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Cycling to work to lessen  
my carbon footprint.

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## Chairman's Message

# Delivering Digital Trust



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Tan Sri Ghazzali Sheikh Abdul Khalid

## Dear Stakeholders,

**On behalf of the Board of Directors (the Board), I present to you Axiata Group Berhad's (Axiata or the Group) Integrated Annual Report for the financial year ended 31 December 2020. As we come into the first full year of surviving the COVID-19 pandemic, Axiata has continued with its purpose of Advancing Asia, and contributed to the resilience of national economies and societies in its markets of operation.**

Stepping into 2021, the crisis continues to dominate the global outlook as new waves of infections prompt renewed national lockdowns and tighter restrictions. Businesses and communities are reeling from the shocks, with the International Labour Organisation estimating total job loss of 81 million across the Asia-Pacific region in 2020.

For telecommunications and digital companies such as Axiata, it has been a time of unprecedented challenges and promising opportunities. On the one hand, job losses and the business slowdown are affecting consumption across all markets. On the other, consumers and enterprises have accelerated their adoption of mobile and digital technologies to

continue with life uninterrupted, whether it be to earn an income, work, study or socialise in safety. Online entertainment is on the rise, as are digital applications (apps) such as food delivery platforms, fintech, e-Commerce and social media. Only businesses that are succeeding in their technology transformation remain relevant and continue to survive.

In the face of this challenging landscape, the Group delivered on its value creation promise to shareholders, with the Board declaring a full year total dividend of 7 sen per ordinary share for 2020.

## Creating Value Through Axiata's Empathetic Response

Axiata has approached the pandemic as a humanitarian crisis which calls for the setting aside of commercial interest and adopting an empathetic and compassionate approach to prioritise the wellbeing of its employees, customers and communities. As soon as movement controls and lockdowns were employed by governments across our markets as part of pandemic containment measures, Axiata swiftly reacted by initiating the Business Continuity Management and Crisis Management Plan across all Operating Companies (OpCos) by 20 March 2020. Key areas considered were the business impact, supply chain management, employee wellness, corporate social responsibility commitments, technology and cyber resilience, and adapting working arrangements to secure business continuity. Axiata successfully reimaged work norms to keep its people safe, while providing them with the support they required for emotional, mental and physical wellbeing. The Group also rolled out a comprehensive regional response to the pressing humanitarian needs that arose from the COVID-19 crisis, placing emphasis on alleviating the burdens of customers, businesses, communities and governments as they adjusted to new norms.

## Building Digital Trust in the New Normal

The Group's trust proposition is founded on solid principles of governance, and robust risk and compliance management practices, underpinned by its values of Uncompromising Integrity, Exceptional Performance (UIEP). Axiata's efforts to foster responsible use of digital technologies by addressing risks, as well as innovating in an open, inclusive and ethical manner, has led to its ranking within the Top 30% of the Digital Inclusion Benchmark, the fourth highest of all digital tech companies in Asia, and the third highest of telco companies in Asia.

With the introduction of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 that came into effect in June 2020,

the Group established comprehensive procedures to ensure full compliance. Axiata adopted a Zero-Tolerance Policy towards bribery and corruption and a No Gift Policy, as reflected in the Anti-Bribery and Anti-Corruption (ABAC) and Gifts, Donations and Sponsorships Policies respectively, which are applicable Group-wide.

Today's digital economy is largely being shaped by consumer attitudes towards security and privacy, as people are becoming increasingly aware of online threats. The Group's forward-looking view of technology trends depicts a scenario of increased complexity, pace, scale and interdependence. Digital security risks have emerged as one of the most important systemic issues for the global economy. The pandemic has exacerbated cyber security risks on an international scale as malicious actors have increased cyber-attacks. An independent assessment has confirmed that the Group has achieved its cyber security maturity level above the world average. To protect increasingly valuable digital assets, the Group has executed its cyber security strategy Digital Trust 2020, and implemented the National Institute of Standards and Technology Maturity Programme across all OpCos.

As part of fostering a strong risk and compliance culture, mandatory training covering the ABAC, Cyber Security and Data Privacy domains were introduced for all employees. In 2020, Axiata achieved over 90% training completion rate throughout the Group across all disciplines. Employees' and suppliers' privacy training and awareness programmes were enhanced through targeted content tailored to current and emerging risks. Additionally, Axiata published the Group Data Privacy Policy, updated Privacy Notices and Cyber Security Advisory for customers to raise their awareness. The Group successfully upskilled privacy teams across all OpCos through the completion of an internationally accredited Certified Information Privacy Manager Certification.

