CHAIRMAN’S MESSAGE

BUILDING AN INCLUSIVE FUTURE

Dear Stakeholders,

On behalf of the Board of Directors (Board), I am pleased to share the notable achievements Axiata Group Berhad (‘Axiata’ or ‘the Group’) charted in 2022. Despite macroeconomic risks, Axiata demonstrated agility and adaptability to steer its progress towards its aspiration to become The Next Generation Digital Champion. The Group took meaningful steps in executing its Axiata 5.0 Vision to drive sustainable business growth and build digital inclusivity, connectivity and ecosystems that empower communities and businesses. These achievements are indicative of the Group’s focus on strengthening and unlocking value.

Solidifying Foundation for Steady Growth

The Group performed well for the year under review, adopting a deliberate approach in implementing its Axiata 5.0 Vision against the prevailing macroeconomic conditions, rapidly changing operating environment and evolving regulatory requirements. The Group demonstrated a prudent yet progressive approach to enhancing its overall resilience, which was made possible by its strong execution capabilities, agility and speed in addressing and overcoming risks. Axiata drove operational and cost efficiencies, capitalised on industry consolidation and made good progress on its strategic objectives to create a sustainable future. For the period under review, Axiata surpassed its headline targets to deliver operational and financial resilience and strengthened its foundation to drive value for its stakeholders.

The risks encountered by the Operating Companies (OpCos), particularly in frontier markets by Dialog in Sri Lanka, led to the adoption of a recovery strategy under Project Resilience. This project also served as a framework for an enterprise-wide reset to ensure that the Group carried on building long-term sustainability in the underlying performance of the OpCos.

Notable achievements during the operating year included completing the Celcom-Digi merger, creating the largest telco entity in Malaysia; expanding Axiata’s footprint in the tower business in the Philippines and Indonesia via EOTCO; acquiring Link Net, one of the leading providers of high-speed next generation broadband and cable TV in Indonesia; securing a much sought-after digital banking license through Boost, with the aim to provide innovative financial solutions to a broader target segment; and acquiring PT Hypernet Indodato (Hypernet) in Indonesia to expand digital services for corporate customers. These corporate exercises have fortified Axiata’s foundation, strengthening its leadership position in its three core businesses of Digital Telcos, Digital Businesses and Infrastructure, and paving the way for a sustainable future.

Axiata’s architectural shift to the status of Digital Telco and endorses its acceleration towards becoming an agile, end-to-end digital service provider.

Although the Group remains dedicated to achieving its goal of becoming The Next Generation Digital Champion, external market risks over the past couple of years have pushed the goalpost from 2024 to 2027. Various macroeconomic and regulatory factors, as well as investments in mergers and acquisitions, have had an influence on Axiata’s dividend payout goals.

Given this context, a total dividend of 14.0 sen per share for the financial year ended 31 December 2022 has been declared, which includes a special tax-exempt dividend of 4.0 sen per share following the completion of the Celcom-Digi merger. The Group expects the dividend portfolio to be more diversified and balanced going forward.

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Axiata continues to make good progress along its digital transformation journey. In 2022, Axiata was recognised as being one of the first three telcos globally to earn ‘Running on Open Digital Architecture (ODA)’ status by the TM Forum. The award recognises
CHAIRMAN’S MESSAGE

Fostering Equitable Growth

Axiata remains steadfast in its commitment to Advancing Asia and creating value for its stakeholders, including regional communities. In recent years, the importance of connectivity and digital enablement has been heightened as a means of staying connected and conducting business, underlining the importance of technology in our lives. Axiata has responded to the increased demands from its over 174 million users by supporting communities and businesses through their digital transformation. This aligns with the Group’s efforts to promote socioeconomic development and sustainability through its business endeavours.

Through its presence in the 10 countries where it operates, the Group played a role in supporting businesses, employment and economic growth in ASEAN and South Asia. Axiata’s impact in the region can be seen, directly and indirectly, in the form of supporting over 700,000 jobs and its contribution of USD9.5 billion in Gross Domestic Product (GDP). The Group is committed to building digital inclusion and promoting a more equitable and sustainable future to ensure no one is left behind in the digital age. Through the Axiata Foundation, 4,627 young talents from Malaysia were provided access and support to cultivate leadership and digital and technology skills for future employability in the digital economy. This was driven through three programmes under the Education pillar, which are the Axiata Young Talent Programme, Axiata Digital Leaders Programme and Axiata Equity-in-Education Fund programmes.

