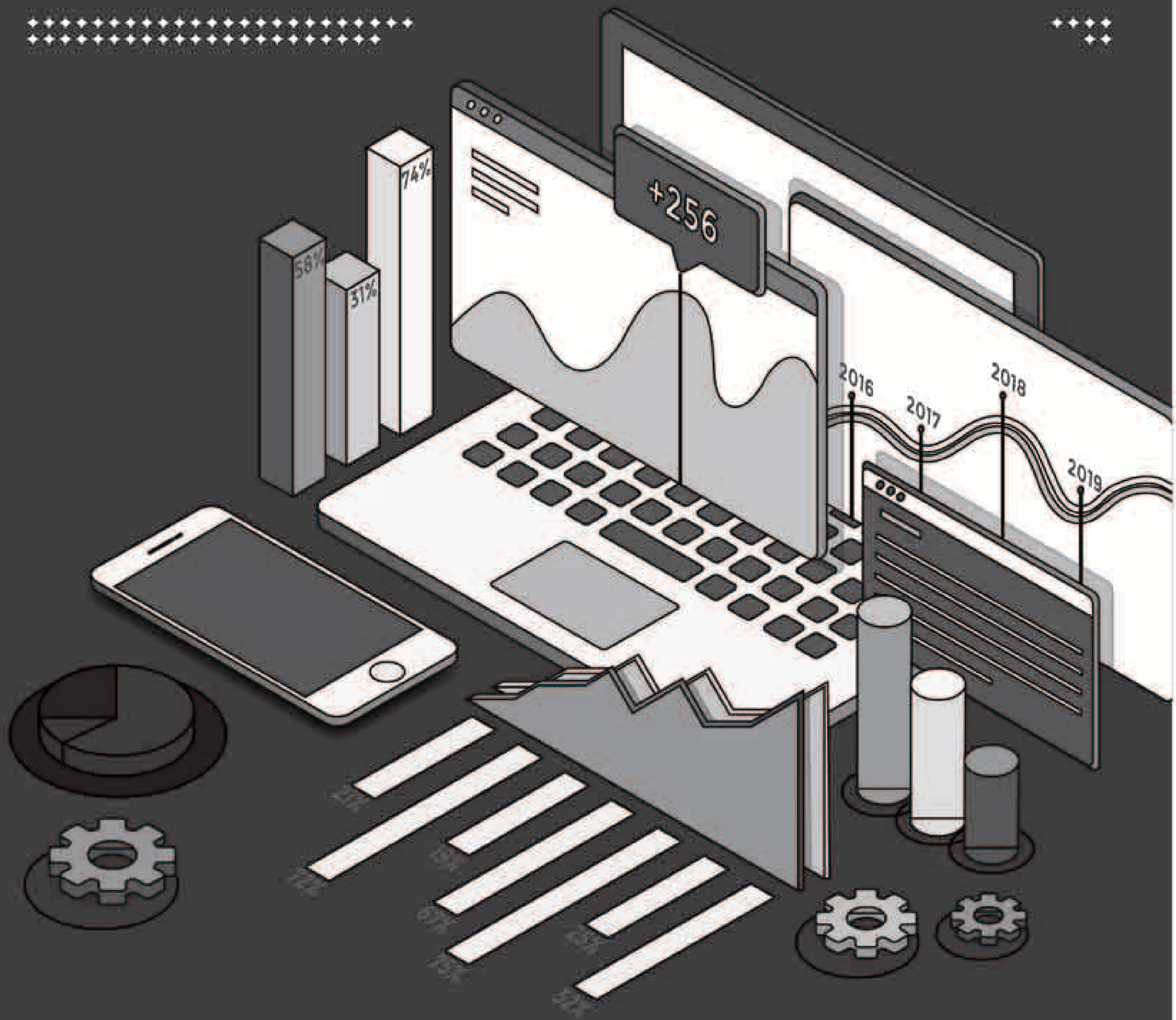
Vision

To be the best & largest Maintenance, Repair & Overhaul (MRO) service provider in Southeast Asia by providing high quality, innovative products and services at competitive rates

Mission

To provide best-in-class MRO services and the best digital solutions





Performance
Review

Chairman & CEO's **Statement**

In December 2021, AirAsia celebrated the significant milestone of 20 years in operation. With innovation always in our DNA, we spent the year laying the foundations to mark yet another new era in our ongoing journey of transformation. In January 2022, we achieved shareholder approval to change the name of the investment holding company from AirAsia Group (AAGB) to Capital A – the underlying rationale being to reflect our evolution from just an airline into Asean's leading digital travel and lifestyle company. Change is one of the few constants at Capital A and in keeping with the spirit of continuous change for the better, we have also adopted an enhanced and integrated approach to reporting. Among others, this allows us to keep our statement more personal, as all the operational and strategic aspects of our performance will be captured in the relevant sections. We hope you appreciate the changes and, as always, we welcome your feedback.

OUR 20TH ANNIVERSARY

It was certainly a defining moment to mark our 20th year of existence in 2021, particularly during the most challenging time in commercial aviation history. That we have made it this far, when so many thought we would never get off the ground as a low-cost carrier from the very start, is an achievement in itself. To have reached the milestone by surviving a global pandemic that has wiped out many other airlines makes it even more so. Pandemic aside, our journey over the last 20 years has been far from easy. We have faced many impediments, from natural disasters to wildly fluctuating fuel costs; aggressive competition to conservative and even oppressive regulations. Yet, in true AirAsia spirit, we overcame all of this with a fierce determination and passion that few organisations have ever manifested. It was therefore a shame that we could not celebrate our anniversary in the manner that we normally would, as many Allstars were still furloughed and most of our planes were still on the ground. However, whatever challenge or crisis we face, we always come back stronger.

WHAT WE'RE MOST PROUD OF

Of the many accomplishments we can justifiably feel proud about, three stand out. One, that we have lived up to our promise 'now everyone can fly' by democratising travel, making it affordable for almost everyone. Thus far, we have carried over over half a billion passengers, making dreams come true for 600 million guests, many of them first-time travellers. Secondly, we have created significant employment opportunities. From owning two aircraft when we started out to operating 243 aircraft before the pandemic, we have had to bring on board more and more people to fuel our growth. Pre-pandemic, we had more than 20,000 Allstars from all over Asean and beyond on our payroll while the spinoffs of our services created thousands more jobs in aviation, tourism and hospitality everywhere we fly to. One of our core values is to always put our people first, and we continue to provide them with more than just employment. We remain committed to help our Allstars realise both their personal and professional dreams. Breaking down traditional employment barriers, we have allowed for reskilling, upskilling and movement across functions and levels, enabling a dispatch boy to become a pilot; a cabin crew member to become a CEO... Now, we're even training a ramp officer to become a data analyst. We were also one of the first airlines in the region to positively encourage women to become pilots. How many other airlines have had a former beauty queen fly their planes?

Chairman & CEO's Statement *(cont'd.)*

HOW WE'VE MADE IT

Twenty years ago, we brought the low-cost revolution to Asia making it affordable and accessible for everyone to fly. For the past 12 consecutive years, AirAsia has been named the world's best low-cost airline and, in the process, has also become one of the best-known brands in the region.

Value, choice and innovation are key cornerstones to our brand. Recently, we've been able to pivot successfully into one of Asean's fastest growing online travel and lifestyle platforms by remaining nimble and agile and leveraging the huge database we have accumulated over the past two decades, to create an ecosystem of synergistic lifestyle brands which embrace the digital era. This was something we were planning well before Covid-19 hit, but the downtime in flying caused by the pandemic gave us the opportunity to accelerate our transformation.

Our airasia Super App now has over 16 travel and lifestyle services on the one platform to facilitate almost everything people want or need to do in their daily lives at a price they can afford. We have also created many other new businesses over the past two years including our own in-house digital engineering company called Asia Digital Engineering (ADE), BigPay fintech services and our logistics venture Teleport, to name just a few. Importantly, every new business we create is underpinned by the strength of the AirAsia brand and all remain committed to the same model which made us successful to begin with. Today, we are democratising much more than just air travel.

OUR ORGANISATIONAL RESTRUCTURING

In last year's annual report, we had announced two core businesses under the Group – Airlines and Digital. In 2021, given the rapid development of the airasia Super App and readiness of some of our ventures to become stand-alone independent entities, we have further streamlined our portfolio companies.

In effect, we now have six core businesses under Capital A (or the Group). The name change was to better reflect what we are today, namely an investment holding company with a portfolio of synergistic travel and lifestyle businesses which all deliver the best value at the lowest cost, supported by strong data. Expanding what the airline has done from day one, all the Group's different lines of business will make travel and everyday lifestyle services affordable, accessible and inclusive to all.

When we first started out, we had entertained the idea of naming the airline Tune Air, because many of us came from the music business and we always wanted to be more than an airline. However, we stuck with the name DRB-HICOM had given, and built it into such a strong brand that when we started diversifying into new digital businesses it was hard to break out of the mould that associated everything we did with the airlines. At the same time, we wanted to maintain a link with 'AirAsia', given the brand is one of the strongest in Asean. That led us to the letter 'A'. 'Capital' was added because this is an investment holding company. Putting it at the front also creates a bold statement, which is reflective of who we are.

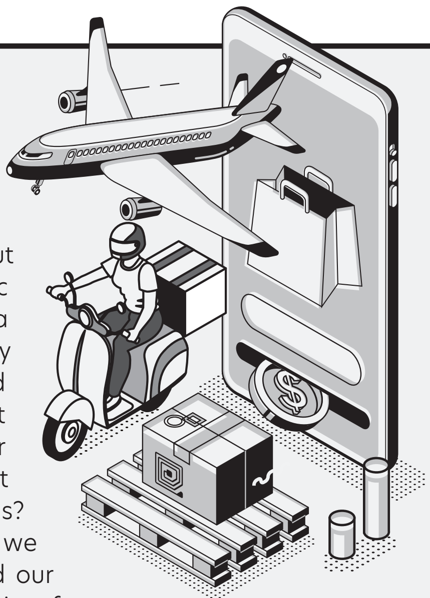
We registered Capital A with the Companies Commission of Malaysia (SSM) on 2 January 2022, and received shareholders' approval on our new corporate identity at an Extraordinary General Meeting (EGM) on 27 January 2022. The next day, we received the Notice of Registration of New Name, issued by SSM.

SURVIVING THE PANDEMIC

Without doubt, one of our key achievements in 2021 was to continue to survive in what has been the most disruptive global travel environment ever. This has been made possible by raising close to RM2.5 billion, as we said we would, the sum comprising RM300 million from Sabah Development Bank; RM336.5 million from a private placement; RM975 million from Redeemable Convertible Unsecured Islamic Debt Securities (RCUIDS); up to USD100 million in investment from South Korean conglomerate SK Group for BigPay. In March 2022, we decided not to go ahead with the Danajamin Prihatin Guarantee Scheme club facility because we were unable to accept and/or fulfil certain conditions.

Our success in fund-raising serves as an incredibly strong testament of investors' confidence in the Group's potential to recover as our transformation strategy gains momentum. At the same time, it is a reflection of the calibre of our management, and the support of our partners. One silver lining of the pandemic has been getting to know who our true partners are. The acid test of any relationship is when things go south. That's when we discovered we have some amazing partners. It's been incredibly encouraging.

BECOMING A UNICORN



Another key achievement has been the accelerated development of our airasia Super App during the downtime in flying. Six months ago, nobody was talking about super apps. Today, because of the fantastic work of the team, everyone in Malaysia knows the airasia Super App, and many have used it. We were already very good at moving people by air, so we thought why not move boxes, or deliver food, or people on the ground? Finally, why not help people with their financial transactions? These are just some of the things that we are doing through airasia Super App and our digital businesses, all of which are growing from strength to strength by the day.

Providing access to more than 700 airlines (including the likes of Emirates and KLM) and more than 3,000 destinations, airasia Super App is officially one of the top three online travel agencies (OTAs) in Asean based on website traffic. We're also very pleased with all the new products that have been introduced on the Super App. Among these, airasia food and airasia ride are noteworthy because they have been made possible through strategic acquisitions, that of Malaysia's homegrown DeliverEat, Dacsee as well as Gojek's operations in Thailand. Through DeliverEat and Dacsee, we have not only inherited the food delivery and e-hailing businesses but also on-boarded their founders – three very entrepreneurial Malaysians who have added significantly to our pioneering spirit. It's been very gratifying to see them integrate smoothly into the Group which, to us, indicates that we have been successful in maintaining our entrepreneurial ethos. Thanks to the Gojek acquisition, we have been recognised as a tech unicorn, namely a startup valued at more than USD1 billion. This is truly something to be proud of; according to Credit Suisse, we are one of only three unicorns in Malaysia.

Because of the incredible rate at which we are growing the Super App and other digital businesses, it may seem as if we are going into anything and everything. The fact is, learnings from the airlines have helped us to frame and discipline our expansion by only entering into businesses where we are confident of being profitable and sustainable. All our new businesses leverage off one another. Importantly, many of them are already profitable and, with the revival of the airlines in 2022 and beyond, they will all soar to new heights. With the exception of the year 2019 when we suffered losses due to one-off costs and now, because of the pandemic, AirAsia has always made profits.

NON-AIRLINE BUSINESSES

All of our independent digital businesses have made significant progress during the year. We see huge potential in Asia Digital Engineering (ADE), our aircraft maintenance, overhaul and repair (MRO) business which has obtained approvals to conduct base maintenance work from the relevant authorities in Malaysia, Cambodia, India, Indonesia and the Philippines. It has also completed some important aircraft reconfigurations for AirAsia, creating significant cost savings. ADE is well on track to becoming a major MRO player in the region supporting third-party airlines as well as AirAsia. Our fast-growing logistics venture arm Teleport is leveraging the e-commerce and logistics boom, enabling small businesses and entrepreneurs to send their products around the world faster and cheaper than other logistics operators. Serving the underserved underpins all that we do and our fintech portfolio company BigPay is doing precisely this with financial services across the region. Through BigPay, we are excited to offer small entrepreneurs, SMEs and the mass public access to simple low-rate loans and other everyday financial services which they may not be able to get from other providers.

Our ventures arm helps to incubate new ventures such as airasia grocer, IKHLAS and airasia academy. We have been educating our Allstars all these years, but to educate others to be tech-enabled in the new digital era is a big ambition. With the academy, we have partnered Google and offer primarily digital training to Allstars, SMEs, government agencies and any other interested parties. During the year, the academy launched on-demand learning (ODL) which is proving to be extremely popular. And we believe there is still a lot of potential to bridge the skills gap by developing tech talent across the region.

Chairman & CEO's Statement *(cont'd.)*

OUR ALLSTARS

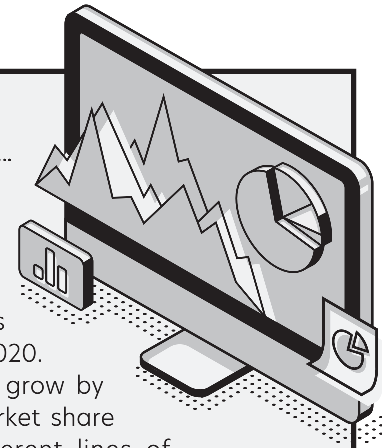
It has been a very tough time for our people. For two years, the majority have been on reduced salaries, about 18% of Allstars have been on furlough and of those who continue to report to work, 70% have been required to work from home for the most part of the year. However, through various engagement programmes developed by our Culture Department and Internal Communications teams, we've made sure they do not feel cut off even if they are working remotely. We have also sought continuously to assuage any fears they have of our business sustainability by addressing these issues regularly, openly and transparently through numerous communication channels.

Recognising that some may need emotional support, in 2020 we launched an Allstar Peer Support Programme. We are also collaborating with digital health and well-being platform Naluri to provide access to therapists and other psychological well-being practitioners. Additionally, in 2021 we launched the Allstar First initiative to help Allstars in need of monetary support.

Given that our planes have been grounded for the most part of the last 20 months, undoubtedly among the most affected of our Allstars throughout the pandemic have been our pilots and cabin crew. While many of them have pivoted to other roles within the business during the downturn in flying, they can't wait to get back in the air. The last quarter of 2021 saw a pleasing upturn in domestic flying; and with a global air travel revival expected throughout 2022, we look forward to bringing them all back into service as soon as possible.

In appreciation of Allstars' loyalty and commitment, as mentioned in last year's annual report, we introduced a Long Term Incentive Scheme (LTIS) consisting of an Employee Share Option Scheme and a Share Grant Scheme. Following approval by the Board, the LTIS was tabled at an EGM on 21 June 2021 and subsequently approved by our shareholders. The equity-based incentive enables us to reward and retain Allstars who attain their individual key performance indicators which have been aligned with achieving our overarching company goals.

FINANCIAL PERFORMANCE



For the year 2021, the Consolidated Group recorded RM1.8 billion in revenue, marking a 44% decrease year on year (YoY). Despite a healthy load factor of 74%, revenue from our airlines dropped by 62% as the Consolidated Group was operating at only 36% of capacity compared to 2020. Meanwhile, our Digital business saw its revenue grow by a significant 76% YoY as it captured greater market share through aggressive expansion across the different lines of business.

Overall, aviation contributed to 58% of our total revenue while the remaining 42% was from our Digital segment. Within the Digital segment, Teleport was the main contributor (at 71%), its revenue increasing more than 87% YoY.

Meanwhile, we reported a loss in earnings before income, taxes, depreciation and amortisation (EBITDA) of RM1 billion, which was 70% less than the loss of RM3.3 billion in 2020. This was the result of strict cost control measures which helped to reduce our operating costs by 47% YoY. Similarly, our net loss after tax was RM3.7 billion, 37% less than the RM5.9 billion loss in 2020.

The Group ended the year with RM1.26 billion in cash balance, based on the RM974.5 million raised from the RCUIDS; drawdown of the USD100 million term loan; and increasing cash inflow from the recovery of the airline business. Of note, the Group also managed to report our first quarter of positive net operating cash flow since the pandemic in 4Q 2021, when we saw an average inflow of RM105 million per month.

In terms of cost, the Aviation segment saw its operating expenses reduce by 63% along with a 53% reduction in staff costs as a result of headcount rationalisation, salary cuts and natural attrition. Other operating expenses reduced by 80% due to the absence of the one-off expenses incurred in 2020. We expect our financial performance to improve across all key metrics in 2022 as international borders reopen in all of our core markets.

PN17

On 7 January 2022, we were classified by Bursa Malaysia as falling under Practice Note 17 (PN17). We are in the process of redressing the matter as it does not reflect the reality of our cash flow position. While we were provided with an 18 month relief period from being classified as a PN17 company from 8 July 2020, and were subsequently not required to comply with the obligations in the listing requirements, we have undertaken various fundraising exercises of over RM2.5 billion to improve our liquidity position, to see us through the effects of the pandemic. We are, moreover, set to raise another RM1 billion, and have also put in place a solid foundation to not only survive but recover from the effects of the pandemic stronger than ever. Our robust and diverse company portfolios will allow us to fasttrack the regularisation of our financial position, and affirm the strong viability of our business moving forward. The outlook for our airline business in 2022 is positive with the reopening of international borders. We aim to return to pre-Covid capacity on many of our core routes by the end of 2022.

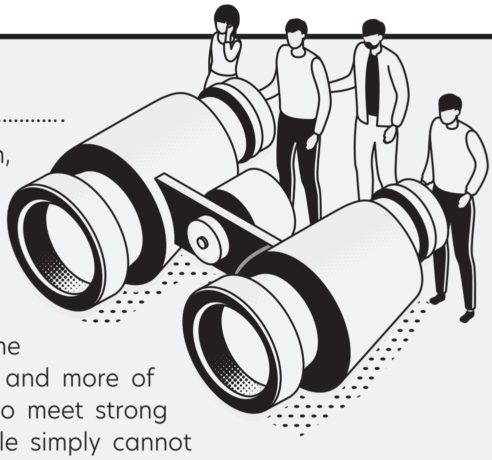
SUSTAINABILITY

Given the reality of climate change and the airline industry's contribution to emissions, reducing our carbon footprint is currently one of our top sustainability priorities; and we are pleased to share that significant progress has been made on this front during the year. Of note, we reviewed our climate strategy to ensure alignment with the International Civil Aviation Organization (ICAO)'s target for the industry to have net zero emissions by 2050 while also taking into consideration the Task Force on Climate-Related Financial Disclosure (TCFD). This is quite an ambitious undertaking but we are already building the foundations for a low-carbon future. In addition to managing our own emissions through various operational initiatives, we have been engaging actively with the relevant civil aviation authorities in Malaysia, Indonesia and the Philippines to support ICAO's State Action Plan on Emissions Reduction. We have formed a Sustainable Aviation Fuel (SAF) committee to assess the operational and financial feasibility of utilising SAF and will soon be implementing voluntary carbon offsetting so guests can choose to contribute to offsetting projects.

The other top sustainability priority in 2021 has been to keep our Allstars and guests safe from the pandemic. In addition to the standard operating procedures (SOPs) that have been implemented on the ground and inflight starting from 2020, we have done all we can to encourage our Allstars and the public to be vaccinated. Vaccination corners were set up in RedQ and RedHouse to provide free shots to Allstars and their families in Malaysia and Indonesia. Once vaccinated, our Allstars contributed to others becoming protected by volunteering at various Mega Vaccination Centres in the Klang Valley.

With rapid development of our Digital arm and the sheer volume of transactions taking place every day on our site/app, we are also enhancing our cybersecurity by aligning with international best practices and standards, especially the US National Institute of Standards and Technology (NIST) Cybersecurity Framework and the ISO 27001 - Information Security Management System standards. We are pleased to announce that, in November 2021, we became ISO 27001-certified. We have also established a dedicated governance committee that proactively manages and monitors the Group's information security due diligence to protect data belonging to our customers, employees, and all relevant stakeholders.

OUTLOOK

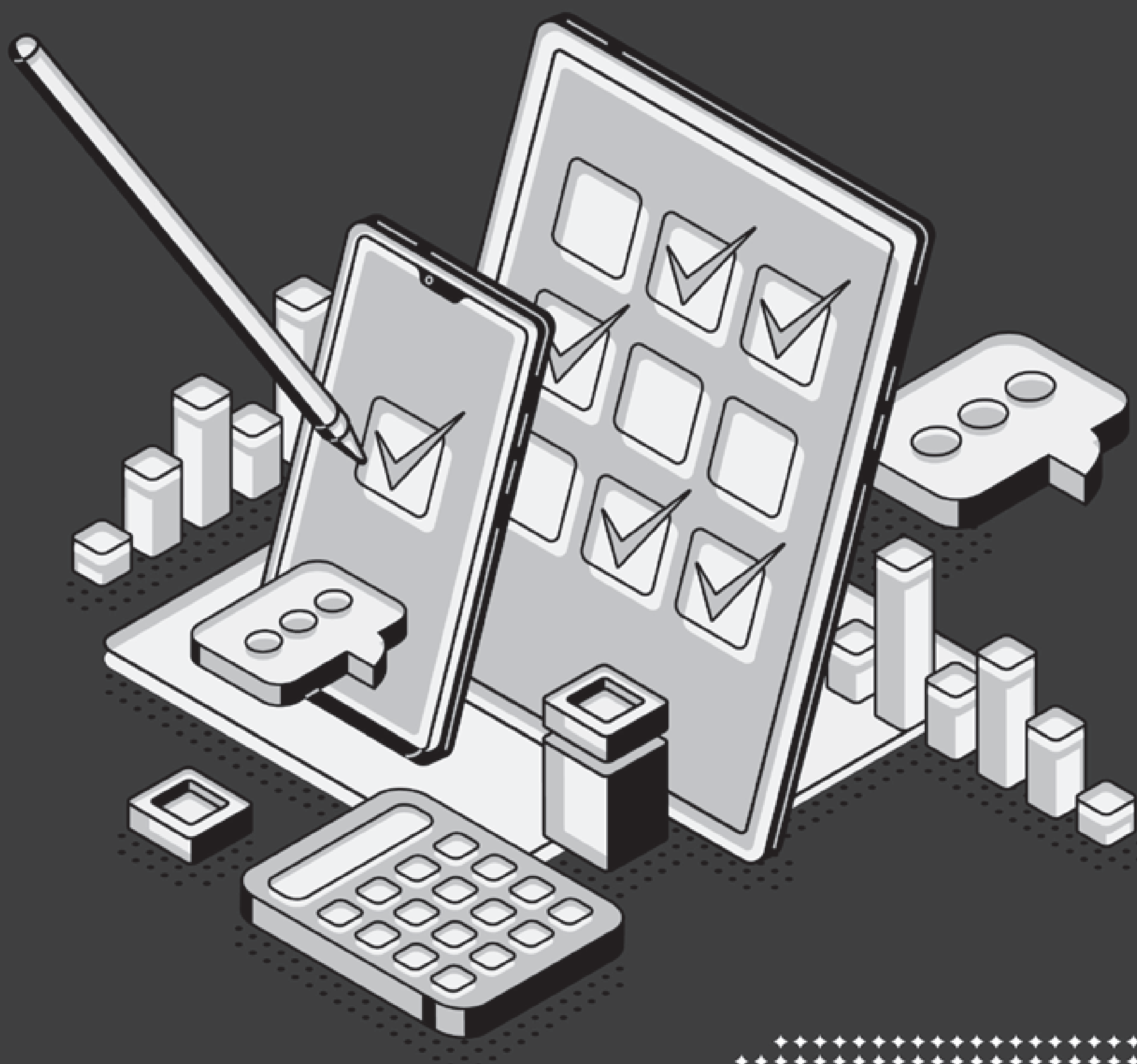


The new year commenced with the emergence of a new variant of concern, Omicron, which has spread widely and rapidly. While being more contagious than some of the previous variants, many leading experts agree that it is not as severe with proportionally low hospitalisation rates. We therefore remain cautiously optimistic that this is the beginning of the end of the pandemic. Many countries in Asean are already opening their borders to international tourists thanks to high vaccination rates, better education and testing, as the world is learning to live with Covid. At AirAsia, we have been bringing more and more of our aircraft out of hibernation as travel restrictions gradually ease, in order to meet strong pent-up demand. After almost two years of having their wings clipped, people simply cannot wait to travel again. We believe all the signs point towards regional air travel returning to some measure of normalcy within the year and that international air travel will recover rapidly throughout 2022 and the years ahead.