The Board Risk Management Committee has evolved into the Board Risk and Compliance Committee with enhanced roles and responsibilities to

strengthen governance. Management has also strengthened its monitoring of risks by establishing the Risk and Compliance Management Committee. Governance instruments have been revised and the Supplier Code of Conduct and the Supplier Declaration processes have been strengthened to minimise any third-party risks. The Group's T.R.U.S.T. principles embody Axiata's Privacy and Compliance commitment to embed a strong risk and compliance culture.

Axiata's cyber security strategy for the next three years, spanning the period from 2021 till 2023, will leverage and evolve from the existing "Digital Trust 2020" into "Digital Trust and Resilience - DT&R2023". It will be a coherent, defensible cyber security programme based on a clear vision and strategic goals. Apart from serving as a competitive differentiator, Axiata's evolved strategy aims to enhance customer trust.

In 2021, the Group will maintain its proactive approach towards addressing the impacts of the global pandemic and transition to the new normal by continuously discovering, assessing and adapting to ever-changing risk and trust levels. Ultimately, Axiata's aim is to implement granular, data-driven, analytic cyber and privacy risk management, enhance its ability to make rigorous, fact-based decisions about the most critical risks, and ensure compliance with legal and regulatory requirements across the Group.

## Strengthening Environmental, Social and Governance (ESG) Commitments

It is our belief that the incorporation of ESG factors into Axiata's value creation model augments the Group's business fundamentals to withstand volatility and future crises.

In 2020, we established the Group-wide Sustainability Steering Committee chaired by the Group Chief Corporate Officer, with members comprising representatives from all OpCos and departments. The completion of the

### IAR

For more details on:

- Managing COVID-19 impacts to Business Continuity Management, please refer to the Risk Case Study on page 38 of the "Realising Our Vision" section
- COVID-19 related impacts to Axiata and our response, please refer to the "This Was The Environment We Operated In" on pages 7 to 9 of the "Get To Know Us" section

- COVID-19 related employee support, please refer to page 45 of the "Building A Modern, Agile And Digital Asian Talent Factory" section
- COVID-19 related national contributions by OpCos, please refer to page 47 of the "Supporting Governments And Communities In Our Markets" section

## Chairman's Message

Syndicated Multi-Currency Shariah-compliant sustainability-linked financing facilities of USD800 million was a major milestone in furthering Axiata's ESG agenda. Featuring a combination of Islamic financing principles and sustainability parameters, the Islamic Syndicated Financing effort is the first-of-its-kind in Malaysia and the world. Towards enhancing its ESG focus, Axiata will develop a five-year Sustainability Strategy Framework and Net-Zero Carbon Roadmap that will guide its future goals.

### Advancing Asia by Contributing to the United Nations Sustainable Development Goals (UN SDGs)

Axiata has stepped up on digital inclusion efforts for communities across its markets, in line with its commitments to the UN SDGs. Towards ensuring inclusive and equitable quality education in line with UN SDG 4, the Axiata Young Talent Programme which was inceptioned in Malaysia in 2011, has expanded to Indonesia as XL Future Leaders and Cambodia as SmartEdu. As at end 2020, the programme has touched the lives of 2,262 Malaysian, 1,000 Indonesian and 20 Cambodian young and talented youth. OpCo led initiatives focusing on improving education outcomes have played a significant part in sustaining students access to education throughout school closures during the pandemic. Furthermore, through a diverse range of digital and mobile tools that support disadvantaged communities to improve their livelihoods, Axiata is contributing to UN SDG 8 to support decent work and UN SDG 11 to encourage sustainable communities. As a nation building partner, in 2020 the Group has contributed a total of USD7.7 billion<sup>1</sup> to the Gross Domestic Product of the 11 countries where its businesses operate. Through a very difficult year, Axiata continued to directly and indirectly support some 0.6 million<sup>1</sup> jobs across its footprint.

### Creating Environmental Value by Advancing to Zero

With the aim of achieving a net-zero carbon position, "Advancing To Zero" marks Axiata's commitment to balance business growth with sustained climate action across its footprint. In responding to the GSMA's call for industry decarbonisation by 2050, and in alignment with the UN SDG 13 to combat climate change, Axiata has embarked on its Net-Zero Carbon Roadmap. The Roadmap will identify initiatives that will be put in place under the oversight of the Sustainability Steering Committee. The Group's sustained efforts in the environmental space has resulted in Axiata's MSCI ESG Rating of A. The focused execution of Axiata's environmental strategies will further enhance its ESG ratings.

