

CHAIRMAN’S MESSAGE

ADVANCING TO
A SUSTAINABLE
FUTURE

“The Group stands at the core of rapid technological and societal change propelled by digital transformation. It is uniquely positioned to actively drive this evolution.”

Tan Sri Shahril Ridza Ridzuan
Chairman



Dear Stakeholders,

On behalf of the Board of Directors (the Board), I am pleased to share my thoughts on Axiata Group Berhad’s (‘Axiata’ or ‘the Group’) progress, particularly at this notable moment in its transformative journey. In recent years, there has been a significant shift in the operating landscape. The rapid advancement of digital technologies and artificial intelligence (AI) has steered consumer expectations towards more integrated, personalised and innovative digital experiences. The challenging macro environment, ever-increasing data consumption, changing market structure and evolving regulatory landscape are further driving the need to diversify business models and expand into broader digital services and solutions.

In 2023, Axiata navigated a challenging operating landscape underlined by macroeconomic, political and social developments. The year was marked by disruptions in trade flows, inflationary pressures, forex volatility, tightened monetary policies as well as geopolitical tensions and regulatory changes. These circumstances fostered an uncertain operating environment across Axiata’s operating markets, particularly in the frontier or developing markets.

Axiata faced these challenges with adaptive strategies and a commitment to creating sustainable value for the long term. This has also compelled the Group to carefully evaluate its portfolio and make difficult calls in markets where the environment is seen to be deteriorating considerably, and redirect its resources towards businesses and geographies that are more sustainable and opportune.

Towards that end, the Group had to make painful but necessary decisions to exit certain markets and refocus capital and efforts on more promising opportunities. Ncell was divested to avoid further regulatory and tax risks in Nepal, while EDOTCO’s decision to exit its business in Myanmar aims to mitigate further value erosion in a deteriorating environment.

Transformative Strides

For Axiata, getting it right matters. The Group stands at the core of rapid technological and societal change, propelled by digital transformation and AI. It is uniquely positioned to actively drive this evolution on the back of the over 162 million customers it serves. Axiata is steering the change by navigating the complexities of macroeconomic developments with its risk management strategy. This proactive stance ensures the Group evolves in sync with the dynamic business environment and emerging trends. It is this deliberate approach that is shaping Axiata’s strategic transformation journey along the Telco-TechCo continuum. This journey will serve the Group’s aspiration for sustainable dividends, focusing on creating a balance sheet that delivers long-term value to its shareholders.

The transformation is well underway, as the Group methodically refines its governance model, portfolio mindset and focuses its resources towards assets that can create future value.

For example, in Indonesia, Link Net is being structurally separated into a fixed broadband infrastructure company while XL into a converged mobile, fixed and content service provider. In Malaysia, Celcom and Digi have merged into CelcomDigi, forming the country’s largest telecommunications company, and Boost Bank secured regulatory approval to commence operations. EDOTCO expanded in the Philippines by acquiring towers from PLDT. Additionally, Hypernet Technologies was acquired to broaden the ICT services portfolio in Indonesia.

In 2023, the Group refined its approach under Axiata’s five vectors of value creation and five business strategies, and further strengthened its technology footprint across various digital domains and showcased its versatility to cater to broader consumer and enterprise needs. To ensure this direction is well supported, a Board Investment Committee was established to provide oversight into the strategic investments.

HIGHLIGHTS OF THE YEAR

Axiata is steering the change by navigating the complexities of macroeconomic developments with a risk management strategy



The Group methodically refines its governance model, portfolio mindset and focuses its resources towards assets that can create future value



is being structurally separated into a fixed broadband infrastructure company



Boost is gearing up to publicly launch Boost Bank’s embedded digital bank app, having secured regulatory approval to commence operations

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Axiata's ongoing strategic transformation journey has resulted in a strong overall operational performance in 2023, offset by one-off impairment losses consequent to the exits from Nepal and Myanmar. The Group delivered on its headline targets on the back of stronger revenue and operational excellence initiatives in an inflationary and challenging operating environment. The Board is, therefore, pleased to announce a total dividend of 10.0 sen per share for the financial year ended 31 December 2023.