Meanwhile, we will maintain our focus on creating value in our portfolio businesses, all of which are expanding exponentially as they are still in the early stages of development. Each business represents huge growth potential which Capital A is committed to realising. Our goal is to ensure these portfolio businesses become leaders in their respective fields in Malaysia and across our key markets.

As a Group, we have been stress-tested many times before and always come out stronger. This time will be no different.

Business *Review*



Business Review

Aviation

2021 was even more challenging than 2020 for our airlines, given that international flight operations were disrupted for the full year, as opposed to just the second to fourth quarters previously. However, the situation picked up towards year end when the effects of mass vaccination began to be evident. Along with a decline in Covid-19 infections, travel lanes started to emerge followed by the gradual opening of domestic and, to a slight extent, international borders. To meet strong pent-up demand, which was further fuelled by the year-end holidays, AirAsia Aviation Group Ltd (AAAGL), the holding company for the airline group, resumed routes that had been dormant for most of the last two years while increasing frequencies to the more popular destinations.

While all our airline operating companies (collectively known as our AOCs) saw a marked improvement in performance in the last quarter of 2021, AirAsia Philippines exceeded expectations, recording its highest booking sales in December since the pandemic started. This was aided by the fact that in December, it became the first airline within AirAsia to resume international flights to Hong Kong while also launching a new route from Manila to Singapore. For the rest of the year, AirAsia Philippines, together with the other AOCs, concentrated on domestic routes, capitalising on the intermittent periods when local travel was permitted. In addition to focusing on popular pre-Covid routes, our AOCs introduced a total of 21 new skybridges to help our guests in Malaysia, Thailand, Philippines and Indonesia connect to more destinations within their respective countries safely and affordably.

Through strict fleet and network optimisation and by matching capacity with demand, our consolidated AOCs (AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines) managed to keep passenger loads healthy, averaging a very encouraging 74% for the year as a whole. Nonetheless, frequent lockdowns resulted in a 64% drop in capacity compared to 2020.

Making the most of the downtime, AirAsia has pushed ahead with various digital innovations which are contributing to safer contactless travel while also helping to reduce costs. A key development was to extend our facial biometric technology, FACES, for use along the guest's entire journey through airports – from check-in to baggage drop off and boarding at the departure lounge; as well as to order and pay for the many travel and lifestyle offerings on the airasia Super App. FACES is also being rolled out in our key markets, namely Indonesia, Thailand and the Philippines. In addition, we are integrating our contactless digital health passport Scan2Fly into FACES so that guests will only need to have their faces scanned in order to provide all the verified documentation they require in real time for their journey. These include visas, vaccination certifications and results of Covid-19 tests.

"About ***43%*** of AirAsia aircraft are back in the sky, and the Group is hopeful that the Malaysian Government will follow in the steps of our neighbouring countries in the near future."

In addition to FACES, AirAsia has launched contactless payment options using electronic data capture (EDC) machines including tap2phone with the objective of creating a safer and more convenient journey for our guests. Testament to the fact that our guests appreciate these efforts was an enhanced net promoter score (NPS) (a core metric to measure guests' overall satisfaction and propensity to recommend AirAsia to others), which increased to 60 from 52 in 2020. In addition, in 2021, AirAsia was named the World's Best Low-Cost Airline for the 12th consecutive year by Skytrax; and the World's Leading Low-Cost Airline nine years running by World Travel Awards (WTA). WTA also presented AirAsia with the World's Leading Low-Cost Cabin Crew for the fifth consecutive year.

Being guest obsessed, we have also taken every possible step to ensure the safety and reliability of our service. We were therefore very encouraged when AirAsia was once again awarded the top 7/7 rating from experts at airlineratings.com for upholding the highest levels of safety and operational integrity. This follows a similar rating bestowed on the airlines at the height of the pandemic in 2020.

Business Review *(cont'd.)*

Financially, our airline group has continued to undertake robust due diligence to review every opportunity to reduce costs in order to compensate for the loss in flight revenue due to limited flying in the pandemic. This includes our fleet and network optimisation strategy, reviewing all partnership agreements and future fleet orders as well as furloughing Allstars while cutting salaries across the board. Those on furlough, however, have been encouraged to reskill and/or upskill at the airasia academy, and to take on temporary roles across the Group's non-airline businesses.

Meanwhile, to enhance revenue, AirAsia has ventured into the provision of consultancy services targeting AAAGL and third parties interested in setting up low-cost carriers (LCCs) in other regions. LCCs are likely to recover faster than others as more people are expected to opt for short-haul leisure travel while the world recovers from two years of being ravaged by the pandemic.

Aviation

AirAsia Aviation Group - AirAsia Malaysia

For most of 2021, AirAsia Malaysia was in survival mode, closely monitoring its key markets and adapting its capacity to meet demand. As international travel continued to be dormant, the focus was on chartered flights and local connectivity - during the intermittent phases when local travel was permitted. However, the year ended on a positive note when domestic borders began to reopen more fully and bubbles of regional travel emerged.

The year started with the imposition of a lockdown in early January as the number of Covid-19 cases spiked. In March, the number of new infections began to moderate, resulting in the relaxation of travel restrictions – hence also a sharp increase in the number of guests carried. However, the reprieve was short-lived. From the second quarter onwards, rocketing infection rates resulted in another crackdown on movement – this time lasting until mid-September.

As the number of cases began to stabilise again, the government introduced the Langkawi Travel Bubble on 16 September 2021 to stimulate domestic tourism. The response was positive, with demand increasing 36% within the first two months of its launch. This contributed to a 149% uptick in domestic travel from September to December 2021 compared to the same period in 2020. The Malaysia-Singapore Vaccinated Travel Lane (VTL), launched on 29 November 2021, also helped to boost numbers. Reflecting pent-up demand, flights were sold out for the first 14 departure dates on the very first day bookings were opened on AirAsia's website and the airasia Super App platform. Leveraging Thailand's Phuket Sandbox and its Test & Go facility, AirAsia Malaysia also recommenced flight operations to Thailand to assess demand while building confidence in international travel.

In order to optimise operations throughout the year, the airline continued to focus on chartered operations, organising more than 300 flights to repatriate Malaysians back home. Overall, however, AirAsia Malaysia's domestic capacity shrank by 53% year-on-year while its international capacity, already low in 2020, reduced by a further 93%.

In true AirAsia spirit, the airline did not waste the downtime; instead it used the past year to introduce new products and services that cater to changing consumer demand as well as create new revenue streams. FACES technology, which had been piloted in 2018, was rolled out more extensively across airports throughout Malaysia, and has also been incorporated into the airasia Super App to allow guests to validate and

pay for online purchases on the platform using their facial biometrics. Inflight, guests can use FACES to order food as well as make duty free purchases. On the ground, FACES, together with other newly-introduced innovations such as electronic data capture machines (including tap2phone), are further expanding the range of contactless solutions provided to enable guests to enjoy safer, more hygienic and seamless journeys.

Meanwhile, the airline's pilots who have been on furlough have also put their time to good use. Pitching their knowledge and skills, a group of AirAsia pilots based in Malaysia helped to set up a Drone Academy (under airasia academy) which in January 2022 became the first of its kind to be certified by the Civil Aviation Authority of Malaysia (CAAM) as a remote pilot training organisation. The academy will support the Group's vision to launch urban drone delivery for our e-commerce platforms, while also enabling third parties to acquire the skills necessary to use drones in their operations. This will also provide significant new job opportunities for existing and aspiring new pilots.

Going forward, the airline is continuing to optimise its network and fleet strategy, leveraging the opening up of domestic travel by resuming popular routes while launching new ones to cater to strong pent-up demand. In early January 2022, it launched four new routes connecting cities in East and Peninsular Malaysia: Kuching-Langkawi, Johor Bahru-Bintulu, Penang-Sibu and Kota Kinabalu-Kuala Terengganu. Further enhancing connectivity to East Malaysia, as of 14 February, flight frequencies to Kuching, Bintulu, Miri and Sibu were ramped up to total 319 a week.

While continuing with flights to Singapore and Thailand under the respective bilateral government agreements, AirAsia Malaysia also started to connect to Phnom Penh as of 26 January 2022. Meanwhile, the airline is eagerly awaiting the resumption of international travel more generally once the Malaysian Government welcomes all fully vaccinated international travellers, as most other governments in Asean are doing. The outlook is positive, and AirAsia Malaysia hopes to attain pre-Covid capacity on its most popular routes before the end of 2022.

Drone Academy
(under airasia academy)

First of its kind to be certified by the Civil Aviation Authority of Malaysia (CAAM) as a remote pilot training organisation.

Aims to:

- Launch urban drone delivery for our e-commerce platforms
- Enable third parties to acquire the skills to operate drones
- Provide significant new job opportunities for existing and aspiring new pilots

Aviation

AirAsia Aviation Group - AirAsia Thailand

The year continued to be challenging for tourism, traditionally one of the nation's major contributors to gross domestic product (GDP), as the prolonged pandemic created a dampening effect throughout 2021. However, the roll-out of the national vaccination programme in February together with various government interventions helped to uplift the hospitality sector.

The year started with a splutter, as the number of Covid-19 cases surged from December 2020 onwards. Following a short reprieve around March 2021, the pandemic took a turn for the worse again as of April, when the Civil Aviation Authority of Thailand (CAAT) severely restricted travel between red zones, including Bangkok. This led to AirAsia Thailand temporarily grounding its fleet between 12 July and 2 September. However, in response to a stabilisation in the pandemic and relaxation of travel restrictions, our associate resumed domestic operations from 3 September onwards.

Test & Go
contributed to a total of ***31,666*** out of
44,774 international tourist arrivals
in the first two weeks of Thailand's borders being opened.

In terms of international travel, Thailand was one of the first countries in Asean to welcome foreign tourists when it launched the Phuket Sandbox in July. In October, when more than 70% of the population had been vaccinated, the government further eased its travel policies for inbound international tourists by expanding the Sandbox programme to other popular domestic destinations while introducing two other initiatives: Test & Go and the Alternative Quarantine Programme.

Test & Go proved particularly popular, contributing 31,666 out of a total of 44,774 international tourist arrivals in the first two weeks of Thailand's borders being opened to the

Business Review *(cont'd.)*

world. In addition, a Vaccinated Travel Lane (VTL) was established between Singapore and Bangkok on 14 December 2021 on the back of government to government negotiations. When the Omicron variant emerged towards year end, Test & Go was halted. However, this was only a temporary measure as the initiative resumed from 1 February 2022 onwards.

The scenario described above translated into AirAsia Thailand seeing a 66% reduction in capacity year on year, with international capacity being more heavily impacted. As a result, out of a total of 2,928,140 guests carried, 99% were on domestic and only 1% on international flights. Among the more popular domestic routes were those to favourite holiday destinations such as Chiang Mai, Phuket and Hat Yai. At the same time, heightened interest in travel to Thailand among international tourists has inspired our associate to collaborate with the Tourism Authority of Thailand (TAT) on a campaign to promote inbound tourism. The initiative also serves to address pain points and complications of entering the country in the near future.

In the face of the continued pandemic, it has been critical for all airlines to undertake major financial restructuring, AirAsia Thailand included. In addition to various cost-management initiatives in 2020, our associate obtained the approval from financial institutions to defer its principal and interest payments until the beginning of 2022. It also successfully restructured its leases with a few partners while continuing to negotiate the same with the remaining lessors. The objective is to obtain a waiver on deferred payments and an extension of tenures with reduced monthly rates.

Finally, a fundraising and shareholding restructuring plan worth 14.0 billion Baht was completed on 20 January 2022 which resulted in Asia Aviation Plc, the major shareholder of AirAsia Thailand, acquiring almost all of AirAsia Thailand's shares while enhancing the operating company's liquidity to last until air travel picks up again.

Despite the rapid spread of Omicron, most authorities agree it is not as severe as previous variants of concern, hence there are reasons to hope for a gradual recovery in travel in 2022. According to TAT, both domestic and international travel will pick up year on year but will not reach pre-pandemic levels until 2023.

As demand for domestic travel improves, AirAsia Thailand will resume more routes and increase flight frequencies, keeping a keen eye on capacity to manage its margins. While looking forward to reigniting its international engines, the timing for this will depend largely on the government's plans. Meanwhile, it will continue to optimise its operating costs and ensure sufficient liquidity to sustain its business.

Aviation

AirAsia Aviation Group – AirAsia Indonesia

2021 continued to be very challenging for AirAsia Indonesia, with international borders remaining closed practically the entire year to tourists; and domestic travel heavily curtailed by various restrictions. In response, our associate placed added emphasis on cost containment, adjusted its flight capacity and, most importantly, ensured the safety of guests and Allstars. The year ended on a positive note, however, bringing renewed hope for a better 2022.

After a relatively free period of travel during the holiday season at the end of 2020, Indonesia experienced a spike in Covid-19 cases, precipitating the re-imposition of strict travel restrictions to curb the pandemic. The situation worsened in May when the Delta variant surfaced, causing a second wave of infections from June to September 2021. At its peak, in mid-July, the country was recording more than 50,000 new cases a day.

In response, the government tightened its rein on domestic travel with new measures under the PPKM programme. Among others, it requires passengers to pass the polymerase chain reaction (PCR) test in order to travel between areas identified as being Covid-19 intense. It also limits international arrivals - for those holding relevant visas or permits (excluding that for tourism) - to Jakarta's Soekarno-Hatta International Airport and Sam Ratulangi International Airport in Manado. As most of AirAsia Indonesia's destinations were affected, our associate made the decision to hibernate all scheduled flights from 6 July to 6 September.

Meanwhile, results of the national vaccination programme, which rolled out in January, began to show by the fourth quarter. Along with a decline in Covid-19 cases, AirAsia Indonesia was able to take to the skies again in mid-October. First, it reinstated Jakarta-Bali flights. These proved so popular that, in December, it increased the frequency of the flights from four times weekly to 28 times a week, and achieved 100% load factors on many of these. It also resumed eight other domestic routes in time for the year-end holiday season.

Capitalising on the low-Covid environment, towards year end, the government opened Indonesia's borders to foreign visitors by introducing visit visas for tourism; but only for those flying directly into Bali or Riau Islands. Jakarta airport, from which AirAsia Indonesia operates, has remained shut to international tourists.

Although at least some domestic travel was allowed for most of the year, the number of domestic travellers in total decreased by 7.18% compared to 2020, partly because of the more stringent

PCR test requirements. When it was first introduced, the PCR test was not easily available while being relatively expensive. For the year as a whole, our associate's flight capacity was reduced by 60.1%. International flights were, to be expected, more heavily impacted, with capacity reducing 88.0% while domestic flight capacity dropped by 37.9%. In total, AirAsia Indonesia flew 801,673 guests during the year, achieving a load factor of 63.8%.

To make up for the loss in revenue from scheduled flights, the airline placed more emphasis on chartered service and cargo operations. It flew a total of 507 chartered flights, compared to only 87 in 2020, while increasing its cargo operations by 722%, from 23 flights in 2020 to 189 flights in 2021. At the same time, every effort was made to contain costs. In addition to restructuring its loans, leases and debt, the airline trimmed its payroll while giving Allstars the option of taking unpaid leave. It also suspended all discretionary spending on non-critical items such as events, sponsorships, duty travel, annual parties and internal activities. As a result, it was able to reduce its overall costs by about 47.0% thus improve its net operating profit by 40.0% on a year-on-year basis.

Initiative Towards Business Segment Recovery

Expand domestic connectivity to cities by bringing best-value service to Indonesians

Going into 2022, AirAsia Indonesia will continue to focus primarily on domestic routes as the emergence of new virus variants means that international market recovery will be slower than expected. While resuming flights to popular destinations, our associate also plans to expand its domestic connectivity to other cities bringing its best-valued service to more Indonesians in support of the country's efforts to revive the economy.

Aviation

AirAsia Aviation Group – AirAsia Philippines

Despite the harsh realities of the prolonged pandemic, AirAsia Philippines has continued to live up to its reputation of being a home-grown airline with the interests of local communities at heart. Even as it ensured its own survival, it has helped to make life better for Filipinos throughout the country while collaborating with the authorities to bring home citizens stranded abroad.

The year 2021 continued to be bleak for the aviation industry in the Philippines, with international borders mostly remaining closed and varying restrictions on domestic travel depending on the intensity of Covid-19 infections. To manage, AirAsia Philippines continuously reviewed its capacity, adjusting this to match local government regulations which, in turn, greatly influenced demand for travel.

The situation in the second and third quarters was particularly grim given surges in the pandemic. Between March and June 2021, a second national lockdown was implemented during which no leisure travel was allowed. Even when the lockdown was lifted, protocols varied from one local government unit (LGU) to another making it confusing and complicated to travel. Playing its part, AirAsia Philippines worked closely with various government agencies to standardise travel protocols while ensuring passenger safety.

Throughout the year, it also collaborated with the Overseas Workers Welfare Administration (OWWA) and Civil Aviation Authority of the Philippines (CAAP) to help return Filipinos working abroad, as well as to repatriate foreigners working in the country. No less than 402 sweeper flights were organised, enabling a total of 28,548 stranded nationals to go home.

Meanwhile, as an increasing number of the population received their vaccinations, the pandemic began to stabilise and, by the fourth quarter of the year, those who had been fully vaccinated were afforded enhanced mobility to travel. With the easing of travel guidelines, demand increased exponentially. Not only were guests booking for immediate travel (generally indicating travel for business), they were also making more medium-term bookings (indicating travel for leisure). In a survey commissioned by AirAsia in December 2021, seven out of 10 Filipinos said they were keen to push through with their planned air travel in the following nine months.

In response, AirAsia Philippines resumed international flights to Hong Kong and launched a new route from Manila to Singapore while increasing domestic flight frequencies. The pick-up in demand was such that, by December, the airline was breaking records. The load factor on certain flights was hitting 95%, while the average for the month was 88.0%, the highest since the pandemic started. On 9 December, the airline achieved its highest daily sales in one-and-a-half years. Among the most popular destinations were Cebu, Cagayan de Oro, Boracay and Tacloban.

Business Review *(cont'd.)*

For the year as a whole, however, AirAsia Philippines' total flight capacity decreased by 57% compared to 2020. To compensate for the reduction in scheduled domestic travel, the airline continued to focus on chartered flights and cargo service. It flew a total of 619 chartered flights, exploring new markets such as India, Sri Lanka, Myanmar and Palau. At the same time, it on-boarded new cargo agents to optimise cargo opportunities. While enhancing its revenue, our associate also maintained the slew of cost-saving initiatives that had been implemented in 2020 to temper losses and preserve cash.

Another key development during the year was the acceleration of AirAsia Philippines' digital transformation. It has made considerable progress in digitising multiple customer touchpoints while integrating several services on the airasia Super App. In addition, it has increased its digital payment channels for greater convenience of guests and to supplement the range of contactless services being offered. With the country's top mobile wallets Paymaya and GCash on board, e-wallet transactions have more than quadrupled since 2019 to make up 13% of total transactions.

It is too early to predict what the year 2022 will bring. There is a possibility of another surge in the pandemic resulting from new variants such as Omicron. However, the team believes that all relevant stakeholders will be much better prepared to manage the situation and mitigate related risks. While continuing to place the safety of guests and Allstars as topmost priority, AirAsia Philippines will be looking to expand its domestic presence even as it explores new destinations further afield in markets such as the United States, Australia and the Middle East. As it restores and expands its network, AirAsia Philippines will also strengthen its digital presence via the airasia Super App to differentiate itself from its competitors and lend it a winning edge.

Key Developments in FY2021

- Acceleration of AirAsia Philippines' digital transformation
- Digitised multiple customer touchpoints
- Integrated services on airasia Super App
- Increased digital payment channels

Aviation

Ground Team Red

Flight disruptions have a domino effect along the entire aviation value chain. Just as our airlines faced the brunt of a second year of the pandemic, so did our technology-based ground handling arm, Ground Team Red (GTR). Not only did it have to contend with a decrease in number of flights, it has also had to manage various uncertainties in its operating environment.

Yet, ever resourceful, GTR was able to pull through the year by biting the bullet and doing what had to be done. This included re-calibrating its costs while ensuring the ability to meet customers' demands. Most painfully, the team had to rationalise its headcount as well as institute no-pay leave and salary reductions. On a positive note, this was just a temporary measure. As domestic travel recovered significantly in November and December 2021, many of the Allstars who were let go earlier were recalled to work.

Meanwhile, GTR also seized opportunities that arose during the pandemic. Key among these has been cargo handling. Along with booming e-commerce, the volume of goods crossing international borders is phenomenal, and ever-increasing. Teleport, therefore, is thriving, as are other non-Capital A cargo operators. Enhancing its cargo handling capacity, GTR has been able to serve Teleport and fuel its rapid growth while securing new cargo airline business from third parties. By the middle of 2021, GTR's cargo handling tonnage was almost back to pre-pandemic levels.

Building on the momentum, GTR is now developing new cargo terminals in the major logistics hubs of Penang and Kota Kinabalu. These new-build facilities, which are expected to be completed and operational within the next 15 months, will offer a very competitive proposition to the market given that they will be equipped with the latest, most efficient technology to support supply chain demand.

Another key opportunity has been to contribute towards the transport of Covid-19 vaccines. Investing in state-of-the-art cold chain facilities, the team worked closely with relevant stakeholders to ensure the integrity of vaccine shipments into the country. Going forward, GTR is strengthening its vaccine-handling capabilities by upgrading its systems and processes, guided by the IATA CEIV Pharmaceuticals certification. Upon receiving the certification in the first quarter of 2022, GTR will be the first ground handler in Malaysia to be IATA-certified to handle temperature-controlled and time-sensitive biological products.

Although there is no telling the extent to which the region will recover from the pandemic in 2022, prospects for cargo and the transport of vaccines remain strong. And GTR is well positioned for both. Having re-calibrated its costs, moreover, the team is also better structured to manage its business more effectively. It therefore enters the year with confidence and looks forward to taking its growing expertise to more markets across Asean.

Key Opportunity

New cargo terminals in Penang and Kota Kinabalu are to open in the next 15 months, presenting an attractive value proposition to customers as they will be equipped with the latest technologies.

Aviation

Santan

The prolonged pandemic was particularly tough for the food & beverage (F&B) industry. Not only did the lockdowns and movement restrictions reduce footfall for dine-in and takeaways, supply chain disruptions meant delays in the delivery of goods as well as an increase in the cost of raw materials.

All of this applied to Santan, our chain of Asean fast-food restaurants. To mitigate these challenges, Santan worked with airasia food, the Group's food delivery business, to satisfy fans' cravings via home deliveries. A particularly impactful promotion saw Santan offer the lowest priced meal in the Klang Valley. What guaranteed its success was the fact that the promo involved Santan's perennial best-seller – Pak Nasser's Nasi Lemak. Throughout this 12-month long promo, sales peaked by RM500 a day per outlet.

Further leveraging the popularity of Pak Nasser's Nasi Lemak, in November the outlets underwent a change in menu. Not-so-hot items were removed while more varieties of nasi lemak were added, increasing the average dine-in ticket size by 10% daily. While enhancing sales, this has had the added benefit of cutting down on waste from unused ingredients, thus improving the restaurants' margins.

Santan Franchise Outlets Launched in FY2021

- Wangsa Walk Mall
- Setia City Mall
- IOI Mall Puchong

The potential of Santan has not been lost on investors. Despite the multitude of challenges faced during the year, three more franchise outlets were opened – in Wangsa Walk Mall, Setia City Mall and IOI Mall Puchong, all in the Klang Valley. This brings the total number of franchised outlets to 10, while the Group continues to manage two fully-owned restaurants, our flagship restaurant in Mid Valley Megamall and the second outlet in Sunway Pyramid.

Following the relaxation of SOPs under the National Recovery Plan, footfall in malls and restaurants has begun to pick up. Given positive signs pointing to business stabilisation, Santan's focus in 2022 will be to drive further growth of all 12 restaurants. Towards this end, the team will place greater emphasis on marketing and branding activities. With its rationalised menu enabling faster service, a new brand campaign is cooking. Watch out for a refreshed Santan – the only fast-food restaurant that serves Malaysia's favourite nasi lemak in under one-and-a-half minutes.

Business Review *(cont'd.)*

Aviation Outlook

As the year 2022 unfolded, the incidence of Covid-19 started to surge again along with the emergence of the new and very contagious variant, Omicron. However, it has proven to be not as virulent as other strains, prompting governments around the world to continue to push forward with economic recovery and the gradual reopening of the world. Within our key markets, the Philippines, Thailand, Cambodia and Vietnam have started to reopen for travel; and the Vaccinated Travel Lane between Malaysia and Singapore resumed as of 24 January 2022. Even the Australian Government, one of the strictest to date in the region, reopened its borders to fully vaccinated visitors as of 21 February.

In response, about 43% of AirAsia's aircraft are back in the sky, and the Group is hopeful that the Malaysian Government will follow in the steps of our neighbouring countries in the near future.

In the meantime, the Group will explore innovative avenues to prepare for the future of travel. While planning to transform our fleet with the most fuel-efficient Airbus 321neo model, we are also monitoring the development of zero-emissions aircraft and will review how it fits into our operations from 2035 onwards. Meanwhile, we look forward to becoming a pioneer in the exciting space of ultra-short-haul travel in Asean. On 16 February 2022, we signed a non-binding memorandum of understanding to lease at least 100 electric vertical take-off and landing (eVTOL) aircraft from our partner Avolon. Also known as air taxis, eVTOL are set to revolutionise mobility not only by being zero-emission but by introducing the futuristic concept of being able to fly from A to B just as you would take an e-hailing ride.

As with everything we do, this will be another exciting first for the region - making eco-friendly ultra short-haul air travel affordable and inclusive. We are currently undertaking a thorough study on it, and look forward to announcing more developments in our next annual report.