The Foundation’s Community Investment pillar focused on efforts to improve the socioeconomic development of marginalised and indigenous communities, with initiatives implemented in 2022 that benefitted 21,034 individuals. Its Environment pillar looks to advocate initiatives implemented in 2022 that benefitted 21,034 of marginalised and indigenous communities, with efforts to improve the socioeconomic development of each nation.

Advancing Axiata’s Sustainability Journey

Axiata believes that achieving its goals related to Environmental, Social and Governance (ESG) principles is vital for enabling sustainability across its operations, digital inclusion efforts, climate change response and contributing to a nation’s development. Overall, Axiata aspires towards advancing a digital future, where people, planet and the business can collectively thrive.

The Group’s Sustainability Framework was refreshed to align stakeholders’ concerns on material matters with value creation goals and adapt to business environment changes. The revised framework serves as a guide for integrating ESG, unlocking opportunities and effectively managing risks.

Advancing the Group’s Sustainability efforts towards meeting its ESG objectives, including digital inclusion and climate action.

On the Environmental front, efforts on climate change mitigation take centre stage. With the Axiata Net-Zero Carbon Roadmap launch in 2022 in alignment with the Science Based Targets Initiative (SBTi) Business and Beyond Net-Zero Carbon Pledge, Axiata is committed to driving leadership in ESG. The Group’s commitment to driving leadership in ESG.

Committee, which was introduced in April 2022, highlights Axiata’s commitment to driving leadership in ESG. The committee is responsible for overseeing the Group’s overall sustainability efforts towards meeting its ESG objectives, including digital inclusion and climate action.

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Guided by the values of ULEP and the Axiata Code of Conduct, the Group introduced several initiatives to strengthen governance disclosures. These initiatives include rolling out the VITAL System to ease the declaration of Gifts, Donations and Sponsorships (GDS) and Entertainment and Corporate Hospitality (ECH); and the Corruption Risk Register for conducting continuous Compliance Maturity Assessments.

The priority placed on integrating ESG considerations as a key aspect of its sustainability efforts was reflected in Axiata maintaining its ‘AA’ MSCI ESG Rating and improving its Carbon Disclosure Project (CDP) scoring to C (Awareness). Axiata continues to be a constituent on the FTSE4Good Bursa Malaysia Index with a 4-star ESG Grading Band.

Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This year marks Axiata’s inaugural TCFD report, which will help equip the Group over the years with the insight to prepare the business to mitigate negative climate impacts and realise opportunities.

Governance efforts continue to be strengthened across the markets, promoting greater transparency, accountability and integrity at all levels. This commitment was upheld through the renewal of the Corruption Free Pledge with the Malaysian Anti-Corruption Commission (MACC), reiterating Axiata’s zero-tolerance stance against bribery and corruption. It signifies the Group’s commitment to maintaining the highest levels of integrity and corporate governance standards in the region.

 através de iniciativas como a implementação do SISTEMA VITAL para facilitar a declaração de doações, patrocínios e eventos empresariais (GDS). Además, implementó el Registro de Riesgos de Corrupción para conducir evaluaciones continuas de madurez de cumplimiento.

La prioridad colocada en la integración de consideraciones ESG como un aspecto clave de sus esfuerzos sostenibles se reflejó en Axiata manteniendo su calificación ‘AA’ de ESG de MSCI y mejorando su puntuación de descarte del Proyecto de Disclosures de Carbono (CDP) a C (Consciencia). Axiata continúa como un constituyente en el Índice FTSE4Good Bursa Malasia con un calificación ESG de 4-estrellas.

El Grupo sigue comprometido con mantener los altos niveles de integridad y buen gobierno corporativo en todo el territorio. Esto se reflejó en la renovación del Pled de Libre de Corrupción con la Comisión Anticorrupción de Malasia (MACC), reforzando la postura de cero tolerancia contra el blanqueo de capitales y corrupción.

The Group’s efforts to advance an inclusive digital economy and society have earned it an improved ranking in the top quartile of the World Benchmarking Alliance’s Digital Inclusion Benchmark. The Digital Inclusion Benchmark evaluates how the world’s 200 most influential digital technology companies promote a more inclusive digital economy and society.

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Enhancing Cyber Security and Data Privacy Confidence
As the world moves rapidly on digital technologies and with developments around personal data laws in countries where Axiata operates, strengthening cyber security and protecting data privacy is vital to preserving the trust that customers and businesses place in Axiata’s services and networks.