### Addressing Challenges

In relation to a long-standing dispute affecting Ncell, Axiata's subsidiary in Nepal, Ncell paid under protest and on a without prejudice basis, the Capital Gains Tax demanded by the Government of Nepal, driven by the need to keep serving Ncell's customers without being affected by undue pressures. Axiata's wholly owned subsidiary, Axiata Investments (UK) Limited and Ncell commenced proceedings against the Federal Democratic Republic of Nepal for contravention of the Bilateral Investment Treaty between UK and Nepal

and the dispute is scheduled to be heard in August 2021 by an arbitration Tribunal set up under the rules of the International Centre for Settlement of Investment Disputes.

In Myanmar, Axiata is closely monitoring the current developing socio-political climate, given that the country is part of edotco's operating footprint. The Group has been consistently communicating with all stakeholders, including its employees, customers, and vendors in Myanmar to manage impacts amidst the challenging environment. We will continue to assess any business, operational, and financial risks that may arise to effectively mitigate against potential impacts.

### Sustained and Strong Leadership

As of 1 January 2021, Dato' Izzaddin Idris has taken over the reins from Tan Sri Jamaludin Ibrahim as Axiata's President & Group Chief Executive Officer, marking the culmination of a year-long leadership transition process conducted as part of the succession planning programme to facilitate a smooth and seamless handover. On behalf of the Group, I would like to record our deepest appreciation to Tan Sri Jamaludin for steering the Group through both calm and stormy waters, to become the globally renowned regional leader it is today. We warmly welcome Dato' Izzaddin and look forward to continue to work with him to chart the Group's future growth. Our congratulations to Dato' Izzaddin on his appointment as a GSMA Board member for a two-year period beginning January 2021 in a role that enables Axiata to contribute to the development of the global mobile industry.

Tan Sri Jamaludin remains as part of the Axiata fold and will play an important role as one of the inaugural members of the Axiata Advisory Panel (AAP) which was recently established on 5 March 2021. Tan Sri Jamaludin is joined by Bapak Gita Irawan Wirjawan, a former Minister of Trade for Indonesia in 2011 and the current Chairman of the Investment Coordinating Board of Indonesia. Both these individuals have participated in the highest levels of corporate and public life and bring to the table a world of insights and guidance to share on both the telecommunications industry and the digital economy. The AAP will complement the Board's efforts to assess and understand evolving key and complex industry shifts, as well as geopolitical and macroeconomic uncertainties, as Axiata strives towards achieving next level growth.

Axiata's Board Refresh programme which seeks to elevate the Board's capacity to deliver the best standards of corporate governance led to active movements in 2020. In addition to Tan Sri Jamaludin, we must thank outgoing Board members David Lau Nai Pek, Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and Dr Lisa Lim Poh Lin for their unstinting contributions in strengthening the Group's fundamentals. We welcomed three new members, namely Thayaparan S Sangarapillai, Tan Sri Dr Halim Shafie and Syed Ali Salem Alsagoff, whilst Ong King How who was formerly an alternate director to Tengku Dato' Sri Azmil Zahrudin was redesignated as Non-Independent Non-Executive Director.

On 7 April 2021, the Malaysia Board Diversity Study and Index conducted by the Institute of Corporate Directors Malaysia in collaboration with Willis Towers Watson ranked the Axiata Board first in the "Overall Top 312 Bursalist Companies" category, as well as first in the "Top 10 Companies By Market Capitalisation" category for "Large Cap (≥ RM2 Billion)" companies. This independent external validation reinforces the Group's sterling corporate governance culture, which has been one of the key components of Axiata's sustained strong performance.

As we continue into 2021, the Board's focus is firmly trained on challenging the Axiata management to keep a steady hold on the businesses even as the Group maintains its responsibilities in navigating persisting uncertainties and increasingly competitive markets in a digitally heightened environment.