Digital

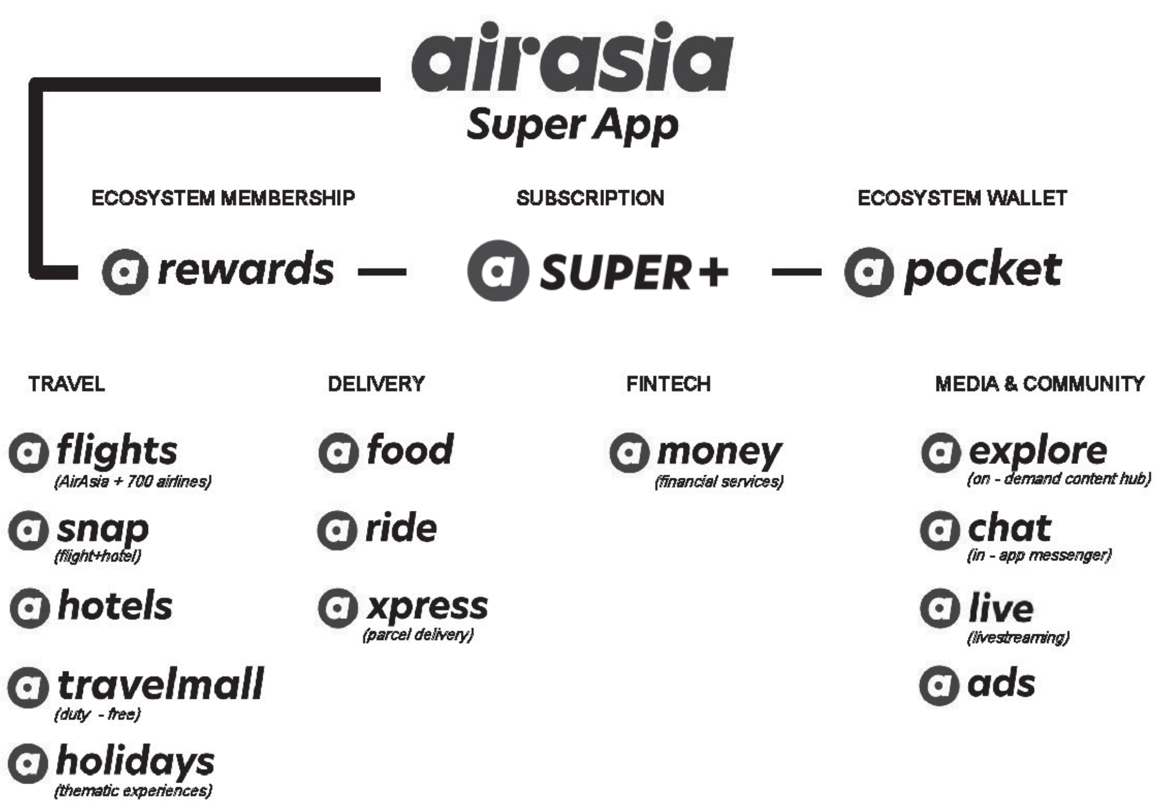
airasia Super App

In just its first full year of operations, airasia Super App has grown phenomenally, increasing not only its product and service offerings to truly become a travel and lifestyle app, but also its user base and traction in terms of volume and value of transactions. In 2021, it launched an e-hailing service that is fast becoming a serious contender to existing platforms. It acquired Gojek Thailand, greatly enhancing its delivery capabilities, business know-how and market footprint. In the travel space, it has become an International Air Transport Association (IATA) accredited online travel agency (OTA) as it continues to expand its network of third-party airlines and destinations served beyond Asia.

Best of all, airasia Super App has been valued at over USD1 billion, making it one of just three unicorns in Malaysia, according to Credit Suisse.

The fact is, while Covid-19 was extremely disruptive to the aviation business, it spurred greater online activity which translated into increased e-commerce, online transactions and home deliveries – all of which fed into the various lines of business (LOBs) that have been developed within the Super App. Adding to that, Capital A's vast database accumulated over 20 years of flying provides rich fodder for the setting up of new lines of business and, subsequently, their rapid expansion. Unlike other new e-economy entrants that need to invest significantly into acquiring customers and data, all digital businesses within the Capital A ecosystem, including the LOBs in airasia Super App, have instant access to its database of 51 million users as well as the technologies and digital architecture that have been built and reinforced over the years. This, ultimately, results in much lower customer acquisition costs, while enabling speedy market entry for all our products and services.

Along with rapid expansion in 2021, airasia Super App streamlined its business under three main verticals namely travel, delivery and fintech with airasia rewards, Unlimited and airasia pocket being the key enablers to bind the entire ecosystem together.



Business Review *(cont'd.)*

TRAVEL

The IATA accreditation, gained in October 2021, enables airasia Super App not only to allow guests to book seats on other airlines globally but also to issue tickets for flights departing from Malaysia. With this new development, the Super App – which has over 700 airlines on its portfolio serving over 3,000 destinations – is now attracting over 100 million pageviews on average a month, and is recognised as one of the top three OTAs in Asean based on website traffic. To enhance the OTA platform's capability and speed to market, the Super App has acquired key technology components from GoQuo, a leading travel technology provider in the region. These include an OTA platform, Hotels and Flight Gateway, Hotel Management System (HMS) and connectivity technology.

While already offering a wide variety of hotels through partnerships with major accomodation aggregators and OTAs such as WebBeds, MG Bedbank, Agoda, Expedia and Ctrip, a major focus in 2022 is to work directly with hotel partners in key markets, ie Malaysia, Thailand, Indonesia and the Philippines. This will enable collaboration on marketing campaigns and best value offers to Super App users.

The accreditation has come at an opportune time, enabling airasia Super App to tap fully into the surge in travel demand as restrictions are being lifted. As a result of its OTA offerings, the platform also attracted a significant number of new customers with 59% of new app users brought in through the travel segment (37% for flights, and 22% for accommodation) in 2021.

A new addition to the Travel vertical is ***airasia travelmall***. Previously known as airasia OURSHOP, the rebrand reflects an inventory that extends from duty-free goods to include travel retail inventory from across Asean and beyond. More than that, this first-of-its-kind omnichannel marketplace is also beginning to offer omnichannel delivery. In 2021, to capitalise on the Langkawi travel bubble, airasia travelmall launched same-day delivery to guests' hotel rooms in Malaysia's popular resort island. As of the first quarter of 2022, this popular service has been extended to guests throughout Malaysia and Asean with delivery options to either their hotel or home. Guests will also have the option of having products delivered to their plane seats, or picking up purchases at the boarding gate or other convenient designated points in the airport prior to boarding their flight.

DELIVERY

Leveraging the increasing momentum of on-demand delivery sought by consumers and businesses, three new services were launched during the year – ***airasia food, airasia ride*** and ***airasia xpress -*** which, together, have resulted in more than a million orders being placed by year end on the airasia Super App.

airasia food was rolled out in the Klang Valley, Malaysia in May 2020 and was expanded to other key cities in Malaysia and Singapore throughout 2021. Subsequent to the acquisition of Gojek's Thai operations, airasia food further expanded its footprint to Thailand. To date, more than 500,000 food deliveries have been made, benefiting 33,000 F&B outlets that are charged the lowest commission rates in town. While being pivotal to sustaining many F&B operations throughout the year, the service has also benefited consumers who are able to enjoy the lowest priced meals and delivery rates. airasia food complements airasia grocer, which also witnessed significant growth after being introduced in Kota Kinabalu and Penang in addition to the Klang Valley in 2020. [For more on airasia grocer, please read about this service under Ventures on page 92.]

In August 2021, ***airasia ride*** burst onto the ride hailing scene, after the acquisition of Malaysian e-hailing company Dacsee. Launched in the Klang Valley, it subsequently expanded quickly to Langkawi, Penang, Johor Bahru, Melaka, Ipoh and Seremban. In the first six months of its launch, the platform saw a 10% increase in number of customers on a weekly basis, and by December it was hitting more than 5,000 rides a day. As at year end, it had completed more than 400,000 rides across Malaysia with a fleet of 30,000 registered drivers.

airasia ride's steady growth has been possible because of our winning strategy – of offering customers the lowest fares while collecting from our drivers the lowest commission (of only 15%). We maintain a very good relationship with our drivers who are offered the same benefits as other Allstars such as flight discounts and reskilling/upskilling opportunities via airasia academy. In addition, airasia ride drivers have access to useful data that helps them to be more efficient in completing their journeys. With the most up-to-date information on flight arrivals, for example, waiting time at airports is reduced while time spent on jobs increased.

In November 2021, we introduced our on demand package delivery service **airasia xpress**. Powered by Teleport, the platform enables users to choose between instant delivery (under an hour) and same-day delivery (within four-six hours).

airasia xpress provides fast, seamless and a convenient delivery service to the underserved, especially to small and medium enterprises as well as social commerce sellers who turn to us for the most cost effective means of transporting their goods. The service is now available in the Klang Valley, Melaka, Johor Bahru, Kota Bharu, Penang, Ipoh and Kota Kinabalu, with plans for Asean expansion in 2022, followed by interstate and cross-border delivery in the second half of 2022.

A key proposition of the Delivery vertical of the airasia Super App is the potential it presents to attract new users to its ecosystem. During the year, over 50% of the Super App's Delivery users were new to the Group. In addition, Delivery users present a great opportunity for the Group to cross-sell higher value products and services thus increasing the customer lifetime value of every newly acquired user. The Delivery business has also increased the Group's visibility on the streets, increasing the number of touch points for users who now have more options to eat, ride and have items delivered at great value with service to match.

FINTECH

Our Fintech push within the Super App is delivered via **airasia money**, which extends our 'for everyone' ethos to financial services. It is a financial marketplace that curates the best and most appropriate financial services and products to fit the needs of today's customers, helping them make better financial decisions and achieve better financial health through useful information and advice.

Bringing together different service providers, airasia money is able to offer the best price points for a range of service offerings. As a true fintech platform within the Super App, the hope is to pass on better savings to the customer in the form of better options, prices and service.

airasia money currently offers the following financial products and services in Malaysia:

- Payments and Financial Services: While supporting the enterprise payment needs, airasia money has been able to leverage its platform to support Super App customer needs as well. Today, they can pay bills, transfer money, top up phones, cards and wallets as well as manage their subscriptions easily and seamlessly.
- Wealth & Investments: airasia money offers various investment products in equities, mutual funds and other asset classes, such as gold, through partnerships with players like StashAway.
- Insurance: Auto, life and medical coverage is provided in partnership with Tune Protect & PolicyStreet.
- Lending: customers are enabled to take out personal loans via BigPay & RinggitPlus.

Before year end, airasia money was rolled out in Indonesia where it offers medical and life insurance, investments and zakat payments. Fintech solutions have helped us to complete the Super App customer experience and the airasia ecosystem as a whole. In the process, we have increased the value and utility of the Super App in driving overall stickiness and delivering a superior customer experience.

Business Review *(cont'd.)*

MEDIA & COMMUNITY

Through Media & Community, we are creating our own social space where people can indulge in their various interests.

- On ***airasia chat***, they can connect with others who are like-minded and share stories, notes, tips, experiences and one-to-one chat. This space will be the social hub of airasia Super App and in the future also introduce engagement points such as mobile gifting.
- On ***airasia explore***, we are creating our own content based on Asean pop culture, to inspire people to see the region in new ways. This will continue to evolve and develop to host various content in the printed, video and audio media. With ***airasia live***, we will connect aspiring and talented live streamers with the community.
- Meanwhile, ***airasia ads*** will leverage space on our Super App as well as on our physical assets, such as airasia ride cars, delivery bikes and others to display ads.

ENHANCING THE USER EXPERIENCE

Recognising the critical importance of the user experience, this is something that the team invests in considerably. Much thought goes into curating a seamless journey every time someone uses the Super App. With that in mind, towards end 2021, airasia rewards (previously BIG Rewards) was integrated into the platform, completing the Super App ecosystem.

Not only does its integration bring greater convenience for customers to earn and redeem points, it also further expands our customer base as it continuously introduces new non-Group partners to the world of AirAsia. In 2021, these included regional players such as Lazada, Flexiroam and UOB. Along with more partners, its membership base keeps growing. Just in 2021, pandemic notwithstanding, it welcomed more than 1.5 million new members and issued billions of airasia points.

Our in-app game BIGGIE Wonderland continued to be one of the most popular features in the airasia rewards app with over six million games played and over 32 million airasia points won.

Meanwhile, the ever innovative rewards programme introduced several more products and services to keep members keen. These included an upgraded subscription plan, airasia rewards+, that gives even bigger rewards; airasia points gift cards; and an all-new airasia xchange for instant points conversion and redemption.

Moving forward in 2022, the focus will be on reinforcing the value of airasia points as a universal digital loyalty currency. airasia xchange will be at the forefront as a change agent for business transformation as we continue to expand it into an Asean universal points exchange hub; a super highway that unifies and connects all loyalty programmes in Asean and beyond using blockchain technology.

OUTLOOK

A key focus in 2022 will be to continue to grow our travel and lifestyle products and improve user experience as we create a greater presence throughout Asean. Our objective is to be the top Asean super app, and to achieve this we are ensuring we have all the right systems, processes as well as people to spur our growth. Even as this annual report is being prepared, we are in the midst of building a strong team across the region with the capabilities to support our rapid expansion and growth aspirations.

There is huge potential for the OTA platform as well as airasia ride, and we want to capture a greater market share for both products across Asean and beyond.

Recognising the importance of virtual interlining to the future of the OTAs, we seek to strengthen this feature on the Super App. Through virtual interlining, we will also connect passengers with ground and sea transportation to cover all destinations, enabling Super App users to enjoy an end-to-end experience. There are also huge opportunities yet to be fully tapped in the hotel business through cross-selling and upselling to millions of travellers.

Since its inception, the Delivery vertical has proven its ability to draw in many new airasia Super App users. Via remarketing, close to 50% of these first-time users on airasia food, ride or xpress have gone on to explore other products and services under the Travel, fintech and Lifestyle verticals. Our focus now will be to cross-sell and up-sell across the entire ecosystem. This will be facilitated by airasia rewards, the loyalty programme that was recently integrated into the Super App, giving our customers the best value across their Super App experience.

As for ride, we aim to be the top e-hailing platform in Asean by championing the connected journey segment providing door-to-door transportation instead of airport-to-airport.

Unlimited will be expanded into a full subscription product to allow users to enjoy all the products and services on our digital platform, differentiating airasia Super App as the only app that offers such a holistic experience. In order to support its growth and country expansion, Super App is heavily investing in a set of tools and platforms that will further enable the ecosystem.

From a platform point of view, the first half of 2022 will see the coming to fruition of projects like airasia pocket, which will enable payments across all airasia channels using our wallet services. The ability to pay and check-in using FACES will also be a key deliverable during this period, while a renewed version of our flagship subscription project will be launched, rebranded as Super+. In the second half of the year, we will offer the full array of travel products on the Wechat mini programme while also integrating additional payment gateway functionalities. Among some of the other exciting new launches are enhancement of our community and chat programmes, as well as instalment options and multiLoB checkout capabilities.

In the Travel vertical, the first half of the year will see the full integration of our OTA platform, including connectivity with Global Distribution Systems, aggregators and consolidators for flights; enablement of multiple channel Managers and Extranet; and the introduction of airasia holidays where users will be able to conveniently bundle their Activities, Hotels and Flights bookings. In the second half of the year, customers will get to enjoy more self-service options.

On the Delivery front, we will be launching multi-language/multi-country support integrating local payment methods, currencies, languages while consolidating backend logistics and our riders' app. In the second half of the year, we will expand airasia xpress use cases across cities and borders, optimising recommendations, further country localisations, enhancing the allocation of orders between riders for better time-to-delivery, among others.

In the Fintech vertical, we aim to expand the functions offered as well as our geographical coverage, incorporating financial inclusivity features and wealth management in more countries as the year progresses.

Overall, we seek to expand our portfolio of products and roll out the platform in our other key markets, namely Singapore, Indonesia, Thailand and the Philippines by 2022. Inspired by being recognised as a unicorn in Malaysia, we are now working diligently to transform airasia Super App into the top Asean superapp for everyone.

As the number of active devices and transactions on our app continue to grow, we will see a positive incremental shift in user behaviour on the Super App. Along with it, we seek to move more web users to the app through direct marketing and engagement, and by recruiting new users from our market expansion. With higher stickiness, we can encourage repeat usage of features such as FACES, personalised promos, and the community. This stickiness will contribute to cross-product exposure, providing a path for users to discover all our promotions and business offerings.

Value underpins all that we do, and while we continue to grow, we remain true to our DNA by keeping our operating costs low, and maintaining operational excellence while continuously improving the overall customer experience.

Business Review *(cont'd.)*

Digital

Teleport

Imagine being an end-to-end logistics player that depends primarily on an airline parent company to transport your cargo. And imagine that airline is no longer allowed to fly because of international border closures. Imagine also that the logistics player still manages to increase its business, not just marginally but exponentially. Magical? Perhaps. It is after all how Teleport sees its operations – as being fast, accessible and affordable; and to simply work, like magic.

Reality, however, is far more prosaic. And whatever magic we see on the ground, or in the air (in the case of Teleport), is always accompanied by hard work. Often, also, more than a dash of innovation. Starting off in 2018 using the belly space of AirAsia aircraft to transport goods, Teleport has grown in leaps and bounds because of the sheer effort of the team to build a strong delivery system as well as an expansive cargo network so as to be able to offer door-to-door service almost anywhere in Asean in 24 hours.

While the pandemic created the immense challenge of cutting off 90% of its belly space, it was also the catalyst for quick action and change which will add significantly to Teleport's magic in the long term. Effectively, when AirAsia aircraft became dormant, Teleport pivoted towards establishing a cargo-only network. First, it converted two AirAsia aircraft into cargo-only carriers. Then, in November, it acquired a dedicated Boeing 737-800 freighter, through a multi-year agreement with Thai express freight airline K-Mile Asia. With this freighter based in Bangkok, it will have two hubs – the other hub being Kuala Lumpur – extending its international connectivity while increasing its delivery capacity.

From its two hubs, Teleport started cargo-only flights using wide-bodied aircraft serving, initially, Hong Kong, India, Singapore, Korea and Japan; later adding Shanghai and Australia as well as a few chartered flights to Europe. It is also serving more regional destinations such as Vietnam, Male and Myanmar with narrow-bodied carriers. In its home markets, especially Malaysia, the Philippines and Indonesia, Teleport continued to leverage belly freight for domestic traffic. Although these services were interrupted during local lockdowns, Teleport ended the year with the ability to fly out more than 90% of all shipments the same day, achieving an on-time departure rate of more than 98%.

At the same time, it signed up top 20 global forwarders such as DHL Global Forwarding, Kuehne + Nagel, DB Schenker, Agility, CEVA Logistics and Nippon Express. And it has continued to build Freightchain, the world's first air cargo network run on blockchain, which during the year facilitated more than USD35 million of cargo transaction volume.

To enhance its delivery capacity, Teleport acquired Malaysian online food delivery platform DeliverEat, and its ready-made network as well as expertise. Leong Shir Mein and Tan Suan Sear, who founded DeliverEat about nine years ago, have since joined Teleport with the rest of their team, and brought with them their intellectual capital, most pertinently an app that has powered 1,000,000 orders from a more than 600,000-strong database. In addition, the dynamic logistics player has expanded its pool of Teleporters such that it now has more than 13,000 crowdsourced riders it can rely on for deliveries.

Teleport

Wrapped up FY2021 with the ability to ***fly out more than 90% of all shipments*** on the same day, achieving an on-time departure rate of more than 98%

Leveraging its increased capacity, Teleport has continued to grow its customer base. True to form, it on-boarded more than 736 new businesses during the year – from large marketplaces such as Zalora and Central Group, to world-class delivery companies like DHL e-commerce and Best Express, household brands like McDonald's and Irvins, and hundreds of small businesses that now self-sign up and can start shipping anywhere within the network in five minutes.

New business from its expanded customer portfolio led to a phenomenal increase in daily deliveries, from 1,700 a day in 2020 to about 10,000 a day in 2021, of which 72% were driven by non-Capital A customers. What is more, some 42 lanes have been created serving major cities such as Singapore, Penang, Johor Bahru, Kota Kinabalu and Kuching – on which the promise of 24-hour delivery is assured.

Business growth during 2021 itself was tremendous – with the number of deliveries expanding almost six-fold from a three-fold increase in number of active customers; and air freight tonnage increasing by 11% year on year. At this pace, it is important to have the capacity to meet its commitments. Again, Teleport is confident of being able to do so. During the year, it on-boarded 60-plus Gojek Thailand colleagues, the 33-strong DeliverEat team and welcomed 10 of the first batch of Magicians-in-Training (as its management trainees are called). More than numbers, it is the calibre of the team that lends Teleport its optimistic outlook. Every member is highly valued; and, this year, to celebrate the contributions of co-founder/Head of Product Joanne Chin, the company minted its very first #TeamTeleport non-fungible token. The idea is to produce 100 of these NFTs to recognise the team's rising stars. Another cause for celebration was moving into its first Teleport hubs – in Sunway (Malaysia), Singapore and Thailand. The aim in 2022 is to build 47 more homes across Asean.

The focus during the year will be to become more visible; achieve scale by growing even faster and larger; and to build an unshakeable foundation of resilience to ensure business sustainability regardless of the operating environment. Teleport's vision is to become a top-three cargo operator by capacity in Asean by moving things across the region better than anybody else. At the rate it is going, this should soon be a reality.

24-hour delivery is something that drives the team at Teleport to keep innovating so as to continuously become better, faster and more accessible. To fulfil this promise, Teleport requires not only the right networks but also all the relevant licences. It invests considerable time and effort on applications and was pleased during the year to obtain a Forwarding Agent License and Postal and Courier License for Malaysia. It now has 15 licenses across seven country operations, but recognises that it will need even more in order to serve the 232 cities it has identified across the region.

Of these, 157 can be connected by air; the rest are second or third-tier cities that are not served by airports. To reach them, Teleport is now looking to acquire a fleet of road transport vehicles with the ultimate vision of developing multimodal operations within the next five years.

Teleport's Cargo Vision

To become ***a top-three cargo operator by capacity*** in Asean by moving things across the region better than anybody else.

Business Review *(cont'd.)*

Digital

BigPay

As Covid-19 accelerates the digital transformation of banking and financial services, more and more people in Asean are becoming aware of digital banking and a significant number are also keen to adopt such services into their daily lives. In Malaysia, one fintech in particular is gaining great traction: BigPay.

Named by the UK's Business Financing as the most-searched for digital bank in Malaysia, BigPay's performance during the year proves not only that people are researching the fintech, but that they also recognise its value proposition as a neobank and are buying into the platform. By end 2021, the app had been downloaded by more than two million users, out of whom one million were carded and transacting. The latter marks an incredible doubling since the end of 2020, despite the pandemic creating an uncertain environment for spending.

BigPay's success can be distilled to the fact that it seeks to do in finance what AirAsia has done for flying – provide services that people really want utilising a channel that is accessible, convenient and that carries lower costs, enabling it to pass these savings to users. BigPay's mission is to democratise financial services by bringing low-cost, fair and transparent products to Asean. This is enabled by access to the rich repository of data that has been accumulated by Capital A, its major investor. Already, it has developed effective algorithms for distribution and to assess the eligibility for credit and other financial services of customers who would normally be by-passed by banks. Customers, meanwhile, benefit not only from financial products that they genuinely need but also from simplified and hyper-personalised delivery.

A key concern with fintechs is the issue of trust. And this is an area that BigPay has invested considerably in. While ensuring transparency of its products and fees, BigPay has also been ramping up its security features and even started providing content on financial literacy via its blog and online news publications to address any concerns customers may have.

Product development, meanwhile, is shaped by market needs in order to stay relevant. In the face of the continued pandemic, for example, BigPay has introduced micro-insurance, Bill Pay and virtual cards. Its all-in-one Lifestyle insurance – with premiums starting from as low as RM30 a year – covers key areas like accidental death, hospitalisation and permanent disability, as well as areas that are relevant to today's youth such as online purchase protection, smart device protection and loss of sports equipment. Bill Pay and virtual cards are quite standard except many students, young working adults, freelancers and SMEs do not have access to these facilities, which are not just convenient but increasingly necessary in an environment of restricted movement. That these products are filling real gaps in the market is reflected in their take-up rates, which get stronger by the day.

Adding to user convenience, during the year BigPay introduced a cash top-up feature, enabling users to top-up their accounts at any of the 2,400 7-Eleven outlets in Malaysia. In response to demand, it also increased its wallet size from RM10,000 to RM20,000. Initially offered only to a limited group of people, this feature will be rolled out for all BigPay users in the first half of 2022.

The investment from Capital A has added benefits for marketing and distribution too. Via its 51 million strong database, BigPay is able to offer attractive travel deals to potential customers in collaboration with the airline business. Guests spending outside of their home country, whilst travelling or purchasing online, also benefit from one of the best foreign exchange rates in the region.

In addition, BigPay has cultivated strong acquisition channels with high long-term value segments while also showing high retention rates. An example of this is that BigPay was chosen to be the sole pay-out partner of Malaysia Digital Economy Corporation (MDEC)'s eRezeki programme through which income generating opportunities are provided to low-income earners via online crowdsourcing platforms. During the year, BigPay also piloted a pay-out solution with Capital A businesses like Teleport and airasia ride. This was subsequently extended to gig economy workers more generally, leading to 34% growth in the number of freelancers and SMEs on the platform.

