

A Conversation On Sustainability With Our President & Group Chief Executive Officer

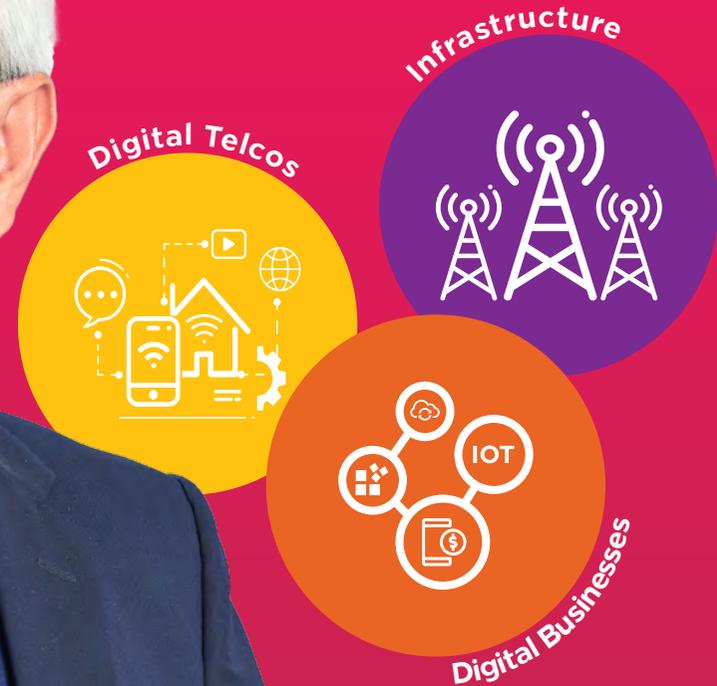
“ The digital transformation we are driving must be fully inclusive, leaving nobody behind. ”

Axiata is one of the largest telco groups in ASEAN and South Asia, and one of Malaysia's largest public-listed companies. Our vision is to be the Next Generation Digital Champion by 2022. Our Triple Core business strategy which focuses on six digital telcos, three digital businesses and an infrastructure group is set out to transform the digital landscape and lives of our subscribers in the markets where we operate.

Axiata's Sustainability & National Contribution Report 2019 is an account of how we delivered economic, social and environmental value for its stakeholders over the reporting year. These efforts are anchored on our 4P Sustainability Framework, which encompasses Beyond Short-Term Profits, Nurturing People, Process Excellence & Governance, and Planet & Society, and serves as a guide for the Group to meet its objective of Advancing Asia.

Despite challenging market conditions, we made significant progress in the digitisation of operations to deliver positive user experience aligned to our customer promise, continued expansion of our infrastructure business into new growth markets, and accelerate our ambition of building unicorn companies in the digital financial services, digital advertising, and API platforms. Competition in the telecommunications industry continues to be intense, with Over-The-Top (OTT) services and emerging digital disruptors impacting margins of operators.

Additionally, businesses are operating in a particularly challenging environment amidst the backdrop of various macroeconomic and geopolitical tensions. This already trying landscape has been compounded by the COVID-19 crisis, which has brought the world to its knees, devastating lives, healthcare and social systems as well as businesses and the economy at an unprecedented scale.



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TAN SRI JAMALUDIN IBRAHIM

President and Group Chief Executive Officer

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We are actively supporting Governments and the healthcare systems in our markets, in their efforts to mitigate and contain the spread of the virus in our communities. We have ramped up our service levels to cater to changes in data usage patterns amid this time when everyone is operating extraordinarily business unusual. Setting aside commercial considerations, Axiata and our OpCos are contributing aid to our communities directly hit by the disaster.

Together with Celcom, edotco Group and Axiata Digital, the Group has launched a RM150 million cash fund for micro-SMEs to help ease the mounting difficulties they will face in operating their businesses. These micro-SMEs make up over 50% of SMEs in Malaysia and fall mostly within the B40 group.