### Moving Forward

Challenges are expected to persist in 2021, as businesses and communities take stock of new and emerging risks defining the post-COVID-19 landscape. Whilst many expect vaccines will act as a pivotal game-changer, the global community is coming to accept the reality of a vastly altered socio-economic landscape, where recovery will be protracted. Economic revival has been forecast for the second half of 2021, but uncertainty remains as a result of the inequitable distribution of vaccines, and the ebb and surge of the virus from one country to another. As Axiata continues to progress with its journey to achieve the Axiata 5.0 strategy of becoming The Next Generation Digital Champion by 2024, it is incumbent upon the Group to consider life beyond the risks of COVID-19, to make the most of opportunities that arise. The recently proposed Celcom-Digi merger for example, heralds promising growth opportunities for the Group to further its strategic vision and build the leading Malaysian telecommunications service provider that will contribute significantly to advancing the interests of the nation, consumer and industry. Another key value creation proposition the Group has identified for its shareholders and investors involves shifting from a "moderate growth and moderate dividend" investment proposition to a High Dividend Company. Axiata has developed a focused plan to reposition itself in light of changing industry cycles and outlook, whilst also placing greater emphasis on cash and profit.

### Acknowledgements

On behalf of the Group, I would like to take this opportunity to record our sincere appreciation for the unflinching support Axiata has received from the governments and regulators in its markets of operations. To the Group's high performing employees, our deepest gratitude for your sterling work over the past year, to overcome unforeseen challenges and continuing to deliver on Axiata's value creation and value preservation efforts. As for our shareholders, we thank you for your continuous faith in the Group and reaffirm our commitment to create long-term sustainable value.

### TAN SRI GHAZZALI SHEIKH ABDUL KHALID Chairman

**SNCR** For more details of our Sustainability Steering Committee, Climate Action Plan, sustainability activities and outcomes, please refer to the SNCR

**GAFS** For more details on our governance, data privacy and cyber security initiatives and outcomes, please refer to pages 37 to 38 in the "Building Digital Trust Through Data Privacy and Cyber Security" section

Note: <sup>1</sup> Including edotco Group

- IAR** For more details on:
- Islamic Syndicated Financing, please refer to page 58 of the "Our Financial Resilience" section
  - Axiata 5.0, please refer to page 21 of the "In Conversation with the President & Group Chief Executive Officer" section and page 39 of the "Realising Our Vision" section
  - The proposed Celcom-Digi merger, please refer to pages 27 to 28 of the "In Conversation With The President & Group Chief Executive Officer" section
  - High Dividend Company proposition, please refer to page 29 of the "In Conversation With The President & Group Chief Executive Officer" section
  - Sustainability Steering Committee, please refer to page 89 of the "Holding Ourselves Accountable" section

## Our Share Price Performance

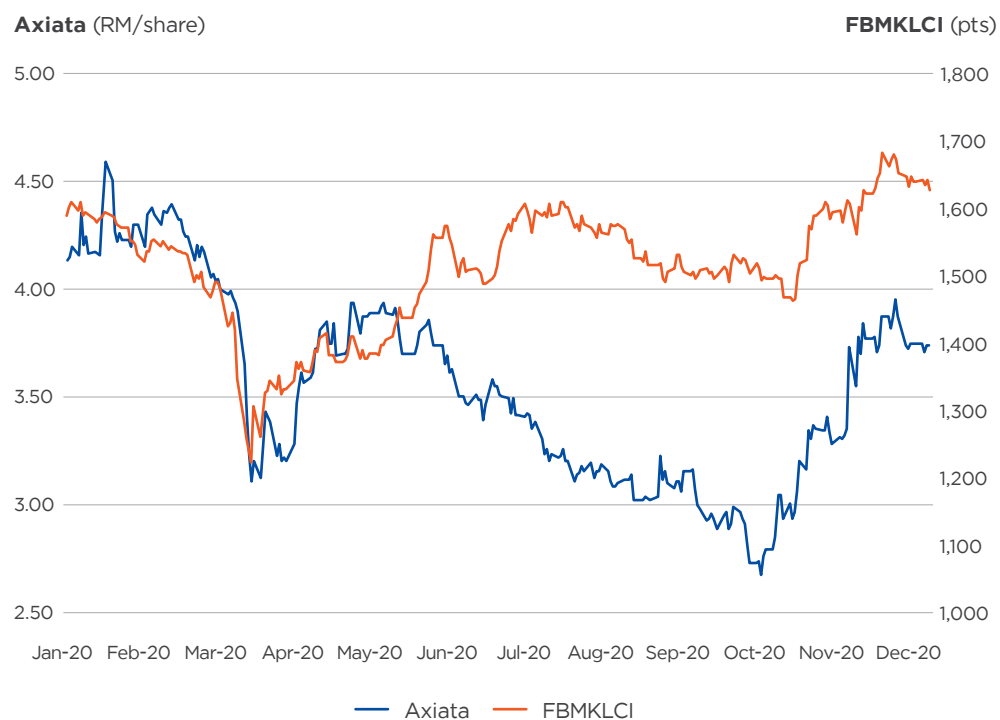
Amidst a challenging pandemic year, Axiata's share price declined by 9.7% to close at RM3.74 on 31 December 2020 versus the local benchmark index FTSE Bursa Malaysia KLCI (FBMKLCI) which was up by 2.4% to 1,627.21. In terms of market capitalisation, Axiata closed the year as the twelfth largest company on FBMKLCI at RM34.3 billion.