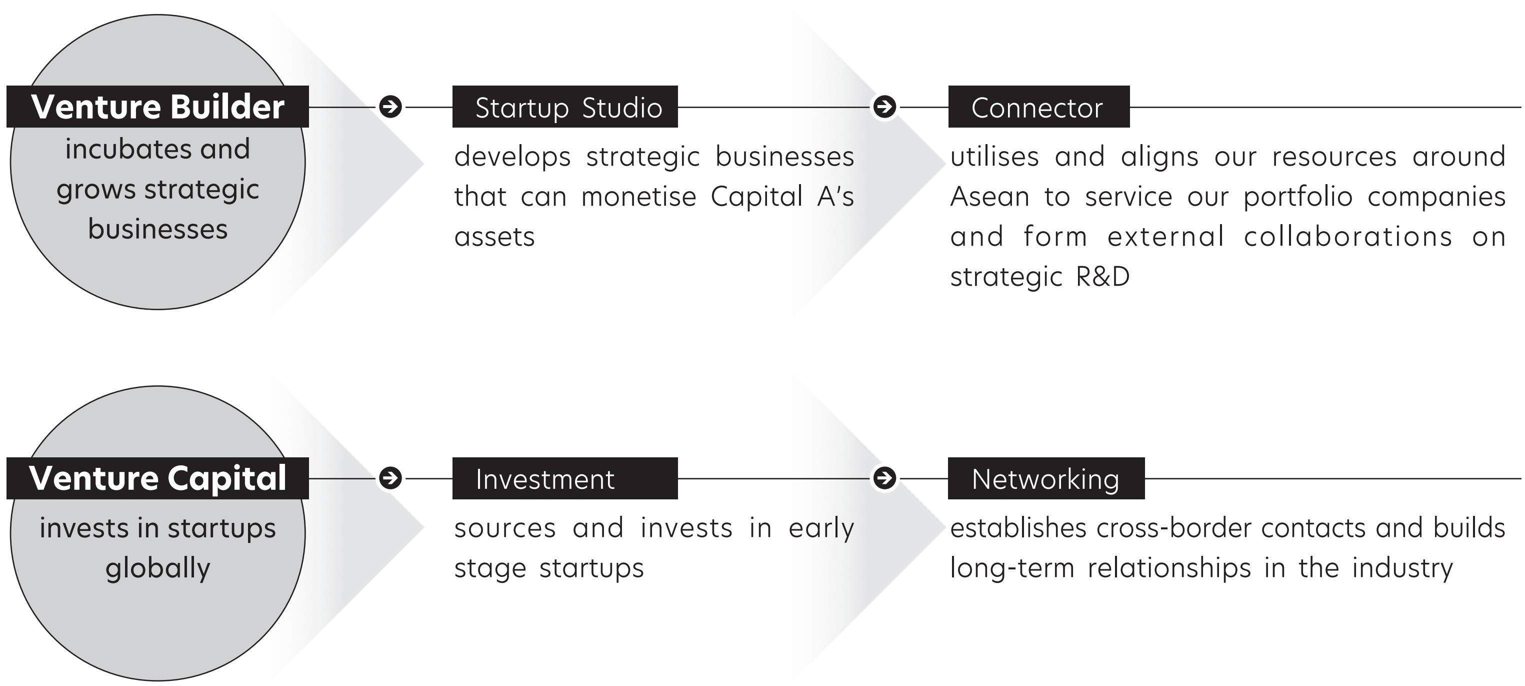
BigPay is excited about its prospects in 2022. In August 2021, it had secured Series A financing of up to USD100 million led by SK Group. This enables the team to accelerate its product development while expanding into more markets such as Thailand, Indonesia and the Philippines. Having built a successful tech-first model in Malaysia and Singapore, it is ready to scale it across Asean to reach millions more people.

Ventures

Ventures represents Capital A's aspiration to pivot from a leading global airline into a global digital corporation by building businesses through innovation and connecting with tech startups across the globe. With a proven track record of having grown BigPay, Teleport and airasia Super App, it aims to incubate and accelerate the development of leading innovative products and services with the goal of eventually incorporating them into the Capital A ecosystem.

Its current focus is to further develop three main portfolio companies – airasia grocer, airasia academy and IKHLAS – utilising Capital A's resources around Asean as well as leveraging external collaborations for rapid expansion. Ventures also plans to launch funds integrating the venture builder and venture capital model.

Ventures fund:



Business Review *(cont'd.)*

Ventures

airasia grocer

What started out as airasia fresh within the airasia Super App has been rebranded as airasia grocer and merged with airasia farm, a subsidiary of RedBeat Capital (formerly known as RedBeat Ventures). The idea is to offer not just fresh produce but a full range of consumable groceries for the consumer (B2C), business (B2B) and export markets.

Today, airasia grocer has on its platform over 20,000 items from 400 merchants in the Klang Valley, Penang and Kota Kinabalu. Leveraging the Group's land and air logistics capabilities, it has flown frozen and dried seafood, fruits and other Sabah specialities from Kota Kinabalu and Tawau to serve customers in West Malaysia. In the other direction, it has satisfied cravings for Perlis' famed Harumanis by taking these mangoes to Sabahans. airasia grocer has even piloted an export shipment of live mud crabs to China.

The platform business was rolled out in Singapore, but subsequently scaled down to allow the team to perfect the business model before resuming Asean expansion. Under its standard offering, items are delivered within 24 to 72 hours after an order is placed. However, with the launch of the ***Fresh X-press*** store in June, customers can choose to receive their items within the same day. Even better, the ***Fresh from the Farm*** store enables customers to purchase directly from the farm, with produce being delivered on the very day of harvest.

Movement restrictions due to the prolonged pandemic have acted as a double-edged sword for airasia grocer. While most businesses have had to restrict their operations during the lockdowns, loss of sales from the B2B segment have been compensated for by increased sales from the B2C online store. On the whole, the team was able to maintain the Group's value proposition of offering the best deals thanks to strong supplier relationships and support from the Ministry of Agriculture and Food Industry (MAFI), which enables direct contact with farmers. Further boosted by a continuously expanding inventory of products and merchants as well as the promise of same-day delivery, airasia grocer was able to increase its sales over the course of the year.

For the B2C business, gross merchandise value (GMV) in the second half of 2021 was 52% higher than in the first half of the year, while the number of orders grew 46% and number of customers increased 25%. To cope with the expected increase in sales volume, airasia grocer initially converted space at Wisma Tune into a mini warehouse. In December, a full-fledged warehouse was opened in Seksyen 51 Petaling Jaya.

Key Achievement

- Offers over 20,000 items from 400 merchants in Klang Valley, Penang and Kota Kinabalu

Having built the foundation of airasia grocer in 2021, the team will work to strengthen it in 2022. Among others, focus will be trained on brand-building and creating greater awareness of the platform's key propositions. A lot of effort will also go towards enhancing logistics efficiencies so as to reduce delivery fees to a minimum. Once the platform is robust and thriving in Malaysia, it will be expanded to other markets in Asean.

Ventures

airasia academy

The need for digital talent had been growing steadily, yet perhaps also imperceptibly, over the years... then *exploded* in 2020 when the pandemic unfolded. Suddenly, it was not just good to have a couple of 'IT people' in an organisation who could fix computer glitches. It became absolutely essential to have data analysts, software engineers, cyber security and cloud computing experts, and a multitude of other specialists to help digitalise businesses everywhere as the whole world scrambled to transition online.

airasia academy's Objectives

- Make digital training more accessible
- Increase the range of instructor-led training (ILT) courses offered
- Develop content that is relevant and deliver on channels that are user friendly

Fortuitously, the Group had embarked on our digital journey a few years pre-pandemic and were already aware of the dearth of digital talent. We recognised a tangible need for Capital A to train our Allstars to be digital savvy, and knew that if we set up an academy to meet our internal needs we would be able to commercialise it by helping the rest of Malaysia catch up on the digital revolution. That was how airasia academy (then known as RedBeat Academy) was born.

The timing could not have been better. We opened the academy to Allstars during MCO1.0. Almost immediately, 1,200 Allstars signed up to reskill themselves. Within the year, we had partnered with the Malaysian Industry-Government Group for High Technology (MIGHT) to train its staff in software engineering, blockchain and data. We also set up the BINA Digital Programme to help small and medium-sized enterprises (SMEs) digitise their businesses.

In 2021, we worked with the Ministry of Higher Education (MOHE) to train unemployed university graduates in data, software and digital marketing. We also expanded our network of tertiary institution partners with whom we are collaborating on micro-credential badges, joint programmes and research, among others. The band now includes University Teknologi Malaysia, Universiti Malaya, Asia School of Business in collaboration with MIT Sloan Management and Imperial College London, Asia Pacific University of Technology & Innovation (APU) and UNITAR International University.

The academy's objective is to make digital training more accessible. Towards this end, it has not only increased the range of instructor-led training (ILT) courses offered; in August it also created a milestone by launching on-demand learning (ODL). This was significant for two reasons: the speed with which it was achieved (just six months after the idea being conceived); and the market response generated. The number of new users on the academy's platform jumped by over 10,000 in just two months, and is projected to hit 700,000 in 2022. The rate at which the academy has developed ODL content is just as amazing. In just two months, it was offering over 10,000 unique courses; and the number is expected to exceed 20,000 by end 2022.

ODL courses have definite advantages over ILT, especially in the current climate, as they can be taken at home, or indeed anywhere at all and at any time suiting learners' convenience. ODL is also more affordable as there is no need to pay instructors' fees or training centre costs; and the programmes can be tailored to meet learners' unique learning styles. By end 2021, the academy was offering 150 ILT courses and over 10,000 ODL courses.

Among the ODL courses introduced was a series of free modules for SMEs. Leveraging our partnership with Google Cloud, we adapted the quick, easy-to-understand lessons on Google Malaysia's Google Primer app to help business owners and individuals grow digital skills and reach their goals. In addition, a number of ODL courses were developed with Jom Tuisyen specifically to help school children cope with school closure. These 'tuition classes' in Mathematics, Science, Physics, Chemistry and Biology are available for primary and secondary students in English, Malay and Mandarin. While allowing students to prepare for the national exams, the modules will also enable them to develop digital skill sets and provide a funnel into some of the more detailed and advanced courses.

The year 2022 has got off to a good start, with the launch of the Drone License - Remote Pilot Certificate of Competency and other drone-related courses on 10 January. These have been approved by the Civil Aviation Authority of Malaysia (CAAM), making airasia academy the first in Malaysia to be recognised by CAAM as a remote pilot training organisation (RPTO).

Going forward, the academy will continue to expand its offerings to fulfil the needs of all levels of society, from school children to school leavers, fresh graduates as well as SMEs, government agencies and private sector bodies. Much thought will go into developing content that is relevant and delivering these on channels that are user friendly. Ultimately, airasia academy seeks to become a one-stop talent-building platform, bridging gaps in skills not just in Malaysia but the region.

Business Review *(cont'd.)*

Ventures

IKHLAS

From being one of the lines of business under airasia Super App, IKHLAS has come into its own and is now a full-fledged Islamic lifestyle venture being fast-tracked as a RedBeat Capital (formerly known as RedBeat Ventures) startup. Its objective is to be a one-stop Muslim-friendly travel and lifestyle platform that provides affordable products and services for the Muslim community not just in Malaysia but the region.

Established in April 2020, IKHLAS has greatly expanded its suite of offerings to be there for Muslims whenever the need for Islamic products or services arises. Almost every month in the first half of 2021 saw a fresh product launch to make it easier for the community to fulfil their religious obligations.

In January, it introduced Sadaqah, an online platform for organisations (including IKHLAS itself) to collect donations for distribution to worthy causes. By year end, 220 organisations had signed up onto the platform and 235 campaigns were held raising RM2.42 million which benefitted 32,000 families. Other than funds, 81,000 meals were distributed to various beneficiaries.

In March, two products were launched – Fidyah and Shop. Through Fidyah, donations made by those who missed fasting on certain days during Ramadan are channelled to the needy. During the year, this comprised close to 250 families throughout Malaysia. Shop, meanwhile, is an e-commerce site curated specifically to Muslim needs. It currently offers 945 different items sourced from 54 merchants – encompassing prayer mats and related amenities to halal food including pre-packaged meals and fresh meats, beauty products, health supplements, books, Islamic art and garments, among others.

IKHLAS subsequently made zakat payments much more convenient, with the launch of an eponymous service. The platform was rolled out in April, just in time for payments during Ramadan.

May saw the soft launches of two apps – IKHLAS and Sahabat – the first for personal use, and the second for use by organisations. Through the personal app, users can access relevant information such as prayer times, Qiblah (ie direction of Mecca), Islamic services and community engagement. Sahabat, meanwhile, is an app for community leaders including organisations and service providers to manage their communities or their offerings. The team is still gathering feedback from users of both apps with the idea of fine tuning them and integrating them with other core AirAsia functions before the apps are officially launched.

Finally, in June, the team expanded its Qurban service for the domestic market, after offering it for the international market in 2020. Using this platform, Muslims can pay for cows or goats that have been sacrificed to be delivered to recipients (friends, family or the underprivileged) in 36 countries around the world – including Bangladesh, Cambodia, India, Indonesia, Kenya, Philippines, Somalia, Tanzania, Thailand, Vietnam and Malaysia.

Products Launched in FY2021

- Sadaqah
- Fidyah
- Shop
- IKHLAS App
- Sahabat App
- Expansion of Qurban service for the domestic market

These new products and services add to Aqiqah, which was launched in 2020, through which goats are sacrificed to honour and celebrate the birth of a child for Muslim families.

A key differentiator of IKHLAS is its link with Capital A, which provides a ready-made database that can be tapped into and further developed. IKHLAS has also inherited the indelible AirAsia stamp which ensures everything it does will be at the highest quality but at the most affordable price. What is more, every purchase or transaction on IKHLAS will earn the customer BIG Points which can be redeemed for anything within the Capital A ecosystem.

As the year 2022 unfolds, the team will seek to drive more traffic onto its website while also enhancing awareness of its apps to attract more downloads. Along with increased traffic, it will invest in further improvements to the platform design and infrastructure so as to ensure quick, convenient and easy navigation for a seamless and intuitive experience. Meanwhile, more products are being developed to fulfil the one-stop platform promise.

Although the focus in 2021 has been to expand into a range of non-travel products and services, the mainstay of IKHLAS continues to be its Umrah packages. And, as international borders re-open, the platform will once again guide Muslims as they design their own travel, ensuring the most professional and warm service, at the most affordable price. With IKHLAS, fulfilling one's lifelong dream to go on a pilgrimage will be possible for everyone.

Engineering

Asia Digital Engineering (ADE)

Operational only since September 2020, the year 2021 marked Asia Digital Engineering (ADE)'s first full year in the maintenance, repair and overhaul (MRO) scene. Yet what a year it has been. Going by the team's achievements, nothing – pandemic or otherwise – is going to stop them from pushing ahead with their ambitious plans.

The ball got rolling in May 2021, when ADE obtained base maintenance approval from the Civil Aviation Authority of Malaysia (CAAM). With this 'licence', the team is able to perform heavier maintenance tasks such as C-checks for airlines registered in Malaysia. It also serves as leverage for approvals from other national aviation bodies.

Indeed, the team has approached various regional and international authorities and been granted the green light to conduct maintenance work from the Directorates General of Civil Aviation in Indonesia and India, the Civil Aviation Authority of the Philippines, and Cambodia's State Secretariat of Civil Aviation. It is also close to getting approval from the European Union Aviation Safety Agency (EASA), while several other approvals are still in progress due to travel limitations imposed by the relevant countries.

In anticipation of growth of its MRO business, ADE has been expanding its physical work space. When it started out, the team based its operations in AirAsia Berhad's hangar space in Kuala Lumpur International Airport (KLIA). Within the year, however, it has tripled its capacity by utilising third-party hangar space in Subang where it continues to eye more room for further expansion. At the same time, it has received approval for the KLIA hangar to be extended.

Meanwhile, the team is steadily making its expertise known within Capital A's aviation-related businesses. Among various operational highlights, in July 2021 ADE completed its first cabin-to-cargo conversion of an Airbus A320 aircraft in AirAsia Malaysia's fleet for use by Teleport. Subsequently, in November, it successfully installed its first GX Aviation inflight broadband solution by Inmarsat in an AirAsia Airbus A320 aircraft. Prior to this, the broadband solution was being installed by a third-party MRO. The plan is to become the preferred GX Aviation installation partner for all airlines in Asean, starting with the Airline group of Capital A.

In addition to MRO functions, which form part of the Engineering Maintenance Services (EMS) pillar, ADE is building other core businesses in Component & Warehouse Services (CWS), Engineering Support Services (ESS) and Digital & Innovation Services (DIS).

ADE

Uses state-of-the-art digital technologies making it a regional leader in MRO operations

ADE also aims to develop a digital business to business (B2B) marketplace where original equipment manufacturers (OEMs), MROs and airlines can buy and sell their inventory of aircraft parts. Early discussions are ongoing with key players and the marketplace, which is currently in beta, will undergo its pilot run within the AirAsia group of airlines by early February 2022.

The use of state-of-the-art digital technologies is what differentiates ADE from other MRO operators in the region. Combining data from its daily operations with other external data sources, ADE seeks to provide customers with the most comprehensive end-to-end solutions to meet their needs. To support its highly technical, data-driven operations, the team is continuously working to increase its pool of digital talent.

In 2022, ADE will continue to build on its capabilities in all business areas while accelerating its digital product development. It will also focus on growing its customer base, which currently comprises Lanmei Airlines, China Airlines and Myanmar Airways in addition to AirAsia. Initially, the team will target airlines in Asean that stand to benefit immensely from ADE's value price points and strategic networking with the OEMs. In time, and with expanded capacity as well as capabilities, ADE will spread its net farther and wider.

All the businesses within ADE have developed their own five-year plans. As market conditions improve, and these plans are executed, we can expect to see the dynamic startup fulfil its vision of becoming Asean's leading MRO.

Sustainability Statement

Introduction

About This Report

Capital A Berhad is pleased to present our annual Sustainability Statement, which provides an overview of our economic, environmental and social (EES) approach, performance and achievements for the year 2021. This follows from our previous Sustainability Statement for the year ended 31 December 2020.

Over the past three years, sustainability reporting has become a fundamental component for us to demonstrate our ability to manage sustainability risks and opportunities, and create value for our stakeholders.

This year, we strengthened our commitment through an in-depth materiality exercise and by addressing identified gaps of our sustainability performance with relevant sustainability indices.

Reporting Framework & Guidelines

This report has been prepared based on Bursa Malaysia Securities Berhad (Bursa Malaysia)'s Main Market Listing Requirements with guidance from its Sustainability Reporting Guide (2nd Edition). We have also prepared this report in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. By incorporating GRI Standards, this report meets the GRI principles of stakeholder inclusiveness, sustainability context, materiality and completeness.

Other frameworks and guidelines taken into consideration include:
- FTSE4Good Bursa Malaysia (F4GBM) Index
- Dow Jones Sustainability Index (DJSI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- United Nations' Sustainable Development Goals (UN SDGs)

Reporting Scope and Boundaries

This report covers the sustainability performance of Capital A and its subsidiary companies from 1 January 2021 to 31 December 2021, unless stated otherwise. Throughout the report, 'the Group' refers to Capital A while each subsidiary is referred to by its own name, and the airlines collectively are referred to as 'AirAsia'.

Disclosures in this report cover AirAsia Malaysia (MAA), AirAsia Indonesia (IAA), AirAsia Philippines (PAA), airasia Super App, Teleport and BigPay, unless stated otherwise.

All monetary values reported in this report are expressed in Ringgit Malaysia (RM), consistent with the Malaysian Financial Reporting Standards.

Forward-Looking Statements

This report contains forward-looking statements which reflect the Group's expectation of future value creation as well as financial and non-financial performance. Such forward-looking statements involve known and unknown risks, and are therefore uncertain in nature. This could result in actual results differing from those stated in the forward-looking statements.

Assurance

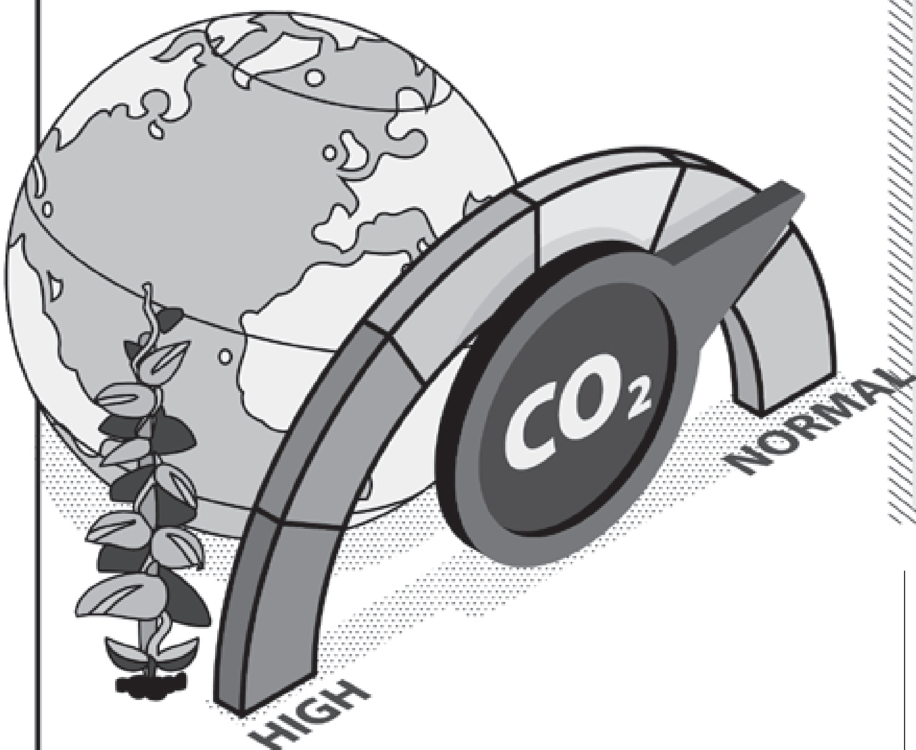
To ensure the accuracy and integrity of our disclosures, this report has been reviewed by the Sustainability Working Group (SWG) across Capital A, and validated by the Board of Directors and Risk Management and Sustainability Committee. Moving forward, we aim to obtain external assurance of our sustainability statement.

Contact Us

Feedback from our stakeholders is valuable to us to continually improve our reporting. We therefore welcome any feedback or comments and request that stakeholders direct these to the following email: **sustainability@airasia.com**

Introduction *(cont'd.)*

Tackling Climate Change: Path towards Net-Zero



> "We are committed to ensuring not only that we build a sustainable airline but that we apply the same principles to all businesses under the Capital A umbrella."

The 26th annual summit of the United Nations Climate Change Conference of the Parties (COP26) held in November 2021 concluded with all parties agreeing to keep the 1.5 degree temperature rise cap alive and to scaling up action on dealing with climate impacts. Responding to the urgency for global climate action, our sustainability priorities now include strengthening our climate strategy while continuing to ensure the health and safety of guests and employees for as long as Covid-19 remains pandemic.

We are fully aware of the heavy scrutiny on the aviation industry's carbon emissions. In the last two years, along with pandemic-induced travel restrictions across the world, our carbon emissions dropped by more than 90% while waste generation was reduced to a minimum. However, the situation will reverse once the travel industry recovers, hence we reviewed our climate strategy to put in place mechanisms and processes that will help deliver the aviation industry's target of net zero by 2050. Given that Capital A is now a diversified group, we also began the process of identifying key ESG issues relevant to our new lines of business. We are committed to ensuring not only that we build a sustainable airline but that we apply the same principles to all businesses under the Capital A umbrella.

This year, we made great progress towards a net zero future through the following new initiatives:

- Expanded the emissions-tracking scope of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) to include all domestic flights
- Developed financial models to analyse the impact of introducing carbon offsetting and sustainable aviation fuel utilisation to air fares
- Developed a blueprint for achieving net zero emissions
- Accelerated the Group's digital transformation to enhance efficiencies and safety processes while reducing our carbon footprint across our network
- Identified our climate-related risks and opportunities to begin our alignment with the Task Force for Climate-related Financial Disclosures (TCFD) framework

Moving forward, we will continue to increase awareness of sustainability and the importance of climate change across our business operations. At the same time, we will strive to adopt more practices that can further minimise our carbon footprint. Details of our initiatives are available in the Environment section of this report (pages 120-136).