Our OpCo Boost also launched its 'Tabung COVID-19' to provide a convenient channel to donate to the Malaysian Ministry of Health's Special Fund for COVID-19 which will be used to help frontliners and those affected by the outbreak. To date, it has collected approximately RM600,000¹.

These are just some of the measures we have taken and while we remain in the grips of this crisis, we continue to brainstorm across management and board to prepare for the new norm which lies ahead - whatever that may look like.



BEYOND SHORT-TERM PROFITS

What does beyond short-term profit mean to Axiata?

We are committed to be in the markets that we serve for the long-term, therefore our purpose of Advancing Asia must be fully inclusive, and ensure no one is left behind. In support of these ambitions, we are investing in products, services and projects that empower and bring benefits to the larger community.

We have invested RM200 million in digital innovation funds in three markets to drive the growth of local digital entrepreneurship and the ecosystem. We are building our digital financial businesses through Aspirasi to offer financial services to support micro SMEs, and insurance services for underserved communities. We are in the running to secure a digital banking license in Malaysia which will expand our reach to serve underserved communities.

Our OpCos collaborate with local partners to deliver inclusive services and digital content to address the digital divide that exists in pockets of society, such as in rural areas, access to education, and among women. In some markets, we leverage on our network infrastructure to provide basic utility services to local communities to improve their quality of life.

With Axiata's presence in emerging Asia, what commitments have you taken to support the United Nations Sustainable Development Goals (UN SDGs)?

The nature of our business allows us to directly contribute towards the UN SDGs, including SDG 8 Decent Work and Economic Growth, and SDG 9 Industry, Innovation, and Infrastructure. Aligned to our broader objectives of ensuring a sustainable future of our business, and our position as a responsible corporate citizen, we are committing towards the need to invest in equitable and accessible education for all (SDG 5), and to address the growing concerns and expectations around climate change (SDG 13).

SDG 5 (Quality Education) - Through education, individuals have a greater potential and means towards poverty alleviation and to participate in the digital economy. In all our markets, we are committed to enabling education by building digital education content and infrastructure, providing scholarships for top national talents, and grooming future leaders with digital skills.

SDG 13 (Climate Action) - Mitigating climate change will require a global effort to transition to a net zero economy. As an industry our effort towards climate action focuses on advancing mobile technology innovations in areas such as big data and Internet of Things (IoT). We are developing a strategic approach to address climate change within our operations, which includes developing a climate governance framework and setting targets and KPIs.

The Axiata Young Talent Programme (AYTP) has been very close to your heart. What impact has the programme made over the years?

I'm very proud of the achievements of the AYTP over the past years. We have a presence in emerging economies, with a young demographic. This allows us to be in a unique position to provide opportunities to develop young talents through the AYTP. In 2011, we started this ten-year initiative in Malaysia with a commitment of RM100 million. The AYTP model has now expanded to Indonesia, and two years ago to Cambodia.

In Malaysia, over 2,100 students have been impacted by the various AYTP programmes. The rigour of the programme has attracted over 200 students studying in top global universities. Currently, 15 of our alumnus have since become CEOs of their own start-ups. In Indonesia, the programme has impacted over 99,000 students in 35 provinces from Aceh to Papua. The programme is being digitised and placed online to enable greater reach and accessibility. In Cambodia, the programme graduated its second cohort, and will be increasing its intake to amplify its reach and impact.

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NURTURING PEOPLE

How are you winning the war of talent?

Investing in our people is very important to us. Over the years, we have invested significantly in training and development of employees across the Group. Through partnerships with digital online learning platforms, we have made learning accessible for all our employees across the region. We launched Synapse, our internally developed knowledge management platform to allow sharing by subject matter experts across the Group. We also recently launched Fast Forward, our internal intelligent learning technology platform to curate appropriate learning modules for employees.

Additionally, one of our key goals is to ensure the development of leaders that are intrinsically aligned to the understanding of our organisational culture and ambitions. In support of this, we have invested in the Axiata Group Accelerated Development Programme where we have assessed and identified individuals that have the potential to enter into leadership roles across the Group. There are currently 125 talents that are part of our accelerated programme. Similar programmes are being run at the OpCos for internal leadership succession planning.