Axiata's foreign shareholdings was at 10.4% as at end 2020, compared to 11.1% the preceding year. A similar trend was observed in the local equity market whereby foreign shareholding of Malaysia's equity market fell to 20.7% as at end 2020, compared to 22.3% as at end 2019.

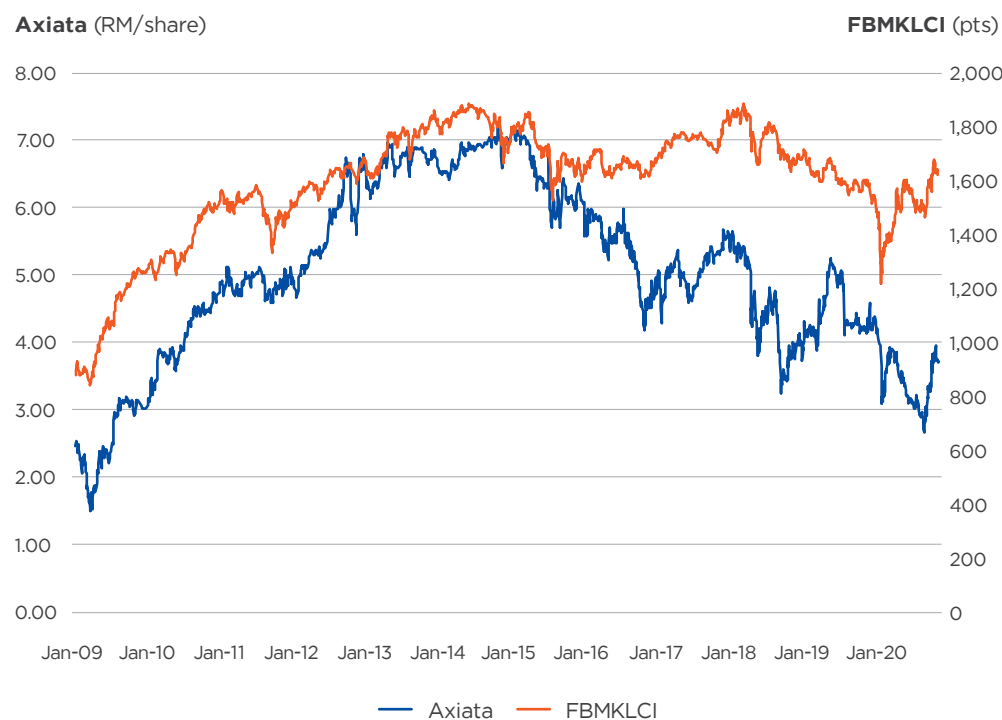
Share price performance for the year was largely influenced by uncertainties brought about by the unprecedented COVID-19 pandemic and its impacts on our OpCos across the footprint, which included accessibility impact from lockdowns and affordability impact from lower economic activities. Additionally, market sentiment on Axiata was also affected by anticipated 5G capex requirements especially in Malaysia and intensified competition in Indonesia since mid-2020. After reaching a low of RM2.66 on 21 October 2020, the share price trended upwards thereafter supported by better-than-expected third quarter results in November.

From 2009 to 2020, Axiata's share price had increased by 52%.

SHARE PRICE PERFORMANCE (2020)



SHARE PRICE PERFORMANCE (2009 - 2020)



# Our Dividend Policy

Showcasing resilient performance during the year amidst a global pandemic, Axiata announced a second interim dividend of 5.0 sen per share in February 2021, bringing full year dividend declared for the financial year ended 31 December 2020 to 7.0 sen per share (including first interim dividend of 2.0 sen per share paid in October 2020).