Sustainability Governance

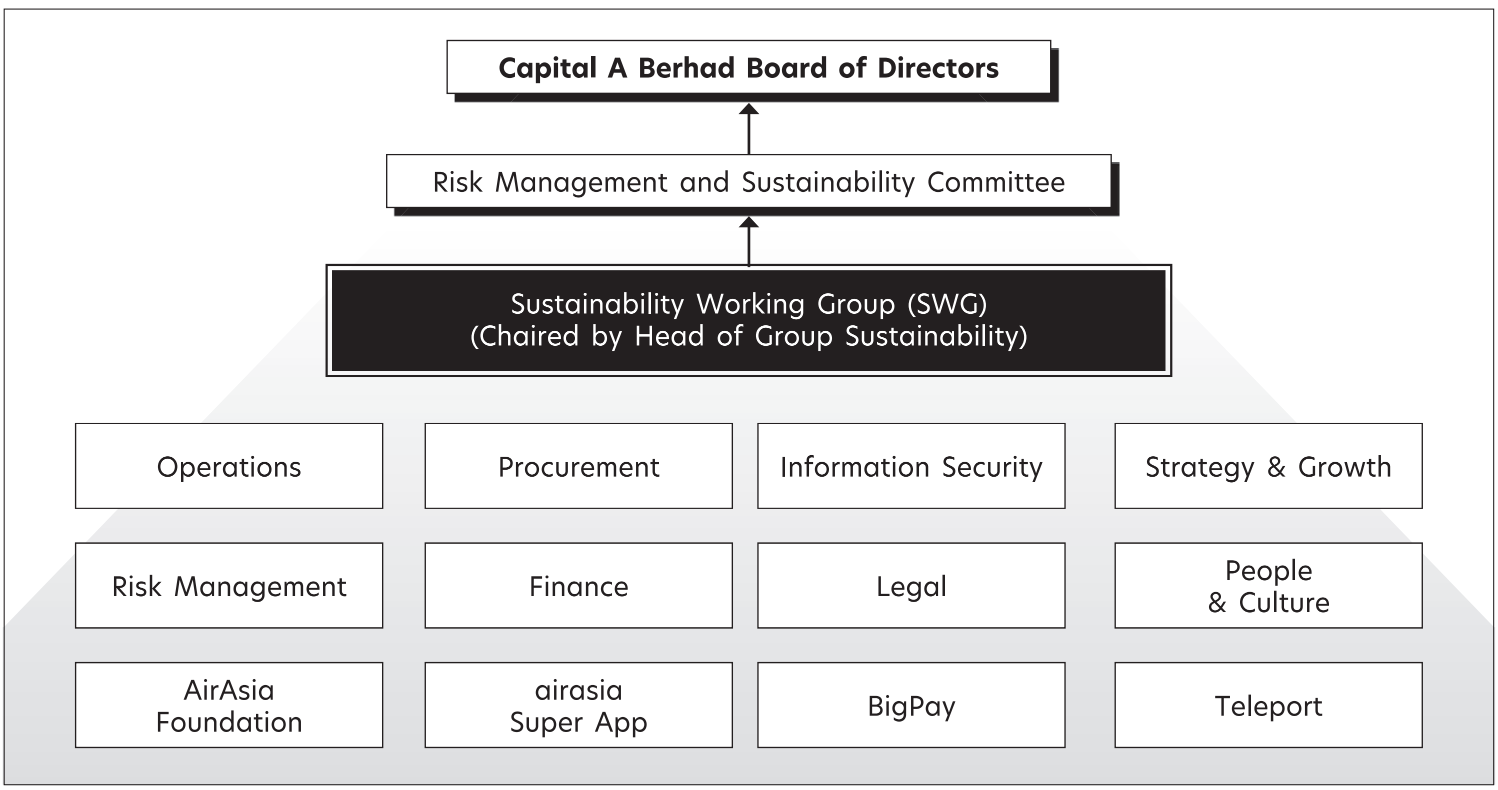
At Capital A, the Board of Directors has overall responsibility for sustainability and setting the Group's strategic direction, including matters involving climate strategy. To further strengthen our sustainability governance, the remit of the Board's Risk Management Committee was expanded to include oversight of sustainability matters and renamed the Risk Management and Sustainability Committee.

The Board is supported by the Sustainability Working Group (SWG), which comprises heads of departments and lines of business (LOBs) across the Group. The SWG is chaired by the Head of Group Sustainability, who takes the lead in managing sustainability targets by collaborating closely with various departments and internal functions within Capital A.

The SWG was also revamped and slimmed down for greater effectiveness. Since our focus in 2021 was to strengthen our climate strategy, the SWG includes heads of departments/LOBs with direct deliverables on reducing emissions, cutting waste and greening our operations. Henceforth, membership of the SWG will be reviewed annually by the Head of Group Sustainability to reflect our targeted priorities for the year.

Throughout the reporting year, the SWG and the Board convened to discuss the following matters:

- Review of key stakeholders, material matters and materiality matrix
- Sustainability strategy, targets and initiatives
- Sustainability reporting performance and updates



Governance Level	Responsibilities
Board of Directors	• Provides oversight of the Group's overall sustainability strategy and direction • Has overriding authority as the ultimate decision-making body to endorse activities on sustainability matters for the Group and its stakeholders
Risk Management and Sustainability Committee	• Oversees the entire Group's sustainability performance • Integrates sustainability into strategic decisions by taking into account EES impacts arising from business operations
Sustainability Working Group (SWG)	• Identifies, assesses, evaluates, manages and reports on current and emerging sustainability risks and opportunities relevant to the Group • Implements approved sustainability initiatives across the Group • Monitors the Group's sustainability performance

Introduction *(cont'd.)*

Stakeholder Engagement

We define our stakeholders as those we impact through our operations as well as those with a vested interest in our operations. Our stakeholders are grouped into 10 categories with which we maintain open and ongoing dialogue through various engagement channels.

Stakeholder Group	Engagement Channels	Areas of Interest	How We Respond
Board of Directors	• Board meetings • Annual General Meetings • Corporate events	• Financial performance • Corporate governance (CG) & strategies • Business development & partnerships • Human capital management • Environmental practices	• Focus on enhancing our branding and expanding lines of business • Sustainability practices
Employees (Allstars)	• Social media • Employee appraisal • Community engagement • Online surveys • Townhalls • Cultural, sports, well-being & appreciation events • Open office layout	• Diversity, inclusion & equal opportunity • Corporate Governance (CG) practices • Training & career development • Work-life balance • Fair remuneration & compensation • Security, safety & welfare	• Foster inclusivity and positive relationships through employee engagement programmes • Provide frequent updates on the Group's performance and changes in policies and procedures • Provide various training and skills enhancement opportunities • Ensure fair compensation • Provide safe and healthy working environment • Daycare centre/creche
Business Partners	• Regular meetings • Financial institutions & aircraft investor credit roadshows • Workshops & seminars • Global aviation finance conferences • Technical support based in RedQ • Commercial support with GE based in KL & Airbus based in Singapore	• Agreeable contracts and terms • Service delivery and cost • Risk management • Regulatory compliance	• Strengthen partnerships with agreeable contracts and terms
Customers (Guests)	• Continuous customer satisfaction surveys • Online submissions • Customer support live chat channels • Social media channels • Messenger channels • AirAsia sales offices, travel & service centres	• Customer experience • Process efficiency • Competitive pricing & experience throughout physical/digital journey • Data privacy & security • Safety & well-being • Loyalty rewards	• Provide fast and prompt attention to customer needs • Continue to increase customer satisfaction through process efficiency • Protect customers' data as well as their health and safety

Stakeholder Group	Engagement Channels	Areas of Interest	How We Respond
Investors	• Investor meetings & conference calls • Annual General Meetings & Extraordinary General Meetings • Investor Relations website • Investor briefings by Senior Management	• Financial performance • CG practices • Strategies • Brand management • Operational performance • Health & safety • Customer relationship management • Innovative initiatives • Environmental management	• Actively communicate with investors • Provide timely updates on business performance & strategies • Focus on enhancing our branding and expanding lines of business • Ensure safe & healthy working environment • Sustainability practices
Market Analysts	• Analyst briefings • Analyst meetings & conference calls • Media interviews & releases • Investor Relations website	• Financial performance • CG practices • Strategies • Brand management • Operational performance • Guest experience • Data privacy & security	• Continued engagement with analysts • Timely updates on business performance & strategies • Focus on enhancing our branding and expanding lines of business
Regulators/ Government Bodies	• Regular dialogue through face-to-face meetings & official correspondence • Parliamentary sessions • Formal meetings with government officials initiated by Capital A • Tours and familiarisation visits to Capital A	• CG practices • Policy & regulatory compliance • Risk & crisis management • Data privacy & security • Environmental management	• Engage closely with regulators and governmental bodies • Announce or report relevant information in a timely manner • Maintain standards and certifications
Social Enterprises	• Corporate community programmes • Funding of social enterprises through AirAsia Foundation • Regular dialogue and engagements	• Ethics & integrity • Innovation • Job creation • Economic development	• Create support system for social enterprises • Actively communicate with social entrepreneurs • Increase employability and job creation • Provide a platform for social enterprises to market their products
Suppliers	• Regular dialogue and reviews • One-to-one meetings	• Agreeable contracts & terms • Service efficiency, value, delivery & cost • Health & safety	• Ensure consistent communication with suppliers on contracts and supplier code of conduct • Compliance with required policies • Provide safe and healthy workplace
Local Communities	• Community development programmes • Corporate social responsibility initiatives • Partnerships and employee volunteerism • Websites and social media platforms	• Community engagement • Rural development & empowerment • Environmental impact	• Undertake empowerment programmes, volunteerism and donations • Provide humanitarian assistance and post-disaster relief

Introduction *(cont'd.)*

Association

Since 2020, the Group has been a member of CEO Action Network (CAN), a peer-to-peer informal network of CEOs that focuses on sustainability advocacy, capacity building, action and performance. Through this working group, peers across various sectors are able to forge partnerships and share their knowledge and best ESG practices.

Our Material Sustainability Matters

In FY2021, we refreshed our material matters to better align our strategies and improve our performance and reporting disclosures. We conducted a comprehensive materiality survey which included engagement with 472 internal and external stakeholders in order to better understand their ESG expectations.

1 Identification

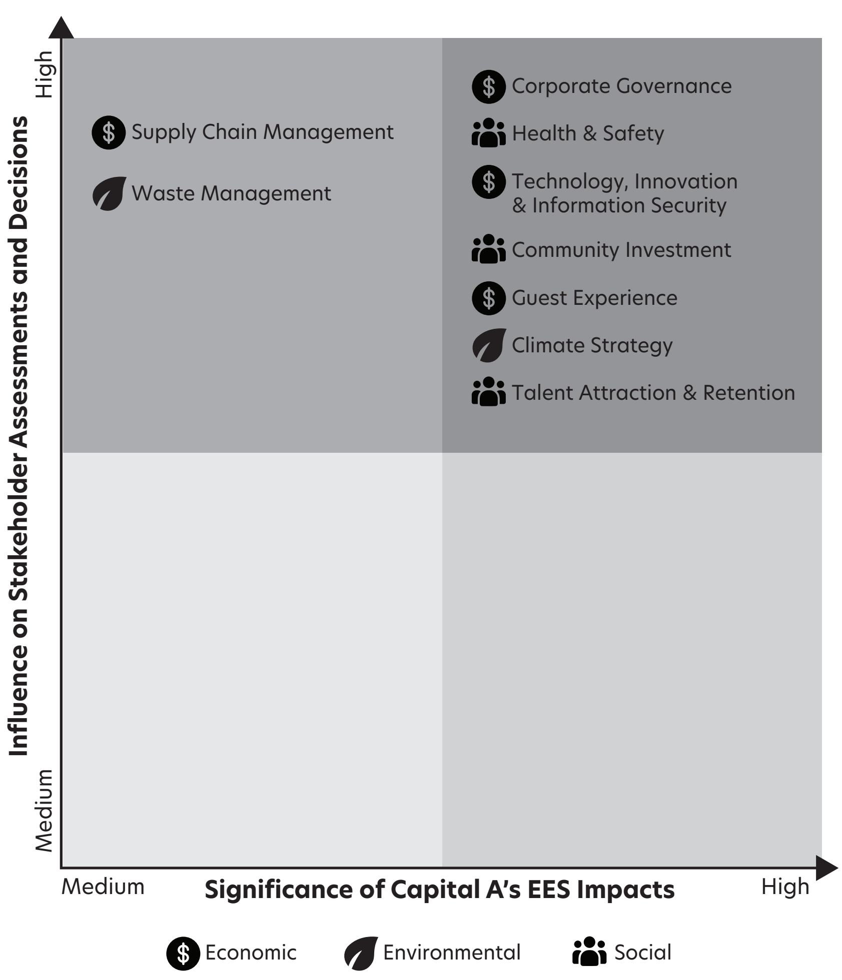
We conducted an internal review of our 10 material matters from FY2020 and analysed sustainability issues based on current and emerging risks & opportunities, publications associated with airlines/digital industries and against relevant sustainability indices. A total of nine material sustainability matters were identified.

2 Prioritisation

We engaged our internal and external stakeholder groups and distributed an online materiality assessment survey for them to rank the nine material matters based on the importance to our stakeholders as well as our business operations. Results of the assessment were plotted on a materiality matrix graded from medium to high importance.

3 Validation

The materiality matrix was presented to the Board for its review and validation.



2021 Materiality Assessment Updates

- Renaming several material matters for better Group strategy (eg renamed Customer Relationship Management to Guest Experience; Human Capital Development to Talent Attraction & Retention; and Corporate Citizenship & Philanthropy to Community Investment).
- Technology & Innovation and Information Security Privacy are now combined and named Technology, Innovation and Information Security as they are interdependent in nature.
- Climate-related Risk Management is replaced by Climate Strategy to cover aspects of our fleet management, operational eco-efficiency, carbon offsetting and sustainable aviation fuel strategy.
- Addition of Waste Management as a separate material matter.
- Health & Safety remains one of our top-three priorities amidst the Covid-19 pandemic.
- Increasing prioritisation on Corporate Governance, Technology, Innovation & Information Security, Talent Attraction & Retention, Community Investment and Climate Strategy.

Moving forward, we aim to develop a key performance indicator for our material matters to better measure our progress, impact and value creation.

Our Contribution to the SDGs

SUSTAINABLE DEVELOPMENT GOALS

The Group has maintained our commitment to the UN SDGs since the launch of the global agenda in 2015. While supporting all 17 SDGs we are particularly focused on six goals. In the table below, we align the six SDGs to initiatives conducted in 2021.

SDG	SDG Targets	Our Progress in 2021
5 GENDER EQUALITY	5.2 Eliminate all forms of violence against women & girls, including trafficking & other types of exploitation 5.5 Women's full and effective participation & equal opportunities for leadership at all levels	• Launched women mentorship programme • Conducted first ever Diversity, Inclusion and Belonging survey in five languages • Updated anti-trafficking training module • Conducted gender pay gap analysis
8 DECENT WORK AND ECONOMIC GROWTH	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading & innovation 8.3 Encourage the growth of micro-, small- and medium-sized enterprises 8.4 Improve global resource efficiency in consumption & production, and endeavour to decouple economic growth from environmental degradation 8.5 Achieve full & productive employment and decent work for all 8.7 Take effective measures to eradicate forced labour, end modern slavery & human trafficking 8.8 Protect labour rights & promote safe and secure working environments for all 8.9 Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture & products	• Conducted a series of mental health webinars • Conducted neurodiversity awareness/ webinar • Successfully opened a PPV station for Allstars and family members at RedQ, with a total number of 920 vaccinated • At RedHouse, 1,689 of Allstars successfully received their vaccination shots • Employment for young people: 31% employees below 30 • Decent work environment for employees • Social entrepreneurship support via AirAsia Foundation
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.1 Develop quality, reliable, sustainable & resilient infrastructure to support economic development and human well-being, with a focus on affordable & equitable access for all 9.3 Increase the access of small-scale industrial & other enterprises to financial services, including their integration into value chains & markets 9.4 Upgrade infrastructure & retrofit to make them sustainable, with increased resource-use efficiency and greater adoption of clean & environmentally sound technologies 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors by encouraging innovation	• Officially launched FACES at klia2 for guests to enjoy contactless journey on AirAsia flights • FACES on the Super App; registration for Allstars to ensure a fully digital travel experience • BigPay applied for BNM's digital banking licence • Paperless aviation • Partnerships with Google, GE and Oracle

Introduction *(cont'd.)*

SDG	SDG Targets	Our Progress in 2021
11 SUSTAINABLE CITIES AND COMMUNITIES	11.2 Provide access to safe, affordable, accessible & sustainable transport systems to all 11.4 Strengthen efforts to protect & safeguard the world's cultural and natural heritage 11.5 Reduce the number of deaths & the number of people affected, and decrease the direct economic losses relative to global gross domestic product caused by natural disasters	• AAF collected over RM500,000 for its Malaysia Flood Relief Campaign • #AllstarsDoGood programmes • Post disaster relief campaigns/programmes by AAF • Low-cost carrier offering affordable access to air transport - "Now everyone can fly" • Sustainable travel
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2 Achieve sustainable management & efficient use of natural resources 12.3 Halve per capita global food waste at the retail & consumer levels, and reduce food losses along production & supply chains 12.5 Reduce waste generation through prevention, reduction, recycling & reuse 12.6 Encourage companies to adopt sustainable practices & integrate sustainability information into their reporting cycle 12.7 Promote public procurement practices that are sustainable, in accordance with national policies & priorities	• Monitored waste management processes including recycling options available • Sourcing of biodegradable packaging • Continuous monitoring of resource consumption • Low-water use toilets and washroom facilities in offices • Efforts to reduce single-use plastic in offices • Waste separation at RedQ • Reduce inflight food wastage • Carpool programme • Suppliers Code of Conduct and qualification procedure promote responsible environmental practices across the value chain
13 CLIMATE ACTION	13.2 Integrate climate change measures into strategies & planning 13.3 Improve education & awareness-raising on climate change mitigation, adaptation, impact reduction & early warning	• Actively engaged with relevant partners for sustainable aviation fuel and carbon offsetting options • Sustainable fleet management by ordering the latest aircraft type (A321neo) and actively engaging with vendors to develop zero-emissions aircraft • Monitoring, Reporting and Verification (MRV) of carbon emissions • All AOCs participated in CORSIA • Identified climate-related risks and opportunities • Enhanced the Carbon Dashboard to track Capital A's carbon emissions • Adjustments to lights-on times according to working hours, through an automatic shutdown system

Economic

CORPORATE GOVERNANCE

We maintain a strong culture of integrity and transparency, supported by a robust corporate governance framework. This framework comprises various policies that guide everyone in Capital A towards ethical behaviour when dealing with our stakeholders, reflecting our values and upholding our reputation.

Policies that guide the way we conduct our operations Group-wide

Policy	What It Is	Introduced/Last Updated
Code of Conduct	Guidelines that clearly outline the standards of ethics expected	2020
Anti-Bribery and Anti-Corruption Policy	Guidelines to prevent bribery and conflicts of interest, addressing: gifts & hospitality; dealings with partners, suppliers & public officials; political contributions; sponsorships & charitable donations; facilitation payments	2020
Whistleblowing Policy	Platform for Allstars and third parties to report any instance of unethical behaviour, while protecting whistle-blowers from reprisals	2018
Conflict of Interest Policy	Guidelines and procedures on situations such as receiving or offering gifts, with the objective of enabling accountability and transparency	2016
Non-disclosure and Confidentiality Policy	Guidelines to protect the Group's confidential and proprietary information	2018
Disciplinary Policy	Procedures to handle any breach of established norms/Code of Conduct	2021
Workplace Search Policy	Gives the company the right to conduct searches on Allstars to prevent misconduct	2008
Remuneration Policy	Provides clarity on remuneration structures and practices for Board of Directors and Allstars	2020
Board Diversity Policy	Guidance to achieve sufficiently broad representation on the Board for balanced and fair decision-making	2018
Anti-Harassment Policy	Provides guidelines on the establishment of in-house mechanisms to prevent and eliminate any forms of harassment involving the Allstars	2021

[For more information on our Corporate Governance, please refer to the Corporate Governance Overview Statement on pages 163 to 173]

Economic *(cont'd.)*

Ethics & Integrity

All directors and employees at Capital A are expected to comply with the Group's Code of Conduct and Ethics (the Code). The Code addresses aspects such as confidentiality of information, conflicts of interest, money-laundering and/or insider trading/dealing, environment, health and safety and whistleblowing.

Developed by the Group's People Department, in November 2021 the Risk Management Department (RMD) was assigned to look at Group-wide compliance. Through a compliance exercise and matrix, RMD will develop a central compliance repository (internal & external) for better monitoring. To ensure effective communication on policies and procedures, all new hires are introduced to the Code during their onboarding sessions and are required to acknowledge the Code online. Moving forward, we aim to conduct refresher training on the Code and develop an e-learning module to reinforce a culture of integrity.

To ensure adherence to these policies, we encourage Allstars throughout the Group to speak up and report any incidents that go against the grain of the standards we seek to achieve. There are two main channels through which they can do this:

- askPAC System: a chatbot where they can raise concerns on unfair or discriminatory treatment, and every query will generate a serial number for easy tracking. All reports are directed to the Employee Relations team.
- Whistleblower channel: where Allstars and any other stakeholder can send emails in confidence via whistleblower@airasia.com, which is managed by our Internal Audit team. Concerns related to employment matters will be redirected to Employee Relations. For more information on our Whistleblowing channel, please refer to https://capitala.airasia.com/whistleblowing_channel.html.

Types & incidence of breach in ethical behaviour

Types of Breach	Total	Actions Taken
Harassment	2	Termination of Employment
Fraud	9	Warning, Final Warning, Termination of Employment
Misappropriation of company assets/funds	1	Warning
Abuse of company benefits/property	0	-
Others (eg breach of internal SOPs, attendance, late to work)	117	Warning, Final Warning, Termination of Employment

Whistleblowing Channel

In 2021, we received a total of 19 reports via our whistleblowing channel concerning abuse of authority/benefits (three reports); misappropriation of company assets/funds (one); and others (15). These cases were investigated and dealt appropriately with follow-up actions.

Anti-Bribery & Anti-Corruption (ABAC)

Capital A does not tolerate any form of bribery or corruption. When we revised our ABAC Policy in 2020, in response to Section 17A of the Malaysian Anti-Corruption Commision (MACC) Act 2009, we ensured all Allstars were aware of the Policy and the seriousness of a breach. Our ABAC Policy is available to all employees via the Group's intranet, RedDocs, and our official website.

Corruption has the potential to severely undermine our business, therefore RMD continuously monitors the Group for any potential corruption risk. In the last four years, two cases of bribery/corruption were proven. These were managed as per outlined procedures, with warning letters and dismissal, if warranted.

Risk Management

Over the last year, RMD has worked to transform what used to be a very theoretical approach to risk and business continuity management to one that is more practical and people-friendly. This has been achieved through updating and automating our risk and business continuity management using RedRadar, our risk management system. More interactive, the system now sends reminders to accountable personnel of due dates for risk assessments, complete with an escalation process that creates accountability should the risk assessment not be completed on time. To ensure the relevant people are able to use RedRadar optimally, training was provided to heads of department and stations as well as designated risk personnel. In addition, risk awareness training was provided to educate Allstars on what constitutes risk and how to assess risks. Our ultimate objective is to create a risk-aware culture that permeates our daily activities and functions.

Risk awareness training for employees

Training	Description	Number of Attendees
Risk Awareness	To educate personnel on how to identify and assess risk	650
RedRadar System	On how to use the risk management system	650

Four main risk categories are assessed on a quarterly basis: Financial, Operational, Strategic and Compliance Risks. Within these broad risk categories, emerging and long-term risks are identified and tracked.

Long-term risks identified

Category	Emerging Risks	Description	Impact	Mitigation Actions
Strategy	Regulatory Risk	Change in regulatory structure	Regulatory changes that could change the business strategy	Continuous monitoring of regulatory changes
Operational	Human Capital Risk	Succession planning and succession management	Business continuity	Identification of successors
Financial	Financial Risk	Financial sustainability	Business continuity	Financial analysis on any business decisions

Business Continuity Management

Business Continuity Management, which entails having a Business Continuity Plan (BCP), is a crucial component of our risk assessment as it involves the assessment of key functions – ie our people, processes and systems – utilising the Business Impact Analysis (BIA) framework. Through BIA, we are able to ascertain the severity, urgency and impact of any failure in the Group's function(s). Heads of all key function areas proactively review the BCP on a half-yearly basis.

In 2021, in response to extreme climate events in Thailand and the Philippines, we undertook BCP exercises at Bangkok's Don Mueang Airport and the Cebu, Puerto Princesa and Tacloban airports in the Philippines.

AirAsia Thailand Flood Scenario Readiness Simulation at Don Mueang (DMK) Airport, Bangkok

No.	Test Activity	Test Location	Departments	Test Date	Test Findings
1	Planned flood scenario readiness simulation	Don Mueang (DMK)	All Operations departments	12 October 2021	• All departments confident of the level of handling of the floods • Reactive approach is in line with the available response plan for diversion and mobilisation of aircraft/fleet
2	Unplanned Flight Operations mobilisation (recurrent from 2019 exercise)	Virtual meet (Google)	Flight Operations	21 December 2021	• Partial assets were unserviceable due to water damage • Ability to carry out operations as per business-as-usual with remaining equipment • No adverse impact on operations as rostering covered work from home during the event

Economic *(cont'd.)*

AirAsia Philippines Business Continuity Activation during Typhoon Rai (Odette)

On 18 December 2021, the BCP was activated for Cebu (CEB), Puerto Princesa (PPS) and Tacloban (TAC) stations in response to Typhoon Rai. The cities of Cebu and Tacloban were severely impacted, experiencing loss of telecommunications infrastructure and disruption of electricity and water supply in many areas. However, the airports were still accessible and powered by generators, enabling the teams to access internet and communications infrastructure to operate flight-related systems. No AirAsia aircraft was stranded or based in these stations at the time of the incident, and no major equipment damage was reported.

While we continued situational monitoring, our teams in Manila loaded essential supplies such as food and sanitation items for affected Allstars on our first flight into Cebu after the typhoon.

Distribution of essential items to Allstars as flights resume at PPS airport

Test Activity	Impacted Locations	Departments	Date	Outcome/Results
BCP activation – Natural Disaster: Typhoon	Cebu (CEB), Puerto Princesa (PPS), Tacloban (TAC) Airports	Ground Operations Flight Operations Cargo Communications	18 December 2021	BCP was activated in tandem with transportation of essential supplies to Cebu
			27 December 2021	All staff accounted for and reported safe Business-as-usual restored in Cebu for arrival and departure flights including mobilisation of reservists
			11 January 2022	Stand down of PAA Red Code

Following a review of the BCP activation, it was determined that satellite phones and generator sets should be provided to all Philippines stations that are susceptible to prolonged power cuts and telecommunications disruptions due to natural or climate-related disasters.

GUEST EXPERIENCE

Despite severe disruption to air travel during the year, we continued to be guest-obsessed and ensured that all guests who flew AirAsia had the best possible experience from the time they booked their flights until they left the aircraft at their destination.

The happiness of our guests is the sole function of our Customer Happiness (CH) Team. The team, which has been ISO 1002:2018 (Customer Satisfaction, guidelines for complaints handling)-certified, has access to an Empowerment Matrix that helps them resolve issues and complaints as these are reported.

In 2021, we transitioned 95% of our CH Allstars to working from home. For our team's own happiness and well-being, daily huddle calls were organised while team leaders actively monitored work and rest hours to ensure a healthy work-life balance. In addition, starting 2020, all Allstars, including CH team members have access to our internal peer support team for assistance. Allstars requiring support may reach out anonymously via our EkoChilli platform and a peer supporter will respond via their preferred communications channel within 24 hours.