People are at the heart of digital transformation. How has Axiata changed the culture of employees to adopt a digital first mindset?

Our transformation into a digital telco requires a change in culture at every level of the Group. Our efforts towards instilling a modern, agile and digital culture over the past few years is now taking shape.

The Learn, Engage, Accelerate Perform (LEAP) Programme is one of our major initiatives to drive the change of mindset. The programme launched over 250 unique initiatives spanning five core areas of digitisation. Process Automation and API platform was seen as the key tech enablers, which will result in a better customer experience and stronger competitive advantage.

How has the COVID-19 pandemic changed the way you work?

The new norm will be driven by changes in consumer behaviour, as people strike the balance between health concerns, with work obligations and lifestyle needs.

In line with restrictions put in place by governments around the world and as we prioritise the safety of our staff, we have instituted working from home. As a digital company, we have found this transition seamless, with the usage of virtual meeting platforms to facilitate work flow and the utilisation of internal social media channels to foster continuous open communication with our employees. We are also providing platforms to safeguard the physical and mental well-being of our employees.

As an essential service in all our markets, we have continued to deploy small teams who are physically needed on-site to minimise service interruptions. These include field technicians who install and repair networks as well as customer service representatives who manage voluminous daily calls. We are deeply grateful for their contributions and we will continue enforcing the strictest standards of health and hygiene to protect them from this virus.

PROCESS EXCELLENCE & GOVERNANCE

How have you strengthened governance at Axiata in the last year?

Uncompromising integrity is one our core values, and in today's corporate world, this is more important than ever. In June 2020, the new corporate liability provision of the Malaysian Anti-Corruption Commission Act 2009 under Section 17A will come into place, and we are working to ensure we have the appropriate measures and procedures to prevent corruption.

This year, we enhanced the remit of our Board Risk Committee to include oversight on Compliance, so it is now called the Board Risk and Compliance Committee. The Board undertook a comprehensive third-party review of its own performance. We engaged with employees at Corporate Centre to understand how we have lived up to our values. The findings will help guide training and engagement in the coming year. We also launched a regional whistle-blowing hotline that is in the process of being rolled out across the Group.

As we move closer towards our goal of being a digital champion, governance in privacy and cyber security is increasingly critical to build trust with key stakeholders. As we approach the end of our three-year Digital Trust 2020 Roadmap, we have seen tremendous maturity in our data security governance and processes across the Group, having invested in employee training, cross OpCo collaboration, and engagement.

Operational Excellence is a key driver for the coming year. What does that mean in terms of your processes?

Axiata 5.0 is focused on Operational Excellence as our new corporate DNA. This strategy focuses on efficiencies that translate to profitable growth in our aim to be the lowest cost producer relative to our customer promise. It doesn't mean cutting cost but

instead investing in new technology with a shorter payback period to support the exponential growth in data usage, while being profitable.

We will continue to drive digitisation and analytics that will allow us to deliver optimal customer satisfaction, which will secure profitable growth on a sustainable cost structure to meet this goal.

Businesses that are transforming and digitising their core operations will have the competitive advantage moving forward. We benchmark our digital transformation against an industry index which focuses on organisational level maturity. We have broadened the assessment to include digital maturity in eight core functions. Through digital analytics, we will be able to extract more cost savings, and allow more defined customer segmentation to deliver better customer services. Our aspiration is to have at least two of our OpCos in the Global Top Quartile and "Deep" Digitisation Maturity across all functions.

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PLANET & SOCIETY

How is Axiata contributing to aid efforts for communities impacted by the COVID-19 crisis?

Our communities are some of the most vulnerable to the effects of COVID-19, not only from a health perspective but also in terms of its socioeconomic impact.