The Board remains committed to our:

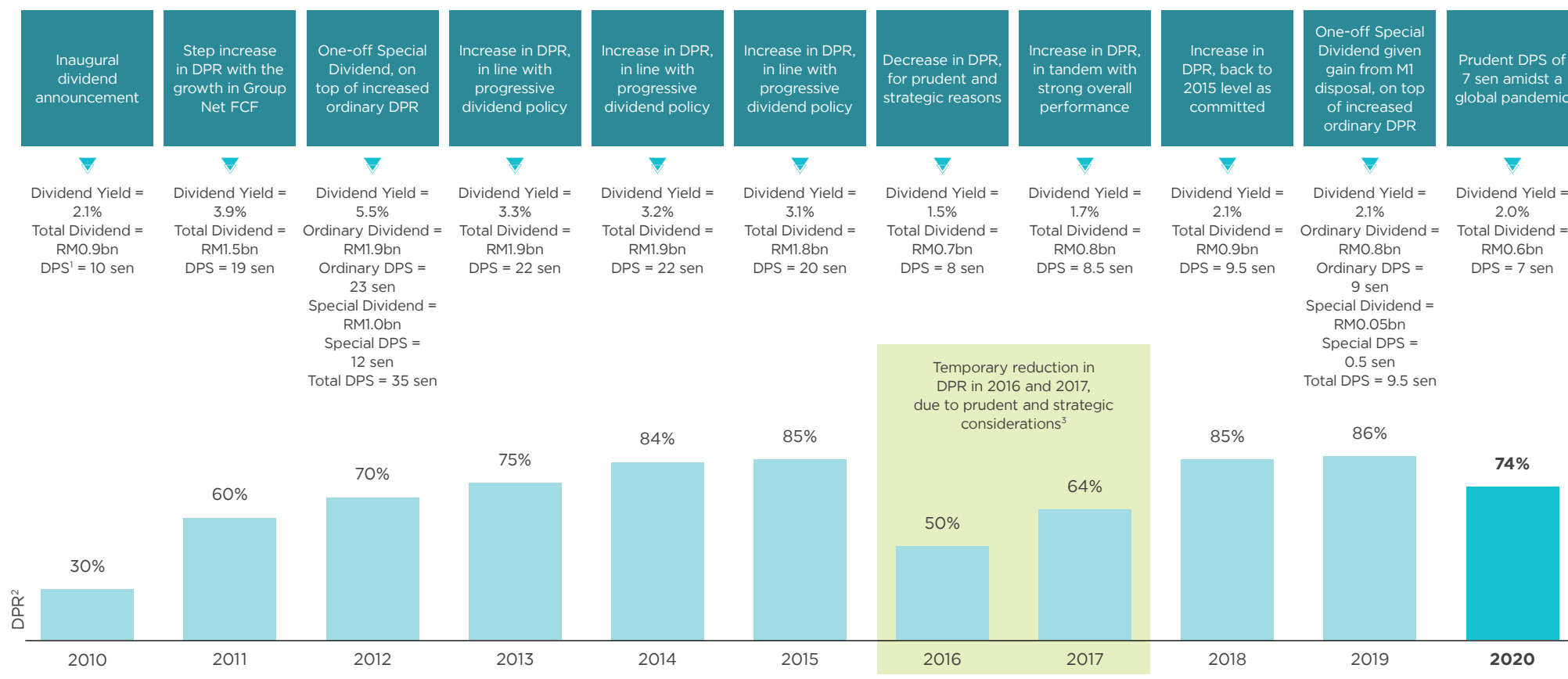
a) Dividend policy: The Company intends to pay dividends of at least 30% of its consolidated normalised PATAMI and endeavours to progressively increase the payout ratio over a period of time, subject to a number of factors including business prospects, capital requirements and

surplus, growth/expansion strategy, considerations for non-recurring items and other factors considered relevant by the Board.

b) Investor proposition: Our value proposition to investors of “moderate growth and moderate dividend”.

During Axiata Analyst & Investor Day in December 2020, we announced our new investor proposition to be a High Dividend Company by 2024, with a dividend per share target of more than 20 sen. Supporting this target is Axiata 5.0, which focuses on executing 10 Key Focus Areas to deliver high and sustainable dividends for our shareholders.

## PRUDENT AND DISCIPLINED DIVIDEND PAYOUT



Notes: <sup>1</sup> DPS – Dividend per share

<sup>2</sup> DPR – Dividend payout ratio excluding special dividend

<sup>3</sup> The Group announced lower DPR in 2016 and 2017 based on two reasons. First, for prudent reasons, to mitigate against impacts of volatile forex and regulatory risk. Second, for strategic reasons, to enable 4G/data leadership investments as well as for possible mergers and acquisitions (M&A) exercises in the areas of market consolidation. Axiata reverted to DPR of 85% in 2018