Communication with Guests

The CH team oversees all inbound customer support through multiple online channels: website, airasia Super App, social media (Twitter, Facebook and Instagram) and messaging (WeChat, WhatsApp and Messenger) platforms.

During the year, two new services were added to further enhance our communication efficacy:

Flight disruption automation	Instagram messaging
Guests are now notified instantly of any flight cancellation or schedule changes via SMS and emails.	Our chatbot AVA was introduced to Instagram Direct Message to reply instantly to guests. Previously, the process was managed manually by our agents.

Moving forward, we will enhance My Bookings to present a simplified self-service platform enabling guests to amend details of their flights. We also plan to introduce more inbound customer contact channels such as AirAsia Chat and voicebot for greater customer choice.

Enhanced Guest Services

For a better contactless customer experience, the following initiatives have been implemented:

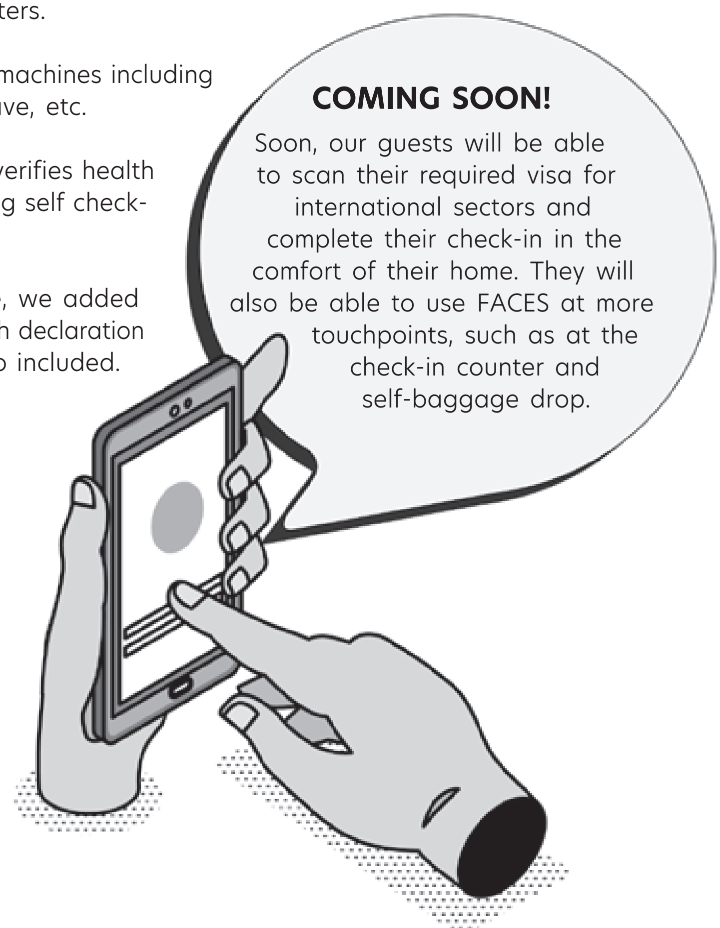
FACES: This first-of-its-kind in the commercial airline world facial recognition technology provides a contactless and seamless experience to guests at all touchpoints in their journey.

Galaxy Suite: This new platform hosts multiple systems that are required for Ground Operations functions such as check-in and FACES identification verification. AirAsia Guest Services staff at all 16 Malaysian airports are now able to assist guests to check-in and verify their documents using the app on their mobile devices without requiring guests to be physically present at a check-in counter. This enables us to deploy additional staff to quickly address long queues and check-in bottlenecks without having to open additional counters.

Contactless Payment: We introduced electronic data capture (EDC) machines including tap2phone to enable guests to pay securely via eWallets, payWave, etc.

Health Travel Pass (HTP): To facilitate travel during Covid-19, HTP verifies health documents such as vaccination certificates and RT PCR results during self check-in (both mobile and web).

airasia Super App: For a faster and smoother check-in experience, we added a quick search function for passenger name record (PNR), online health declaration and new boarding passes. A download and share option was also included.



Economic *(cont'd.)*

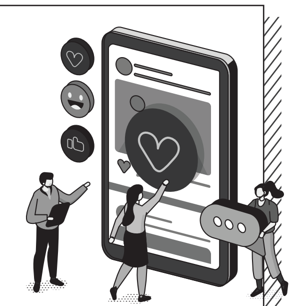
Net Promoter Score (NPS)

We have been monitoring our NPS since 2017. Emails are sent to guests before and after their trips for feedback on both their booking and flying experience with AirAsia. Their feedback informs us of how happy they are with our service and how likely they are to recommend AirAsia to others. The index ranges from -100 to +100, minus scores indicating that customers would not recommend the company.

Our NPS has risen significantly from 2017 to 2021, indicating positive and effective outcomes of efforts to ensure our guests are happy throughout their journey with AirAsia. As we have exceeded our target NPS scores for two years in a row, we are raising our target from 2022 onwards to 60 and above.

99% Covid-19 refund resolved

88% credit accounts utilised



*as of Q1 2022

Year	NPS Score	Target
2017	17	NA
2018	31	NA
2019	38	NA
2020	52	50
2021	**60**	**50**

Awards

Awards validate our efforts to give the best value and experience to our guests all the time. In 2021, we continued to receive local and global recognition from well-known industry monitors. Awards during the year included:

- World's Leading Low-Cost Airline at World Travel Awards
- World's Best Low-Cost Airline at Skytrax World Airline Awards
- Business Innovation Award at the Airline Strategy Awards
- Silver Award in Transportation, Travel and Tourism category at the Putra Brand Awards
- Gold for Best Innovation and Technology at the Contact Centre Asia Pacific Awards

On-Time Performance (OTP)

Key to keeping our guests happy as repeat customers is to ensure that our flights take off on time. Our OTP performance is closely monitored using digital tools and management walkabouts. Among the technologies implemented are an analytical toolset that provides greater visibility of OTP factors and other supplementary metrics that affect performance. Our team also applies a delay prediction algorithm to map out potential delays up to four hours in advance.

This early notification adds a buffer allowing our Operations teams to apply solutions that help mitigate and minimise the impact of delays. It also enables our Customer Happiness team to notify guests in advance so they are able to adjust their travelling plans, while our Guest Services team adjusts manpower allocations to ensure check-in counters are adequately staffed.

To monitor performance, weekly and monthly OTP reviews are held by all our AOCs. To continuously improve our service, we set the Group's OTP target at 85%. Our OTP for the period between 2019 to 2021 is shown in the table below.

AirAsia Load Factor and On-Time Performance, 2019-2021

Indicators	Measure		
	2019	2020	2021
Load factor for short-haul (<6 hours) (%)	85%	75%	74%
Percentage of short-haul flights (<6 hours) with more than 15 minutes delay	22%	15%	20%
On-time performance (%)	78%	85%	80%

Between 2020 and 2021, we recorded a five percentage point increase in the number of delayed flights. This was mainly due to additional Covid-19 Customs, Immigration and Quarantine (CIQ) procedures that have been introduced by airports and health authorities. For example, Covid-19 regulations require that, after passengers disembark from an aircraft, the airline has to await the results of their Covid-19 tests before allowing new passengers to board. Should any passenger be symptomatic, the aircraft has to be thoroughly sanitised before on-boarding new passengers.

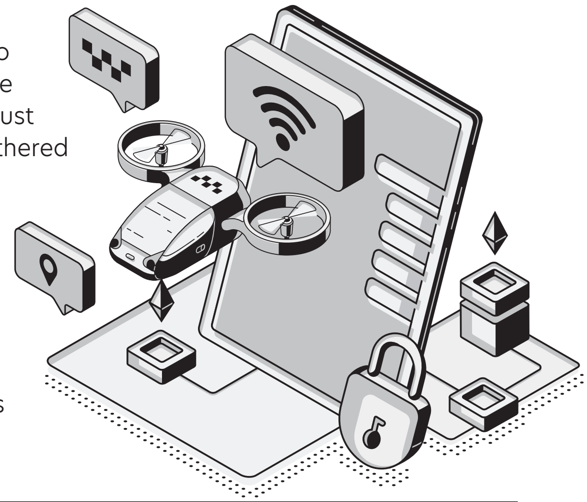
Another factor contributing to delays was the added complexity of managing a regularly changing set of Covid-19 regulatory rules which differ by country, and sometimes, states. These not only impacted check-in processes but also boarding times as Allstars have been requested to undertake additional documentation checks. While we do our utmost to communicate these new rules to Allstars and guests, the short notice given for implementation of new requirements resulted in lengthy delays in some cases.

However, we believe that there remains no immediate need to review our standard departure times as the changes are gradually being factored into our embarkation and disembarkation processes. In Indonesia, the streamlining of new policies and procedures has allowed us to recover our OTP performance by 40% compared to earlier in the year. Furthermore, many airports are easing requirements as Covid-19 enters into an endemic phase. We will continue to monitor our OTP and review our flight schedules on an ongoing basis.

Economic *(cont'd.)*

TECHNOLOGY, INNOVATION & INFORMATION SECURITY

Technology & Innovation

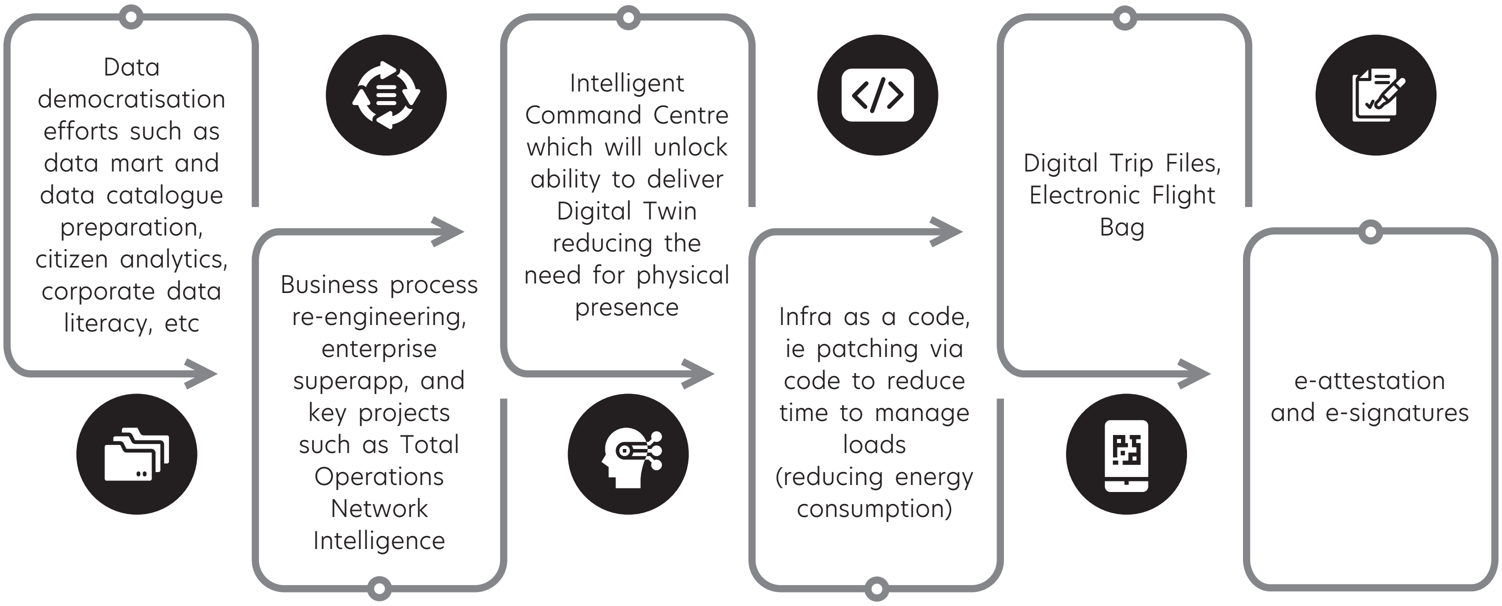


From the start, Capital A has been technology driven, leveraging technology to reduce costs and pass on the savings to guests. From an early adopter of online flight bookings to the present day, we have developed a sophisticated and robust digital infrastructure. This, together with the huge amount of data that we have gathered over the years, has enabled us to pivot to what we are today, namely a digital travel and lifestyle company.

Other than the Airlines, our core businesses comprise airasia Super App, Asia Digital Engineering, Teleport, BigPay and Ventures – all of which are either tech companies or tech-reliant companies. We continue to leverage our digital infrastructure and data to create and incubate more startups while expanding the products and services currently offered to meet customers' evolving expectations and needs.

Innovation	Description	Plans for 2022
Health Travel Pass	Standardised and secure mechanism to store and verify guests' health data, eg vaccination certificates and Covid-19 test results, to authenticate guests' health status before boarding them onto the plane. The pass was launched in Malaysia in September 2021, followed by Indonesia in October 2021.	Rollout in Thailand, Philippines, Korea, Macau, Taiwan, Cambodia and Vietnam
FACES	Biometric airport clearance solution that guests can use via airasia Super App to check in, conduct baggage drop, validate their identity and clear security – remotely. Guests can enrol for FACES on the Super App with registration open for all our AOCs using passports or national IDs. The pre-security clearance was piloted in klia2.	Continue to extend the use of FACES at more touchpoints in klia2 (eg from counters to transit and aerobridge) and roll out boarding and pre-security touchpoints at other Malaysian airports once the vendor transitions the solution to the cloud. Currently it is an on-premise solution (at klia2) and not scalable to other airports without incurring significant cost.
Network modernisation through virtualisation	Virtualisation is achieved using Software-Defined Wide Area Network (SDWan), which enables more efficient management of long-distance networks. SDWan makes it easier to utilise multiple connections to achieve higher network performance at lower cost. Overall benefits include network resilience, optimisation of equipment use and bandwidth as well as better fault tolerance. The network upgrade started in 2021 with our Sydney data centre.	Rollout in all Malaysian domestic airports.
Digital Trip Files	Digitalisation of documents that need to be filed by Ground Operations after a flight is completed in order to reduce paperwork and manual workflow on the ground.	The system will be updated with technical optimisation, monitoring and tracking enhancement, dashboard, trip records module in Galaxy Suite, and CAAM approval.

As we transition towards becoming a data-driven organisation, the following innovations will be introduced in 2022:



Information Security

The confidentiality and integrity of data and information are important to us. To further strengthen our governance practices, the Group Information Security has obtained its ISO 27001:2013 - Information Security Management certification in November 2021. By complying with ISO 27001, we are able to assure our stakeholders that their security assets such as financial information and personal details are safe.

To support our expansion in digital lines of business, we recognise that it is imperative to secure the information and data that are fundamental to our growth. The information security architecture of Capital A is built on four pillars covering governance, risk management and compliance (GLC), information security operations, testing as well as data security, and privacy protection.

Economic *(cont'd.)*

The table below summarises the areas covered under these pillars.

InfoSec Capabilities Highlights

Governance, Risk Management & Compliance

- Payment Card Industry Data Security Standard (PCI DSS) & ISO 27001 Certification
- Policies and Procedures
- Security Awareness Programme
- Compliance Reporting
- Third-Party Risk Management

Information Security Operations (SecOps)

- Security Monitoring
- Incidence Response
- Threat Intelligence
- Infrastructure Management
- Support & Reporting

Testing

- Vulnerability Assessment
- Penetration Testing
- Technical Spec Review
- Bug Bounty
- Security Advisory

Data Security & Privacy Protection

- Data Governance
- Awareness Education
- Data Disclosure Control
- Fulfilment of Data Subject's Rights
- Sensitive Data Monitoring

As we are taking a new approach to information security disclosures, we will be covering this materiality area in more depth, discussing both existing frameworks and mechanisms, as well as new enhancements added in 2021.

(i) Governance, Risk Management & Compliance

Governance, Risk and Compliance (GRC) is the first pillar of the Group's information security capabilities. It refers to the alignment of policies and procedures with established standards, identification and mitigation of the Group's information security risks and compliance with relevant legal, regulatory and industry requirements.

Our information security governance structure is underpinned by the following policies which are reviewed annually in accordance with the requirements of ISO27001 certification:

Policy	Description	Changes in 2021
Information Security Policy	• Creates an environment that helps protect information resources and users from threats that could compromise privacy, productivity, reputation and intellectual property rights	• Updated Password and Anti-Virus Policies • Established Clean Desk and Clear Screen Policy to ensure sensitive/ confidential information are secured at all workspaces
Data Governance Policy	• Outlines how business activity monitoring should be carried out to ensure organisational data is accurate, consistent and protected • Defines the roles and responsibilities for information management • Specifies procedures to be used in managing different types of data	• Realigned with new Capital A organisation structure • Updated structure of data security & privacy workgroup

Policy	Description	Changes in 2021
Access Control Policy	• Outlines access controls across the Group's networks, information systems and services to provide authorised, granular, auditable and appropriate user access, and to ensure appropriate preservation of data confidentiality, integrity and availability • Protects the interests of all authorised users of the Group's information systems, as well as data provided by third parties, by creating a safe, secure and accessible environment in which to work	No major changes
Server, Database and Network Hardening SOPs	• Establish rules and procedures for hardening servers, database and network equipment to: a) create a security baseline for all servers, database and network equipment across the Group b) minimise server and IT-related risks c) comply with regulatory requirements	Increased frequency of re-hardening process
Information Security Incident Response	• Ensures operations recover quickly from information security incidents, minimising loss of information and disruption of services • Protects the Group's reputation and minimises loss of credibility among customers • Provides technical guidelines on responding to incidents effectively and efficiently	Updated Information Security Incident Response and Antivirus

In 2021, the above policies were also updated and aligned with Capital A's new objectives and goals. Periodic reviews were performed in critical policy areas such as access controls and re-hardening of critical servers.

To ensure that information security culture is practised at all levels, we developed an information security awareness programme for Allstars. The first mandatory training was launched in February 2020. In March 2021, an updated annual awareness training was made mandatory for all Allstars and training completion status was tracked with our HR systems with progress updated to management. The programme consists of an introduction to information security, management of information security as well as data management and handling. Allstars are also made aware of current information security threats, ways to avoid potential threats and steps that they should take in the event that external perpetrators succeed in penetrating the company's cyber security defences. Other than the initial training, reminder notices are regularly published on the company's internal communications channels.

Capital A also practises a Report on Compliance (ROC) process to instil an information security culture within project management teams. The ROC's main objective is to ensure that information security aspects are taken into account in the commencement phase of a project's lifecycle. The ROC covers authentication and authorisation; management of data security and privacy; documentation of the technical specifications and implementation specifications; logs management and secure coding.

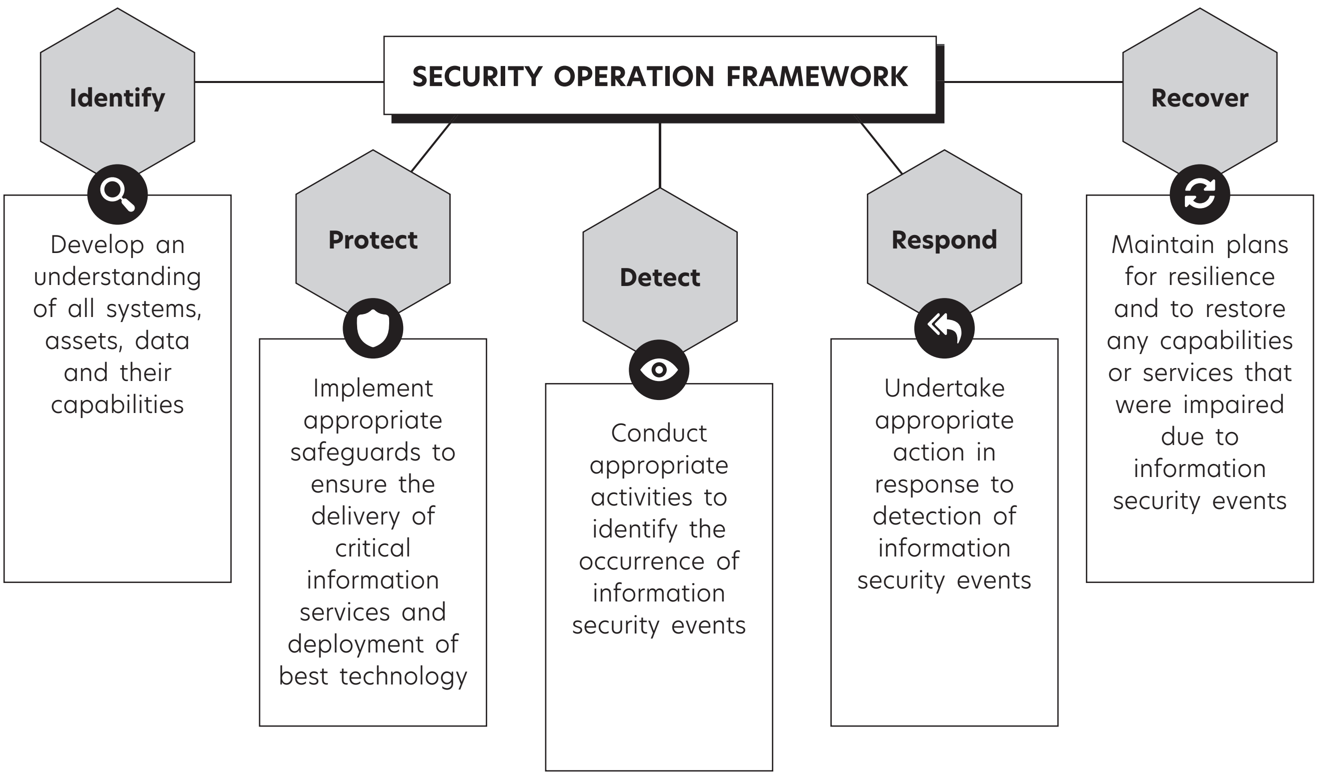
To meet industry standards, the GRC unit is further responsible for the annual renewal of the Group's Attestation of Compliance (AoC) certificate by our appointed Payment Card Industry Data Security Standard (PCI DSS) Qualified Security Assessor. For PCI DSS compliance, we are required to review and implement relevant policies and procedures, and conduct vulnerability assessments and penetration test lifecycles. On 26 November 2021, we obtained ISO 27001: Information Security Management System certification affirming our compliance with international standards on the management of information security. The certification is valid for three years with annual surveillance audits in between.

As Capital A's digital lines of business expand, we source a higher variety of technology-related services from third-party vendors. To manage our exposure to external risks, a third-party risk management process was developed to identify vendors that have access to the company's sensitive data or networks and perform due diligence on them to ascertain their resilience against threats. In 2021, we requested several vendors to provide additional audit requests for information (RFI) to demonstrate their compliance with our controls. These were adequately complied with.

Economic *(cont'd.)*

(ii) Information Security Operations

The primary duty of Information Security Operations (SecOps) is to protect organisations against cyberattacks. To be effective, our cybersecurity architecture is organised in accordance with the US National Institute of Standards and Technology (NIST) Cybersecurity Framework which lays out five core functions of SecOps as illustrated in the diagram below. Each of these functions is performed concurrently and continuously to create an operational culture that addresses dynamic information security risk.



Our SecOps division is tasked with continuously monitoring and improving the Group's cybersecurity and information security position. The team holds a number of responsibilities including:

- Investigate potential incidents
- Triage and prioritise detected incidents
- Coordinate an incident response
- Monitor new and trending threats
- Identify and deploy solutions to new threats
- Address employee enquiries
- Report to management

With effective controls, our SecOps division has been able to prevent major cybersecurity attacks on our systems. No incidents were recorded in 2021.

Cybersecurity breaches and incidents

Indicators	2020	2021
Total number of information security breaches or other cybersecurity incidents	1	0
Total number of data breaches	1	0
Total number of customers and employees affected by company's data breach	1	0
Total value of fines/penalties paid in relation to information security breaches or other cybersecurity incidents (RM)	0	0

(iii) Information Security Testing

The main focus of Information Security Testing is to give assurance of the adequacy of security controls by coordinating security reviews through vulnerability assessment and penetration testing (VAPT) of the Group's IT infrastructure, network and web applications.

The VAPT approach allows us to have a more detailed view of the threats facing our applications. Below are some of the tools used by our team to find exploitable flaws and measure the severity of each finding.