In response, we have channeled aid both from the Group and through our individual OpCos to help shelter those directly facing this crisis. In addition to our RM150 million cash fund for micro-SMEs and Boost's Tabung COVID-19, our OpCos have contributed in cash and in kind to help our communities weather this storm.

These contributions include Personal Protective Equipment (PPE) kits for medical frontliners as well as food and daily necessities for vulnerable groups.

From a service perspective, we have also provided free data, content and related services for our customers as well as health authorities to aid in monitoring and combating the pandemic. These include Ncell's USSD service to identify COVID-19 infections, Robi's mobile app to monitor and combat the disease, developed in partnership with A2i and the Health Ministry, Dialog's free relief data, voice and SMS for all mobile customers, Celcom's free 1GB/day of data, WhatsApp and O365, Smart's implementation of 5G technology (on trial spectrum) at three main hospitals where COVID-19 patients are warded and XL's 2GB free internet data for all users.

The GSMA launched an industry commitment towards Zero by 2050. How is Axiata going to meet this commitment?

The GSMA's Zero by 2050 commitment is the industry's response to the global climate crisis and to do our part in limiting global temperature rise to 1.5°C. The commitment calls for GSMA members to commit to setting verifiable science-based targets at 1.5°C or set a target that aligns and meets the national commitments.

Transitioning to a net-zero economy will be challenging in our operating region. Firstly, our customer base is growing, and our network is expanding, so energy needed to power our network will likely increase. Our network accounts for 96% of total energy consumption, and we recorded a Year on Year increase of 5% in our overall energy consumption. Energy intensity measures by our digital telco operations improved by 36% due to a 50% increase in data traffic. Our second challenge is the type of fuel used to power national grids in our markets. Coal remains the primary source of power plants in this region, and renewable energy feed into the national grid is still low. Renewable energy in Malaysia will only account for 30% of total energy produced in 2030.

In any case, we are focused on reducing embedded carbon in our infrastructure, improving energy efficiency, and investing in renewables. edotco Group has demonstrated through an independent cradle-to-grave life cycle assessment that it has reduced its GHG emissions by 54% per site through innovative tower design compared to a non-optimised tower. Our digital telcos invest in new energy efficient equipment, transfer sites from diesel to grid, and install outdoor cabinets which don't require air conditioning units as part of their network transformation. We have increased our renewable energy capacity by 32%, although this still accounts for less than 1% of our total energy consumption.

Transitioning to a net-zero economy by 2050 will require transformation of business strategy and investments. As part of this journey, we will look to explore with partners to understand what it will take to achieve this in the markets where we operate.

What sustainability issues will be important for Axiata address in the coming year?

The goalpost of a sustainable business is always moving. Our stakeholders have growing expectations of our performance that go beyond revenue. Increasingly, we need to demonstrate social and environmental performance as part of our Advancing Asia commitment.

We will continue to face strong competition in our markets to grow revenue and market share, but we are up for the challenge to remain the number one or at the very least a strong number two in our markets. Through deeper data analytics, we will be able to deliver products and services that are customised to a segment of one. To sustain this level of operational excellence, we will also need to invest in attracting and retaining top digital talents.

The value of digital trust will become a business proposition as we transform into a digital champion. We need to be able to demonstrate to regulators and customers that we not only have the processes established, but also an organisation wide culture that respects and protects customers' privacy and their data.

The financial and capital markets are increasingly advocating how and where capital flows by taking into consideration the way business is governed, and how climate resilience and social inclusion is embedded into business strategy. Therefore we must demonstrate through governance, policies and programmes that we are building a business that is resilient to the impacts of climate change and provides meaningful services that promote digital inclusion.

Over the short- to medium-term, we will strategise and reassess our activities as the world rebuilds from the continued unfolding of the COVID-19 crisis and its fallout.

TAN SRI JAMALUDIN IBRAHIM
President and Group Chief Executive Officer



This interview is to be read together with the GCEO statement in the Axiata Group Integrated Annual Report 2019 (IAR 2019) which provides insights into operational performance



More details on our response to COVID-19 can be found in Pg. 32 and Pg. 45