The Axiata Digital Trust and Resilience (DT&R) Strategy, which is Axiata’s Cyber Security Strategy Plan, continues to remain a key priority in 2022. This is to ensure customer trust and cyber resilience is strengthened and maintained. On this note, the Axiata Cyber Fusion Centre was launched and operationalised under the DT&R to deliver world-class cyber security capabilities for its network and assets. It also acts as a platform to catalyse public-private partnerships and collaborations to heighten cyber resilience within the region.

It is also heartening to note that over the last five years, Axiata has improved its National Institute of Standards and Technology (NIST) maturity scores from 1.5 to an average of 3.7. This success is contributed by the establishment of a Group-aligned Cyber Security maturity programme implemented across the Group which was based on the NIST Cyber Security Framework and a maturity model based on the Capability Maturity Model Integration (CMMI) 5-point scale. The maturity model covers Axiata’s ability to secure from cyber security threats, as well as Detect and Respond to cyber security incidents.

The Group’s three-year Privacy Programme to enhance data privacy came to a close in 2022 with efforts made to enhance data capabilities and security controls, such as security for privacy and disclosures to third-parties. A Group-aligned maturity rating capability model designed to be used as a self-assessment tool was implemented to review and improve performance. The efforts to strengthen data privacy measures resulted in an improved average Privacy Maturity Level, from 2.67 in 2021 to 3.1 in 2022. The Group intends to integrate Privacy controls related to digital rights into future key performance indicators (KPIs) to further improve its privacy capabilities.

Right People Driving Axiata’s Purpose
The Group continued its focus on providing its people with the necessary developmental opportunities to be fit for the future envisioned for Axiata. Given the disruptive operating landscape of the past few years and the rapidly changing workplace, I am proud of the agility demonstrated by its people and their continued commitment to achieving Axiata’s Vision and Purpose.

Axiata’s Winning Culture framework aims to ensure its people deliver high performance while upholding high ethical standards, consistent with The Axiata Way. This is anchored by ULEP as its underlying core values while driving Modern, Agile and Digital (M.A.D.) ways of working, cultivating future-ready skills in digital and analytics, and prioritising the wellbeing of its people.

Axiata remains committed to promoting and integrating diversity, equity and inclusion (DEI). In 2022, the Group made good progress in this direction with the launch of the DEI framework. Axiata is now a member of the TM Forum Global DEI Council as well as a signatory of the United Nations Women’s Empowerment Principle. The Group continues efforts to achieve 30% female representation at the Group’s Board and Management levels. By continuing to champion women and DEI, Axiata strives to empower its people to contribute their unique perspectives and valuable insights.

Harnessing Synergies for a Brighter Future
Axiata has embarked and remains steadfast on its strategic journey along the Telco to TechCo continuum. This journey promises to unlock valuable strengths and harness the synergy of each component within the business value chain, bringing the Group closer to its aspirational vision of Advancing Asia. With a wealth of experience in markets across the region, Axiata is well-positioned to understand the changing needs and expectations of its customers. By offering next-generation, digitised solutions and services from infrastructure and enterprise to consumers, the Group can translate its portfolio strengths into valuable returns for its stakeholders. This approach is crucial for securing growth and unlocking future value.

As Axiata embarks on this defining journey from Telco to TechCo, the horizon is filled with untapped possibilities and an unwavering commitment to sustainable progress. The Group remains centred on delivering on its Axiata 5.0 Vision and unlocking future value for stakeholders across the markets. The strategy is robust and Axiata has the agility and resilience to navigate what lies ahead. The Group is committed to playing its part in ensuring a more sustainable and secure future for all.

Acknowledgements
For the year under review, Axiata has been steadily led by the joint leadership of Vivek Sood and Dr Hans Wijayasuriya as Joint Acting Group Chief Executive Officers (CEO). Effective 24 March 2023, the Group appointed Vivek Sood as the Group CEO and Managing Director, and Dr Hans Wijayasuriya as Group Executive Director (ED) and CEO of the Telecommunications Business. The Board thanks them for their steadfast contributions and is confident of the continued leadership to advance Axiata’s growth strategies.

I would like to thank my Board colleagues for ensuring the Board meets the highest governance and oversight standards, and for their robust deliberations and contributions this past year. The Board joins me in welcoming Shahin Farouque Jammal Ahmad who joined the Board as a Non-Independent Non-Executive Director (Non-INED) with effect from 26 August 2022, and Maya Hari as INED with effect from 11 January 2023. We look forward to their valuable insights and contributions.

My thanks go to the Group’s shareholders for their continued belief in Axiata’s value creation capabilities and commitment to building enduring success. None of the accomplishments this past year could have taken place without the dedicated effort of all of Axiata’s colleagues across the geographies.

Tan Sri Shahril Ridza Ridzuan
Chairman