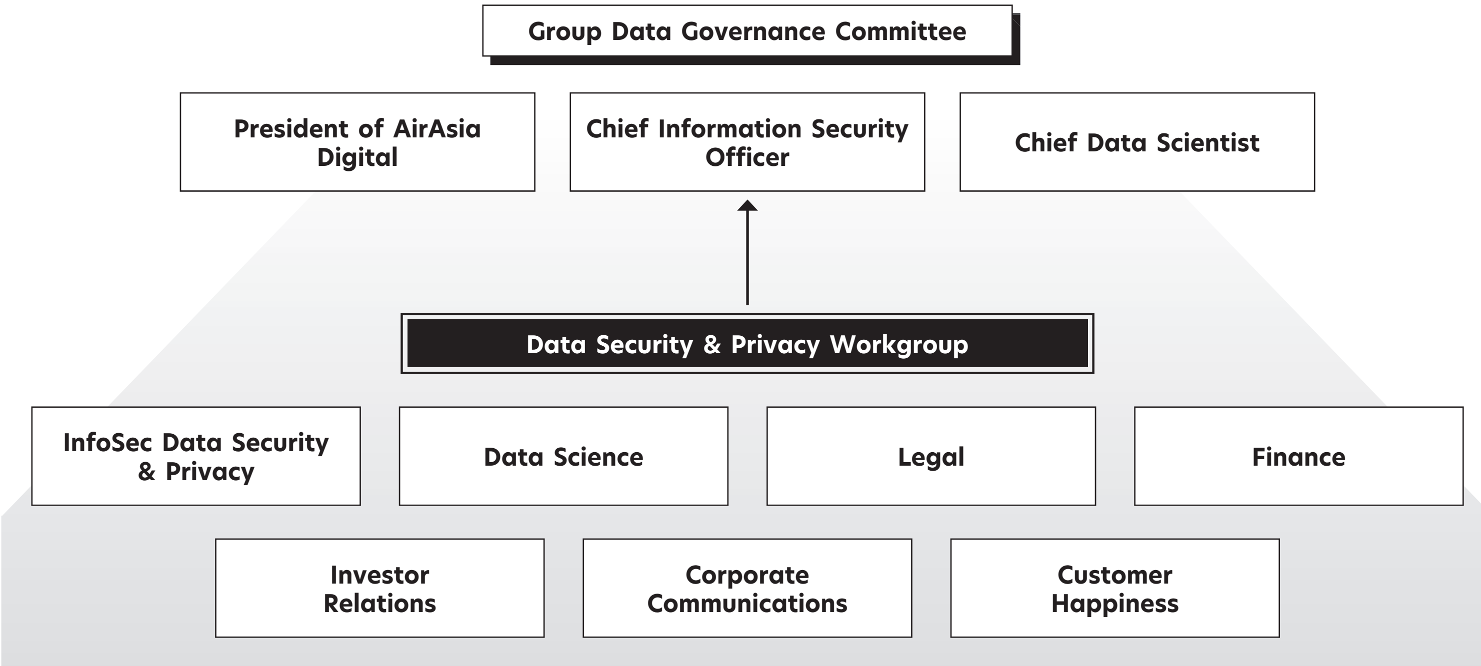
Tool	Description
Ad hoc VAPT	VAPT represents two types of security testing which have different strengths and are often combined to achieve a more complete vulnerability analysis
Annual Vulnerability Assessment	Annual assessments to identify vulnerabilities in the Group's IT infrastructure, network and web applications
Source Code Review	Review of the software source code or API to find bugs and vulnerabilities
Technical Specification Document (TSD) Review	Review of documentation to ensure that technical specifications meet information security requirements, including the architecture, process flow, information security design and technologies used
Bug Bounty Programme	A platform for external security researchers to report vulnerabilities
Security Advisory	Notification to relevant teams for zero-day vulnerabilities, updates and software patches from software vendors

Our penetration testers are responsible for identifying vulnerabilities within the organisation's computing environment and for writing consumable VAPT reports. These reports are sent to the respective system or application owner for remediation. The team is also responsible for tracking the remediation progress and providing security consultation on the use of technology in meeting information security requirements.

Economic *(cont'd.)*

(iv) Data Security and Privacy Protection

Capital A is committed to respecting and protecting the privacy of our customers, employees and third parties. We are equally committed to ensuring the confidentiality of information essential to our business.



Security of our internal data is assured through our Group Data Governance Policy. To govern the implementation of the policy, we established a Data Governance Committee, which is supported by the Data Security & Privacy Workgroup who meets regularly to provide advisory on data governance and review External Data Disclosure requests.

To meet the objectives of this division, we established a data classification framework to identify sensitivity levels of data and types of data indicating their origin and usage. All Allstars are made aware of our data governance processes through annual training coordinated by the Information Security division.

As Capital A now operates in a cloud environment, we raised the level of controls for sharing sensitive data in company emails and in document storage. In 2021, we added a data classification requirement on all cloud documents. Default sharing preferences were also changed to the least permissive option and a confirmation prompter added for extraneous sharing. We also scan all emails and documents for unmasked credit card numbers. If detected, the owners are notified of non-compliance for corrective action to be undertaken immediately.

Further, to control access to data, a Data Access Approval System was created and integrated with our IT Service Desk platform so as to automate the process to review and approve requests to access data belonging to the Group. This ensures that the applicant secures all levels of approvals before requested data is released.

Other than protecting our internal data, it is equally important for us to protect the privacy of our guests. In 2019, we issued our Personal Data Protection Standards Operating Procedures to ensure compliance with the Personal Data Protection Act 2010 of Malaysia. The SOP was updated in April 2021 to cover requirements under the electronic Information Law No. 19 of 2016 of Indonesia, Data Privacy Act 2012 of the Philippines and Personal Data Protection Act 2019 of Thailand.

At the same time, we empower our guests to manage their own data. In collaboration with the Customer Happiness and Communications departments, we enhanced FAQ articles available to our guests so that they are able to make corrections and updates. Our Customer Happiness agents were also trained to guide customers on channels to access their editable data.

SUPPLY CHAIN MANAGEMENT

We rely on a wide range of suppliers to help fulfil the needs of our diverse businesses. Recognising our ability to influence our suppliers, we seek to encourage sound ESG practices across our supplier chain. At the same time, we uphold the highest level of integrity and transparency in our dealings with suppliers as we build strong relationships based on trust.

To support the local economy, our preference is to source locally as far as possible. However, we also take into consideration user specifications, quality and compliance requirements, supply chain dynamics and other commercial issues in our vendor selection process.

Potential suppliers are invited to participate in a Request for Quotation or Proposal, following which their submissions are evaluated based on their ability to meet our specifications, target price, the quantity and quality of products to be supplied, delivery location and other operational/commercial requirements. Under certain circumstances we also assess the suppliers' financial health.

The recommended supplier is then presented to the relevant procurement approvers and stakeholders for review and approval. Thereafter, a contract may be put in place for clarity of responsibilities and accountabilities for both Capital A and the supplier, with the support of our Legal Team. Critical suppliers, as determined by Group Procurement, undergo an annual assessment to ensure they continuously improve the quality of the goods and services provided while keeping costs low. It is also an annual check-and-balance to ensure that suppliers understand and meet our risk and compliance policies.

Types of suppliers we engage with:

ICT	Food & Beverage (Inflight Food)	Facilities, Transportation, Logistics, Ground Service Equipment (GSE)	Commercial & Marketing	Professional & Facilities Services	General Items, Apparel & Merchandise
Critical suppliers (specialised and difficult to substitute)	Critical suppliers which are difficult to substitute due to stringent requirements of regulatory bodies. Certain suppliers, eg for water can be substituted	Choice of suppliers can be quite wide, subject to user requirements	Event suppliers are wide but choice of media agency is very selective based on commercial needs	Professional services suppliers are mostly specialised, however facilities services are mostly from local suppliers which come from a wider pool	Common pool of suppliers

Indicators	2019	2020	2021
No. of local suppliers excluding fuel, aircraft purchase & lessors	3,860	1,779	895
% spend on local suppliers	35	38	38
Total spend on local suppliers (RM)	RM622,002,369	RM572,184,262	RM575,651

We have a Supplier Code of Conduct (SCOC) which is communicated and mandated through our Terms & Conditions in our purchase orders (POs) and/or contracts. The SCOC covers:

- Business integrity and conflicts of interest
- Labour practices
- Confidentiality and personal data protection
- Environmental, health and safety management
- Social responsibility
- Competitive pricing and terms
- Anti-bribery and anti-corruption (included in 2021)

Our contracts carry a legal language to mandate suppliers to comply with all applicable laws and regulations.

Environmental

Capital A's environmental initiatives are guided by the Group's Environmental Policy, outlined in 2019, which articulates a clear commitment to the protection of the environment and the prevention of pollution. While our environmental concerns stretch across our Group endeavours, our reporting focus will be on the impact of our aviation business as it generates the bulk of our emissions. In line with the policy, we will endeavour to minimise our operational impacts by reducing our carbon footprint from fuel and energy consumption while promoting the sustainable use of natural resources, including water. By minimising our greenhouse gas emissions, we aim to contribute to climate change mitigation. Through the practice of waste elimination, reduction, reuse and recycling, meanwhile, we will reduce our waste-to-landfill. For more information on our environmental commitment, please refer to https://capitala.airasia.com/misc/CapitalA_GroupEnvironmentalPolicy2022.pdf

In addition, we have established an Occupational Safety, Health & Environment (OSHE) manual that ensures we implement sustainable environmental practices in addition to complying with safety and health principles.

In 2021, no sanctions were recorded arising from any non-compliance with environmental legal requirements.

CLIMATE STRATEGY

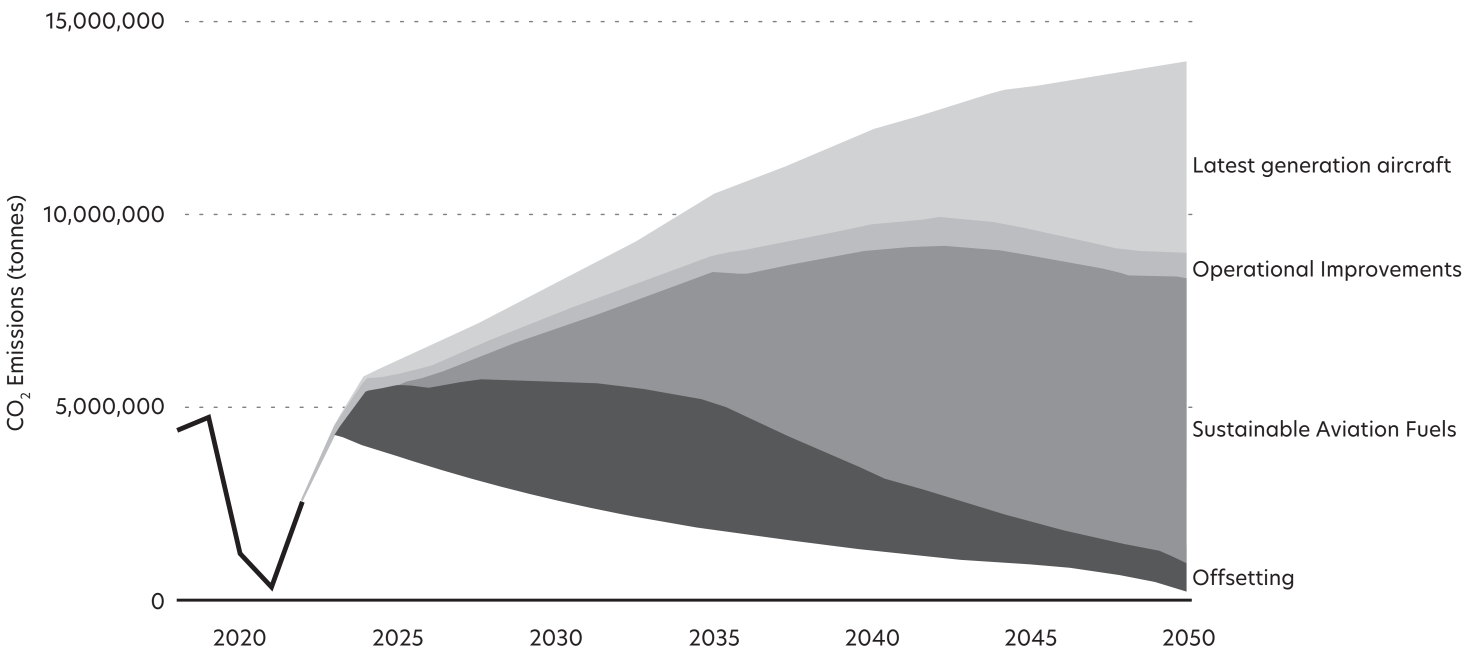
As climate change gains prominence as one of the most important issues on the global agenda, the aviation industry will continue to face increasing scrutiny on actions to mitigate its environmental footprint. This is compounded by the fact that, in 2021 alone, three out of four countries where AirAsia airlines are based suffered extreme weather events which impacted millions of people.

We conducted a robust reassessment of our climate strategy to strengthen AirAsia's commitment to climate responsibility and to align ourselves with the aviation industry's ambitious goal to reach net zero by 2050. Led by the International Civil Aviation Organization (ICAO), the industry aspires to meet a series of progressive targets starting with ensuring carbon neutral growth (measured against 2019 emissions) from 2021 onwards.

Based on existing technologies, there are four main approaches for AirAsia to converge towards net zero by 2050. These are: fleet management, operational eco-efficiencies, carbon offsetting and utilisation of sustainable aviation fuel (SAF). The year 2035 will mark a turning point for the Group's emissions initiatives as this is when we expect zero-emission aircraft to be available commercially. Once this happens, we will review our investment strategies to meet our climate goals. Our climate strategy is reviewed annually to incorporate new developments.

In this year's report, we will focus on providing updates on the four above-mentioned areas. We are also improving our statistical disclosures so that our stakeholders can better understand the impact of our climate-related actions and compare them with industry best practice.

Roadmap Towards CO_2 Reduction



Note: CO_2 emissions for years 2018-2021 are based on actual data. Figures for 2022 onwards are based on AirAsia's projections.

Another major addition this year is alignment with recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). We began by identifying the risks and opportunities associated with climate change to our business. This was supported by the development of models to assess the financial impact of two key measures to manage our carbon emissions, namely adding carbon offset costs into airfares; and switching to sustainable aviation fuels. A summary of our climate-related risks and opportunities is presented on pages 133-136 of this report.

Unless otherwise stated, all data presented cover AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines in line with Capital A's financial disclosures in this annual report. Data for AirAsia Thailand are available in the listed entity's Annual and Sustainability Reports.

Environmental *(cont'd.)*

(i) Fleet Management

AirAsia's fleet comprises three models of the Airbus A320 family, which are acknowledged to be the most efficient among narrow-body commercial jet aircraft; and one Airbus A330 as our widebody aircraft. Our fleet remains relatively young at an average age of 8.9 years.

Fleet size

Model	Units	Average age of type (years)	Passenger Capacity
A320	121	10.02	180/186
A320neo	29	4.5	186
A321neo	2	3	236
A330	1	7	377

Fleet age (years)	% of total fleet	% of planes upgraded in past 2 years
< 7 years	34%	0%
7 – 13 years	44%	0%
> 13 years	21%	0%

Planning ahead for our medium and long-term needs, AirAsia has reaffirmed our commitment to upgrade our fleet to the higher capacity and more fuel-efficient A321neo with the signing of an amendment agreement with Airbus in October 2021. The agreement covers a total order of 362 A321neo aircraft, which includes the conversion of 13 orders for the A320 that have yet to be delivered to Airbus' latest iteration.

In keeping with AirAsia's practice of maintaining a single-class seating layout, each A321neo will be fitted with 236 seats, increasing its capacity while lowering per seat costs. As the A321neo aircraft replace the older A320 fleet, we expect to benefit from significant sustainability gains. With 30% more seating capacity, each A321neo will result in a 20% fuel savings per seat compared with the legacy A320ceo model. The A321neo also delivers a double-digit reduction in nitrogen oxide emissions and reduced engine noise.

The new aircraft are scheduled for delivery through to 2035. Adjusting for post-Covid recovery, AirAsia is to take delivery of our fifth A321neo aircraft (and the first from this order reaffirmation) in 2024.

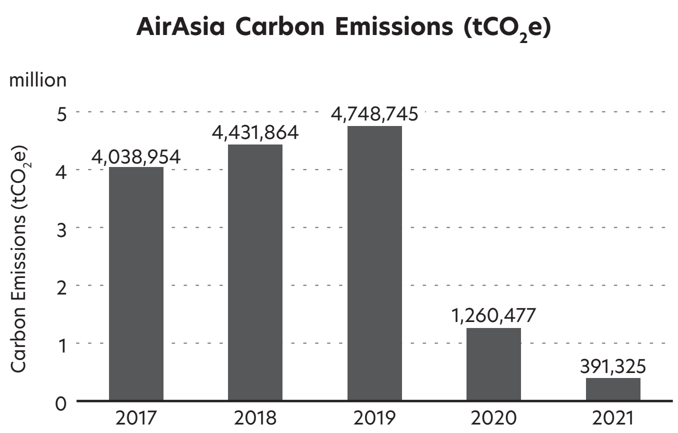
Beyond 2035, AirAsia is monitoring developments in the zero-emission aircraft industry. We have signed a letter of support with UK-based ZeAero%, which is developing a new hydrogen-powered aircraft that produces no polluting emissions during flight. AirAsia will provide feedback and inputs to help ZeAero% optimise its design in the run-up to production targeted for 2030.

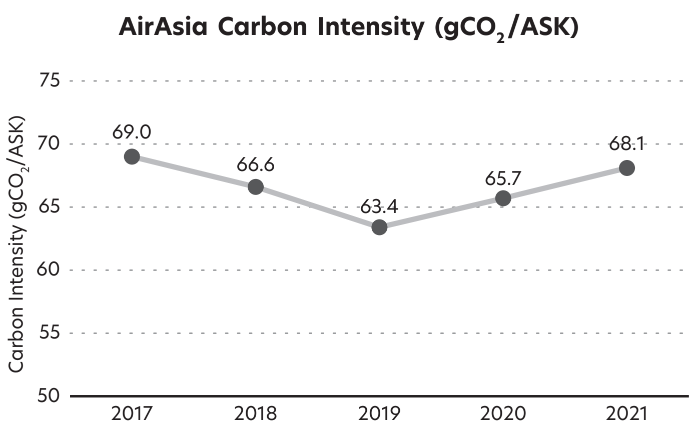
(ii) Operational Eco-efficiency

Fuel efficiency has long underpinned AirAsia's drive towards cost minimisation. To complement our fleet strategy, AirAsia maintains an industry-leading fuel efficiency programme that sees the airline emit the lowest carbon emissions per passenger in Asia. Based on publicly available data, where disclosed, AirAsia also features among operators with the lowest carbon emissions per available seat kilometre (ASK) in the world.

Despite prioritising the use of more efficient A320/A321neo aircraft, AirAsia's emissions intensity increased in 2021 because we were largely restricted to operating domestic flights, with only a limited number of international cargo flights. Domestic flights generally have shorter stage lengths which equate to higher fuel burn rates as the cruise segments of the flights are shorter than in longer stage lengths. Typically, aircraft burn more fuel during take off and when ascending than when in cruise or descend mode. On shorter flight legs, the aircraft spends a higher percentage of total flight time in this phase, resulting in higher block burn.

Nevertheless, we expect our emissions intensity to revert to pre-Covid levels as the pandemic becomes endemic and more countries in Asean begin easing international travel restrictions. The chart below summarises AirAsia's carbon emissions trend from 2017 (pre-Covid) to 2021.





AirAsia's fuel efficiency improvements are driven by the Flight Operations department which is tasked with initiating innovative fuel saving projects and tracking their outcomes using an extensive fuel monitoring system. In 2021, the department managed over 27 efficiency projects to reduce fuel consumption and carbon emissions. Below are the highlights:

Initiative	Description	Result/Total CO_2 avoided in 2021
SafetyLine OptiClimb	Software that reduces fuel consumption during climb, which is the most fuel-intensive phase of a flight. OptiClimb leverages digital data to accurately determine and analyse an aircraft's aerodynamic characteristics.	Group compliance rate rose to 63% from 58% in 2020. CO_2 avoided = 4,892 tonnes
Reduced Flaps Landing	Procedure that uses a reduced flap configuration during landing to cut aerodynamic drag and fuel burn.	Group compliance rate dropped slightly from 91% in 2020 to 88% due to operational variances. CO_2 avoided = 1,069 tonnes
One Engine Taxi on Arrival	Procedure to operate one engine (instead of two) during aircraft taxi-in to the arrival gate.	Group compliance rate dropped slightly from 86% in 2020 to 83% due to operational variances. CO_2 avoided = 1,020 tonnes
Idle Fuel Flow Factor	Updates to the Flight Management System that enable optimisation of the flight's descent and approach.	Implemented on all aircraft. CO_2 avoided = 557 tonnes

Environmental *(cont'd.)*

Initiative	Description	Result/Total CO_2 avoided in 2021
Idle Reverse Landing	Procedure that uses idle thrust (instead of full reverse engine thrust) upon landing to reduce noise and fuel burn.	Group compliance rate for 2021 was 92%. CO_2 avoided = 568 tonnes
Required Navigation Performance-Authorisation Required (RNP-AR) approach	Procedure that uses an aircraft's navigation functions instead of ground-based equipment for the shortest landing approach.	In 2021, 14 out of 16 airports in Malaysia were approved to implement RNP-AR. A total of 37.7% of AirAsia's flights in Malaysia landed using this procedure. AirAsia Indonesia and AirAsia Philippines are still awaiting regulatory approval for RNP-AR implementation. CO_2 avoided = 517 tonnes

In total, AirAsia's operational eco-efficiency measures avoided the emission of 11,175 tonnes of CO_2 for the year. The return on investment of these measures is immediate, as evident from the cost savings achieved (see table). Using the US EPA's Greenhouse Gas Equivalencies Calculation of 0.06 tonnes of CO_2 per urban tree planted, the environmental benefit is comparable to the impact of planting 186,250 trees.

New investments in 2022 will see AirAsia add at least six new fuel-saving initiatives including performance monitoring analysis to identify aircraft that require maintenance tasks, and publishing enhanced fuel efficiency training material to improve overall compliance with these measures.

Estimated annual CO_2 savings (tonnes)	Total annual investment required (RM)	Total anticipated annual cost savings (RM)
11,175	2,510,900	11,680,628

11,175 tonnes of CO_2 saved — equivalent to — 186,250 urban trees planted

In addition, AirAsia is engaging with civil aviation authorities on joint initiatives to support ICAO's State Action Plan (SAP) to mitigate climate change. Launched in 2010, the initiative calls for ICAO member states to identify and track emissions reduction measures on a tri-annual basis.

In 2021, AirAsia participated in five bilateral discussions with the Civil Aviation Authority of Malaysia (CAAM) to update Malaysia's SAP by Q1 2022. Among measures proposed for inclusion is enhanced air navigation. According to industry estimates, effective air traffic management has the potential to save up to 15% of fuel consumed by airlines. Pending the maturity of low-carbon technologies such as sustainable aviation fuel and zero-emission aircraft, improvements in air navigation will form an important aspect of our engagement with the regulators.

Concurrently, similar engagements have or are taking place between our airlines in Indonesia and the Philippines with their respective state regulators. Indonesia's Directorate General of Civil Aviation (DGCA) called for a first engagement in April 2021 requesting AirAsia Indonesia to provide input on initiatives to be included in the republic's SAP. The plan was published in December 2021 with emphasis on emissions reduction through measures such as improving airspace design and prioritising sustainable airport development. Philippines commenced its SAP review process in December 2021 and, at the time of writing, engagements are ongoing between the Philippines' civil aviation authority and AirAsia Philippines.

(iii) Carbon Offsetting

The aviation industry marked CORSIA's fifth anniversary in 2021 with the coming into force of the carbon neutral growth commitment of participating countries. CORSIA is the first industry-wide initiative to self-regulate carbon emissions, and as of 31 December 2021, a total 104 states have voluntarily signed on to participate including Malaysia, Thailand, Indonesia and the Philippines. Participation imposes a mandatory requirement on all airlines registered within the state to comply with CORSIA and its progressively ambitious targets to tackle CO_2 emissions from international aviation.

AirAsia has met two key CORSIA requirements to date. In May 2021, all our airlines submitted independently verified carbon emission reports for the year 2020 to their respective civil aviation authorities. To improve the reporting process, we enhanced our carbon dashboards to reduce data gaps. This has enabled the airlines to cut down the number of man-hours needed to track missing or incorrect data. It is also expected to increase the efficiency of the data verification process and enable AirAsia to meet the new CORSIA deadline for reporting by 30 April of each year from 2022 onwards. At the time of preparing this report, AirAsia is verifying our 2021 emissions from international flights with ICAO-accredited third-party verification body, Verifavia.

Airlines in CORSIA participating countries are also required to cap carbon emissions from international flights so that global CO_2 emissions from international aviation do not exceed 2019 levels. According to 2021 data, carbon emissions from AirAsia's international flights fell by 98.8% in comparison with 2019 emissions, thereby requiring no offsetting measures. Based on current recovery projections, our airlines are not expected to have to undertake mandatory emissions offsetting before 2024.

However, in line with industry best practice, we are in the process of putting in place a scheme to enable voluntary offsetting by travellers by the second half of 2022. This early implementation will enable us to build internal capacity to navigate carbon markets to procure CORSIA eligible credits. As part of our alignment with TCFD reporting requirements, we developed a model to analyse the financial impact of adding tiered offset fees to airfares. We met with representatives of emissions unit programmes, carbon trading platforms and carbon offset providers to gain a better understanding of the pricing and availability of CORSIA eligible carbon offsets. This exercise enabled us to compare multiple scenarios, from CORSIA compliant offsetting (carbon neutral growth for international flights from a 2019 baseline) to full offsetting of all carbon emissions from international and domestic flights.

AirAsia will be closely following developments at the 41st ICAO General Assembly, scheduled to take place in September 2022, for CORSIA updates that may impact compliance obligations. Among key issues that are expected to be discussed are the setting of the industry's CO_2 baseline for the period between 2024-2027, new aspects to CORSIA, as well as policies to address other pollutants such as NOx emissions and noise.

(iv) SAF Strategy

A fourth approach to addressing our carbon emissions is through the utilisation of SAF which can cut lifecycle emissions by up to 80%. SAF is identified as the most effective medium- to long-term solution for the industry's in-sector emissions reduction ambitions. Although the fuel is currently not available in Asean, this is expected to change in 2022 as two major fuel producers have announced the expansion of refinery capacities in Singapore to supply up to three million tonnes of SAF.

To pave the way for SAF introduction, we formed an SAF Committee comprising representatives from our Flight Operations, Engineering, Sustainability and Finance departments to assess the operational and financial feasibility of SAF implementation. The committee confirmed the absence of any technological barrier to SAF utilisation as we operate a full Airbus A320 family of aircraft which has been certified by the aircraft and engine manufacturer as being able to fly with a blend of up to 50% SAF. Furthermore, as the commercially available SAF at present is a drop-in fuel, or fuel that can be blended with jet fuel, we are not required to invest in any new infrastructure or equipment for supply of the new fuel blend.

At present, the main obstacles to SAF utilisation is the low volume of fuel available globally and its high price. In assessing our position, the committee has engaged with fuel producers to obtain a clearer timeline on SAF availability at key Asean airports. It has also carried out a volume and cost projection for SAF utilisation in accordance with a broad industry target of 10% of total fuel consumption by 2030. The findings of this exercise will inform the development of Capital A's Sustainability Blueprint which is scheduled for completion by Q3 2022.

In 2022, the SAF Committee will be expanded to include representatives from our Government Relations department to initiate discussions with legislators on SAF policies that can help advance the use of the renewable fuel in the region. These discussions will be guided by developments in the EU and US which present a mix of fuel mandates and tax credits for SAF utilisation.

Environmental *(cont'd.)*

Emissions Data

In this section, we report only Scope 1 emissions for our airline operations as they constitute the bulk of our direct emissions. However, we cover the Capital A Group in entirety for disclosures of Scope 2 and Scope 3 emissions as these cover emissions from all our offices and entities.

Scope	Category	Indicator Measured	Emissions Sourced
Scope 1	Direct GHG Emissions	Fuel consumption	Flight operations, ground operations
Scope 2	Indirect GHG Emissions	Electricity consumption (offices/buildings)	Purchased energy

Scope 1 Emissions (from flight operations)

Scope 1 Emissions from flight operations	2019 (restated)[1]	2020 (restated)[1]	2021
Fuel consumption (tonnes)	1,497,331	397,442	123,389
Total Scope 1 emissions (tCO_2e)	4,748,745	1,260,477	391,325
Carbon intensity ratio (gCO_2/RPK)	74.7	88.0	94.0
Carbon intensity ratio (gCO_2/ASK)	63.4	65.7	68.1
Specific fuel consumption (litres/100RPK)	3.01	3.55	3.79

[1] *Restated to include only AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines, in line with the financial disclosures, and to include the CO_2 equivalents of methane (CH_4) and nitrogen oxide (N_2O) emissions. AirAsia does not emit hydrofluorocarbons, perfluorocarbons or sulphur hexafluoride from flight operations.*

Scope 1 Emissions (from ground operations)

To improve our environmental reporting, our disclosures this year include Scope 1 emissions from ground operations at home base airports handled by Ground Team Red (GTR), a 50%-owned associate which provides group handling services to AirAsia at all Malaysia and Indonesia airports. Ground handling in the Philippines operates on a hybrid model with selected stations managed by GTR and others by third-party agents.

Initiatives to reduce carbon emissions include electronic filing of flight documents. Since 2019, the Ground Operations team has been filing passenger manifests and crew's general declaration forms online, as approved by the relevant regulations. The initiative saves approximately 8.8 million sheets of A4-sized paper annually, equivalent to 750 trees. Moving forward, the Ground Operations team will endeavour to further expand the scope of electronic filing.

Additionally, since 2020, GTR has enhanced its maintenance programme for ground vehicles and equipment as well as planning to avoid unnecessary idling. From 2022 onwards, all new ground handling agreements will include a clause recommending that green vehicles be used to service AirAsia flights where possible.

e-filing of flight documents saves approximately 8.8 million sheets of A4-sized paper annually

equivalent to

750 trees

Scope 1 emissions from ground support equipment	2019	2020	2021
Fuel consumption (tonnes)	1,894	795	521
Total Scope 1 emissions (tCO_2e)	5,880	2,469	1,617

Noise and Air Pollutants

As of 2021, all AirAsia aircraft are compliant with ICAO Annex 16 Chapter 4 noise standards while 85.6% of the fleet meets with the most stringent ICAO CAEP/8 NOx emissions standards[1]. As we phase out older aircraft in exchange for new Airbus A321neo models, we aim for 100% compliance with ICAO CAEP/8 NOx standards.

Indicators	2019	2020	2021
NOx emissions (tonnes)[1]	2,474	725	261
NOx emissions intensity (gNOx/RPK)[1]	0.0390	0.0508	0.0629
SOx emissions (tonnes)[2]	271	79	29
Volatile Organic Compounds (VOC) emissions (kg)[2]	936,957	274,492	98,752

1 NOx emissions and compliance data are obtained from the ICAO Emissions Bank issue 28C dated 20 July 2021. The NOx emissions value per landing and takeoff (LTO) cycle is based on the weighted average of AirAsia's fleet composition as of FY2021.

2 According to the US EPA, SO_2 represents the highest composition of SOx emissions, hence SO_2 is considered as SOx for the purpose of calculations. SO_2 and VOC emissions data are sourced from US EPA's Generic Aircraft Type Emission Factors table.

Scope 2 Emissions

Capital A's Scope 2 disclosures cover emissions associated with energy consumption at all our facilities and offices.

Location	2019 (restated)[1]		2020 (restated)[1]		2021	
	Emissions (tCO_2e)	Carbon Intensity (tCO_2e/m^2)	Emissions (tCO_2e)	Carbon Intensity (tCO_2e/m^2)	Emissions (tCO_2e)	Carbon Intensity (tCO_2e/m^2)
Malaysia[2 3] (tCO_2e)	2,817	0.109	2,517	0.065	2,261	0.055
Indonesia[4] (tCO_2e)	1,029	0.107	839	0.087	679	0.071
Philippines[5] (tCO_2e)	8	0.003	N/A[6]	N/A	40	0.012
Total (tCO_2e)	3,855	0.073	3,356	0.076	2,979	0.046

1 Restated to include only AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines, in line with the financial disclosures.

2 Latest emission factor (combined margin dated 2017) for Peninsular Malaysia, where AirAsia Malaysia is based, is obtained from the 2017 CDM Electricity Baseline for Malaysia, published by Malaysian Green Technology Corporation, for Malaysia's Ministry of Energy, Science, Technology, Environment and Climate Change.

3 Malaysia's electricity consumption data includes RedQ (head office), RedChain (Engineering Warehouse, 2020 onwards) and RedStation (KL Sentral office, 2021 onwards).

4 Latest emission factor (combined margin dated 2019) for Jakarta, where AirAsia Indonesia is based, is obtained from the Joint Crediting Mechanism, Indonesia Secretariat.

5 Latest emission factor (combined margin dated 2015-2017) for Luzon-Visayas Grid, where AirAsia Philippines is based, is obtained from the Philippines' Department of Energy.

6 No data is available in 2020 for the Philippines as the airline moved its office to new premises and utility invoices have not been issued by the building owner.

Environmental *(cont'd.)*

Energy Consumption

Energy Consumption	2019	2020	2021
Non-renewable fuels purchased and consumed (MWh)[1]	19,936,614	5,295,262	1,647,153
Non-renewable electricity purchased (MWh)	6,012	5,266	4,711
Total non-renewable energy consumption (MWh)	19,942,626	5,300,528	1,651,864

1 *Non-renewable fuels purchased and consumed include jet fuel for flight operations and diesel for ground operations.*

Electricity Use Intensity (kWh/m²)			
Location	**2019**	**2020**	**2021**
Malaysia	186.8	115.7	100.0
Indonesia	123.0	100.2	81.1
Philippines	4.3	N/A	20.7

Various initiatives launched in 2020 to reduce our electricity consumption continued into 2021. These include:

- Staggered switching on of major equipment that are power-intense
- Scheduled light usage by zone, based on the occupancy of the area
- Establishing designated areas where Allstars can continue to work after regular working hours when lights and air-conditioning are switched off in most parts of the building

Scope 3 Emissions

Capital A's Scope 3 emissions are generated from three main activities: the production of fuel and energy, employee business travel, and subsidiary businesses using third-party transportation service providers, namely Teleport, airasia xpress and airasia ride. Capital A plans to begin tracking Scope 3 emissions from 2022 onwards from these three sources. We expect the main source of these emissions to be from fuel and energy production. Emissions from employee business travel is negligible due to the suspension of non-essential travel due to the pandemic. Teleport, airasia express and airasia ride are relatively new lines of business established in the last two years and, therefore, are in the process of capacity building to begin monitoring their respective carbon emissions. We will work closely with our vendors and business partners to track, minimise and drive Scope 3 emissions reduction.

WASTE MANAGEMENT

Our policy is to reduce as far as possible all waste generated by our operations, and to increase our recycling rate.

Scheduled Waste

Most of the scheduled waste produced relate to the engineering aspects of our airline operations and comprise spent oils/fluids, absorbents, containers, gloves, rags and filters. These are disposed of by licensed contractors in accordance with the relevant environmental acts and regulations in the respective countries.

In 2021, we generated 45% less solid scheduled waste as the number of aircraft in active operation was greatly reduced. On the other hand, more liquid scheduled waste was generated due to aircraft parking and storage maintenance activities which involve draining of aircraft fuel/fluid.

Scheduled waste generated Group-wide

Type	2019 (restated)[1]	2020 (restated)[1]	2021
Solid Waste (tonnes)	53.6	31.8	17.5
Liquid Waste (litres)	42,004	25,792	42,746

1 Restated 2019 and 2020 data to include scheduled waste data for Indonesia and Philippines.

Non-Scheduled Waste

Non-scheduled waste includes waste produced at our office premises. We started to track waste disposal at RedQ (Malaysia) from March 2019, RedChain (engineering warehouse in Malaysia) and RedPoint (Philippines) from 2020 and RedHouse (Indonesia) from 2021. A decrease can be seen in the volume of waste generated in 2021 due to Allstars working from home as a result of Covid-19.

Non-scheduled waste generated, and percentage recycled

Location	Indicators	2019 (tonnes)	2020 (tonnes)	2021 (tonnes)
Malaysia	Total weight of non-hazardous waste generated	-	64.11	69.32
	Total weight of non-hazardous waste disposed	347,650	53.46	67.03
	% of non-hazardous waste recycled (diverted from disposal)	7.6%	17%	3.3%
Indonesia	Total weight of non-hazardous waste generated	N/A	N/A	35
	Total weight of non-hazardous waste disposed	N/A	N/A	35
	% of non-hazardous waste recycled (diverted from disposal)	N/A	N/A	0%
Philippines	Total weight of non-hazardous waste generated	N/A	88[1]	63
	Total weight of non-hazardous waste disposed	N/A	81	57.93
	% of non-hazardous waste recycled (diverted from disposal)	N/A	7%[1]	8%

1 Restated Philippines data for 2020 due to corrections in units used and in recyclable percentage.

Environmental *(cont'd.)*

Recycling Programme in Office

To reduce waste to landfill, the Group actively promotes recycling. Recycling bins are provided in our premises for the collection of paper, plastic and aluminium items. In 2021, however, the volume of recyclable waste collected dropped as most Allstars were working from home.

We also implemented e-waste recycling at RedQ in 2019, when 60kg of e-waste was collected and recycled. In 2020, we set up three e-waste bins at RedQ for broken handphones, tablets, laptops, media storage devices and small electronic items. Due to the negligible volume of e-waste collected in 2021 (with most Allstars working from home), these items were not sent for recycling during the year. Once a sufficient volume is achieved, this e-waste will be picked up and recycled by a licensed contractor.

Location	Types of Recyclables	Recyclable Waste (kg)		
		FY2019	FY2020	FY2021
Malaysia	E-Waste	60[1]	0	0
	Plastic	128[1]	0	25
	Paper	25,991	10,076[1]	1,968
	Metal	3,931	579	294
	Total	30,110	10,655	2,287
Indonesia (RedHouse)	E-Waste	N/A	N/A	0
	Plastic	79	12	0
	Paper	993	123	0
	Metal	N/A	N/A	0
	Total	1,072	135	0[2]
Philippines (RedPoint)	E-Waste	N/A	N/A	N/A
	Plastic	14,819	5,316	4,543
	Paper	592	332	531
	Metal	5,463	879	0
	Total	20,874	6,527	5,074

1 Restated data for e-waste and plastic collection in 2019, and paper collection in 2020 to reflect the final billing figures

2 No data available for Indonesia in 2021 as the recyclable waste was collected by the local government agency

Cabin Waste Management

AirAsia has been collecting recyclable items such as plastic bottles, aluminium cans, glass, paper and metal from the cabin since 2017 for AirAsia Malaysia and 2018 for AirAsia Indonesia and AirAsia Philippines. However, this initiative was put on hold in 2021 due to pandemic-related restrictions on cabin waste disposal.

Food Waste

AirAsia began to track our aircraft food waste in 2019. However, food waste data and trends are not available for 2020 and 2021 due to greatly reduced flight activities as well as Covid-driven restrictions on inflight services. Tracking of food waste data has resumed as of 2022.

Food waste generated

AOC	2019	2020	2021	Target for 2022[1]
MAA (kg)	304,332	N/A	N/A	166,400
IAA (kg)	50,689	N/A	N/A	32,000
PAA (kg)	45,977	N/A	N/A	38,400
Total (kg)	400,998	N/A	N/A	236,800

1 *Estimated food waste based on 2022 passenger forecasts.*

The 2022 target is to cap food wastage at 25% of total consumption

Based on 2019 data, food waste across the AirAsia averaged at 30% of total perishable meals inventory. To reduce food waste, an initiative was introduced to improve meal forecasts through analysis of passenger loads and inventory take-up rates. This initiative was temporarily halted in 2020 and 2021 due to Covid-19-related restrictions on sale of inflight meal products.

In 2022, we target to cut food waste to 25% of perishable meals through a new demand planning tool utilising AI technologies to better control wastage. Our priority is to continue to promote pre-book meals. The inflight department is also exploring the option of providing discounts on onboard sales at the end of each day.

Water Management

The Group recognises that water is becoming increasingly scarce, hence has put in place various initiatives to minimise waste. Given that most Allstars are still working remotely, our water consumption has been reducing. Meanwhile, no industrial effluents were generated from our office activities, and all waste water from sanitary and washing were discharged to government-operated centralised water treatment plants for treatment.

Water consumption

Location	2019	2020	2021
Malaysia (m^3)[1]	64,133	43,668	33,669
Indonesia (m^3)	5,401	2,618	2,253
Philippines (m^3)	1,316	N/A[2]	3,021
Total (m^3)	70,850	46,286	38,943

1 *Malaysia's water consumption data includes RedQ (head office), RedChain (engineering warehouse, 2021 onwards) and RedStation (KL Sentral office, 2021 onwards).*

2 *No 2020 data is available for the Philippines as the airline moved its office to new premises in late 2019 and utility invoices had not been issued by the building owner.*

Environmental *(cont'd.)*

Environmental Data Summary

Energy Consumption

Indicators	2019	2020	2021
Fuel Consumption (tonnes) (Flight Operations)	1,497,331	397,442	123,389
Fuel Consumption (tonnes) (Ground Operations)	1,894	795	521
Total Fuel Consumption (tonnes)	1,499,225	398,237	123,910
Non-renewable fuels purchased and consumed (MWh)	19,936,614	5,295,262	1,647,153
Non-renewable electricity purchased (MWh)	6,012	5,266	4,711
Total non-renewable energy consumption (MWh)	19,942,626	5,300,528	1,651,864
Energy Intensity			
Specific Fuel Consumption (litres/100RPK)	3.01	3.55	3.79
Electricity Intensity (kWh/m^2)	155.78	108.61	87.65

Emissions

Indicators	2019	2020	2021
Scope 1 (Flight operations) (tCO_2e)	4,748,745	1,260,477	391,325
Scope 1 (Ground operations) (tCO_2e)	5,880	2,469	1,617
Scope 1 total (tCO_2e)	4,754,625	1,262,946	392,942
Scope 2 (tCO_2e)	3,855	3,356	2,979
Scope 1&2 total (tCO_2e)	4,758,480	1,266,302	395,921
Emissions Intensity			
Scope 1 (gCO_2/RPK)	74.7	88.0	94.0
Scope 1 (gCO_2/ASK)	63.4	65.7	68.1
Scope 2 (tCO_2e/m^2)	0.073	0.076	0.046
NOx, SOx and Other Significant Air Emissions			
NOx emissions (tonnes)	2,474	725	261
SOx emissions (tonnes)	271	79	29
Volatile Organic Compounds (tonnes)	937	275	98

Resource Management

Indicators	2019	2020	2021
Water Consumption			
Total Water Consumption (m^3)	70,850	46,286	38,943
Waste Management			
Solid Hazardous Waste (tonnes)	53.6	31.8	17.5
Liquid Hazardous Waste (litres)	42,004	25,792	42,746
Non-Hazardous Waste disposed (tonnes)	347,650	135	160
Non-Hazardous Waste recycled (tonnes)	52.1	17.3	7.4

Alignment with Task Force on Climate-related Financial Disclosures (TCFD)

TCFD recommendations have provided further direction for our climate strategy, especially the Group's foresight when considering climate issues. This year, we have identified our business risks and opportunities, the potential financial impact of climate change, and our mitigation strategy.

As we become more conversant with TCFD, we recognise the need to strengthen our disclosure in various areas of our reporting; and plan to do so in the next couple of years.

Our governance around climate-related risks and opportunities (please refer page 99)

The actual and potential impacts of climate-related risks an opportunities on our businesses, strategy and financial planning (please refer page 120-121; 133-136)

The processes used to identify, assess and manage climate-related risks (please refer page 106-108)

The metrics and targets used to assess and manage relevant climate-related risks and opportunities (please refer page 123-124; 126-132)

Risk Type		Climate-related Risk Description	Potential Financial Impact	Mitigation Strategy
Transition Risks	Policy and Legal	Risk from new regulations:	New carbon taxes could increase the price of fuel, thereby raising operating costs and fares while dampening travel demand.	We are developing a long-term strategy to reach the industry's net zero aspiration ahead of the 2050 goal. In the immediate horizon, we will strengthen our fuel efficiency programme and work with regulators on improvements to air traffic management to cut flight distances and fuel consumption.
		(i) Imposition of carbon taxes, emissions quotas or renewable fuel mandates	Carbon taxes will increase the company's tax liability while emissions quotas or sustainable fuel mandates will lead to a significant increase in fuel and operating costs. An increased cost burden will reduce the company's profitability or depress demand if passed on to travellers.	We have commenced discussions with several fuel suppliers on making available SAF in Malaysian airports and on the development of SAF from locally available feedstock such as agricultural waste. A purchase commitment by AirAsia will strongly incentivise fuel suppliers to invest and lower the long-term cost of SAF.
		(ii) Emissions testing regulations	Emissions testing regulations will add to the cost of aircraft maintenance and require increased downtime for aircraft, leading to rescheduling costs or loss of revenue due to flight cancellations.	Emissions testing regulation will only impact a limited number of our older planes. All of our planned capacity expansion from 2024 onwards will be achieved with the new Airbus 321neo model, currently the most fuel- and emissions-efficient narrowbody commercial aircraft in the market.
		(iii) New emissions (eg NOx)/ waste reporting requirements	New reporting requirements increase manpower/consultancy costs as well as audit or verification fees.	Our carbon dashboard can be enhanced to track our NOx emissions while verification of these emissions can be tagged to our existing carbon emissions verification at minimal additional cost.

Environmental *(cont'd.)*

Risk Type		Climate-related Risk Description	Potential Financial Impact	Mitigation Strategy
Transition Risks	Technology	Risk from new technologies aimed at supporting global low-carbon transition	AirAsia has confirmed its order for 362 Airbus 321neo aircraft that will be delivered up until 2035. The introduction of zero emission aircraft could significantly reduce asset value of AirAsia's 321neo fleet and render its fleet technology obsolete. Investment in new fleet type or adaptive green technologies will require significant capital investments.	AirAsia's last A321neo is scheduled to be delivered in 2035, coinciding with the expected introduction of Airbus' zero emission aircraft. AirAsia can consider purchasing this new aircraft type as part of our fleet replacement strategy beyond 2035. Should the zero emission aircraft be available earlier, AirAsia can initiate negotiations with Airbus to convert A321neo yet to be delivered to the new fleet type.
	Market	Risk from market fluctuations as travellers and businesses respond to climate change	More companies may opt to cut business travel, in favour of virtual meetings.	We believe that business travel will resume as Covid-19 enters an endemic phase. In 2022, we will be introducing voluntary carbon offsetting on all AirAsia flights to enable travellers to choose to reduce their carbon footprint. We intend to make this a mandatory commitment later, once guests are comfortable with the idea of accounting for their own carbon footprint.
		(i) Changing travel patterns	Expansion of China's Belt and Road initiative to high-speed rail connections may also offer guests a lower-carbon travel alternative.	We believe that air travel will remain essential to connect Asean as two major countries - Indonesia and the Philippines - are archipelagos where road and rail infrastructure are not well developed. In addition, the Belt and Road initiative has stalled in many countries, leaving cross-border connectivity still a hurdle.
		(ii) Growing demand for carbon credits	With CORSIA coming into effect in 2021, an increasing number of airlines and other businesses will purchase carbon credits, causing prices to rise in the short term before more credits become available in the international carbon market. Any unanticipated increase in carbon credit price could result in AirAsia having to bear the additional cost of offsetting from top-line revenue.	We are introducing an option for guests to add an offset fee to their fares in 2022. This will enable us to build internal capacity on carbon trading, including exploring options for forward purchase of available credits. In addition, we are also exploring options for AirAsia Foundation to help some of its environmental social enterprises accredit their programmes to be eligible for CORSIA offsetting. This will enable the social enterprises to benefit from sustainable funding while helping to secure AirAsia's supply of carbon credits in Asean.
	Reputation	Risk of negative brand impact if AirAsia is seen as not responding sufficiently to climate crisis, resulting in:	Guests may choose a competitor that is seen to be doing more and investors may divest. Financial institutions may also impose a premium on lending.	We are undertaking a brand campaign to highlight our environmental credentials as the airline with the lowest CO_2/ASK in Asia. By claiming our 'greenest airline' position, we address our climate critics and potentially stand to gain from increased market share among environmentally-conscious travellers.
		(i) Shifts in guest preferences		An option for guests to offset their travel will assuage some travellers' concerns on their impact on the environment.
		(ii) Being targeted by flight shame movement		We believe the risks from reputational damage due to this movement will be limited as air travel is not a luxury in many places that we serve due to underdeveloped road and rail infrastructure. This can be mitigated with a consistent awareness campaign highlighting our sustainability efforts and providing carbon offset options to guests.

Risk Type		Climate-related Risk Description	Potential Financial Impact	Mitigation Strategy
Transition Risks	Reputation	(iii) Increased stakeholder concern or negative stakeholder feedback		We are taking a targeted approach to increasing our scores in the FTSE4Good and Corporate Sustainability Assessment (CSA) ratings. This will affirm our sustainability attainments and enable AirAsia's shares to be listed in reputable sustainability indexes that make us eligible for investments by green funds.
Physical Risks	Acute	Risk of extreme temperatures	At extremely high or low temperatures, aircraft may become inoperable or rendered uncertified to operate. On extremely hot days, aircraft may not be able to take off due to reduced engine performance, resulting in delays or revenue loss from offloading pax/cargo.	We may operate seasonable schedules to minimise exposure to disruptions caused by extreme high temperatures.
			Increases in hot days can also cause heat buckling on runways and taxiways and other infrastructure damage. Such damage could increase operational and repair costs for airports which would eventually be passed on to airlines and travellers.	To avoid aircraft being stranded at airports experiencing extreme temperatures, we may undertake pre-emptive cancellations by expanding coverage of weather forecasting services.
		Risk of increasing frequency and severity of weather events	Weather events such as floods and typhoons put at risk operations and infrastructure at affected airports, including three of our four major hubs. Bangkok and Jakarta are increasingly vulnerable to flood risk while Manila to typhoon disruption. Other than asset damage, these weather events can result in revenue losses and substantial costs relating to cancelled flights and airport closures.	We maintain up-to-date business continuity plans for weather risk affecting all four major hubs. We are also planning a climate-related disaster scenario exercise to test and improve our disaster management and recovery processes.
	Chronic	Risk of longer-term changes in weather patterns	Rising sea levels will render some coastal airports inoperable, forcing cities to build new airports further inland. AirAsia will have to bear the cost of informing booked guests and communicating changes for future bookings. Demand may be impacted if the airport is far from the city centre. New airport construction costs may also result in higher airport taxes and other fees.	We recognise that rising sea levels may be inevitable. Our Government Relations department is liaising regularly with the ministries of transport of all AOC countries to keep abreast of any plans to move major airports.
			Jakarta is one of the most vulnerable cities to rising sea levels. It is also documented to be sinking fast, prompting the Indonesian Government in 2019 to announce the relocation of its administrative capital to East Kalimantan. This could affect growth projections, and result in increased costs as regulatory staff will either need to relocate or travel frequently to Balikpapan for meetings with regulators.	Our strategy team will incorporate the projected impact of climate change into our fleet and routes strategy.

Environmental *(cont'd.)*

The following are examples of specific climate-related opportunities we have identified.

Climate-related Opportunities	Potential Financial Impact	Mitigation Strategy
Administrative efficiency	Digitalisation strategy reduces manual paperwork and cost of paper, printing and storage of documents.	Our ongoing digitalisation programme has minimised all paper documentation on board and in our office processes. Of the remaining ones, we continue to work with regulators to move towards e-documentation for regulatory records-keeping and submissions such as e-Voyage Reports.
Resource diversification	Shift to SAF utilisation diversifies fuel supply and reduces exposure to rising energy costs and growing carbon regulation.	We have commenced discussions with several fuel suppliers to supply SAF at Malaysian airports and/or to develop SAF using locally available feedstock.
Resource efficiency	Reduction of fuel utilisation via improvements in air traffic management and A321neo fleet conversion will further reduce operating costs and ensure that AirAsia maintains our commercial advantage as the airline with the lowest cost/ASK and CO_2/ASK in the industry.	We engage in regular consultations with civil aviation authorities to implement new fuel efficiency and emissions reduction measures. This includes proposing measures to be included for monitoring and tracking emissions reductions in State Action Plans.
Products and Services	Attract travellers keen to minimise their carbon footprint and experience sustainable travel activities. AirAsia potentially gains from increased market share among responsible travellers and earns ancillary income from sale of sustainable travel activities.	In 2022, we are initiating a brand campaign to highlight AirAsia's greenest airline in the world achievements and our climate change management strategy.
		We are also implementing a voluntary offset programme to enable travellers to contribute to their carbon offsetting.
		AirAsia Foundation is working with sustainable travel social enterprises to make accessible sustainable travel activities on its DestinationGOOD.com platform.
Markets	Recognise that climate impact prone destinations may also be strong revenue generators in the recovery and rehabilitation phase.	Resume commercial flights to affected destinations as soon as it is safe to do so to support rebuilding programmes.
Resilience	Continue to strengthen our network connectivity in hubs such as klia2 with reduced climate risk.	Invest in climate forecasting tools and services to inform fleet planning and route planning strategies.