Driving Digital and Financial Inclusion

Digital acceleration has become increasingly critical for maintaining customer relationships and remaining relevant. The Group is committed to promoting equitable digital and socio-economic growth across its footprint markets. This includes expanding the positive economic impact, creating jobs and sharing knowledge. Axiata's impact, reflected by supporting around 0.6¹ million job opportunities and contributing USD8.7¹ billion to the gross domestic product (GDP) across its markets, aligns with its commitment to Advancing Asia. The Axiata Foundation, advocating digital inclusion for a sustainable future, expanded its scope to include community and environmental initiatives, and impacted more than 13,400 people in 2023.

Regionally, Axiata is addressing the growing needs of its 162 million-plus users. However, there are still many who do not have equitable access to digital and financial inclusion. Boost Bank, with its recent approval to start operations as a digital bank, is poised to strategically bridge the gap in providing access to banking and financial services, particularly within underserved communities in Malaysia.

The Group collaborates closely with governments in the region to accelerate public sector transformation, improve service delivery to citizens, and enhance national cyber resilience through digital means. The public-private collaborations for the year included Dialog's national-led Innovation Challenge in Sri Lanka; XL's IoT advancements in Indonesia's education, smart cities and healthcare systems; Smart's contributions to Cambodia's digital and cyber security initiatives; and Robi's support for Bangladesh's vision through datathons and its entrepreneurship programme, to name a few.

The Group's four venture funds across Malaysia, Cambodia, Sri Lanka and Bangladesh funded 43 start-ups and ventures in 2023, driving innovation, fostering employment and accelerating digital transformation in these countries.

Axiata premiered its inaugural INsights@Axiata forum, a gathering of thought leaders and technology professionals to explore ideas on advancing digital inclusion. The forum shed light on the emerging impact and ethical considerations of AI, the importance of cyber security in the digital age and highlighted the need for next-generation infrastructure solutions. These are all vital questions as communities, businesses and even governments grapple with the speed of change brought upon by digital technology. Axiata aims to play its part in this transformative journey by shaping and influencing the future of digital and financial inclusion in the region.

 **IAR**, Outcome 4 and Outcome 5 on pages 44 to 45 and 46 to 47

 SNCR, Advancing Digital Societies and National Contribution
Report on pages 29 to 53 and 105 to 125

Strengthening Sustainability

The definition of sustainability in the corporate world is ever-evolving. Yet, at its core, it is about adding value to the operating environment and its stakeholders. With this enduring principle in mind, the Group undertook several initiatives to advance its sustainability practices in 2023, especially in the areas of governance, digital inclusion and climate action.

Guided by Axiata's Sustainability Framework, the Group enhanced its integration of environmental, social and governance (ESG) values across its operations. Axiata's Board Sustainability Committee plays a crucial role in this effort, overseeing ESG strategies and the effective management of ESG matters. The Group, through the Board Risk and Compliance Committee (BRCC), implemented an ESG model across all OpCos in 2023 to efficiently track, monitor and prioritise key ESG-related and regulatory issues and risk management, ensuring they are aligned with the Group's sustainability goals and material matters. An effectiveness testing and a maturity assessment of the Anti-Bribery Anti-Corruption programme were conducted, which indicated a strong level of maturity and effectiveness.

Note: ¹ Natural contribution figures include (i) 6 OpCos [XL, Link Net, Dialog, Robi, Smart, EDTOC (excluding EDTOC Myanmar)]; (ii) Axiata's operations in Malaysia for 7 entities as part of Malaysia's Digital Ecosystem (ADA Malaysia, Axiata Digital Labs Malaysia, Boost Malaysia, EDTOC Malaysia, Axiata Group Berhad, Axiata Foundation, Axiata Enterprise); and (iii) CelcomDigi which is a material Key Associate Company. Axiata's proportionate share of CelcomDigi which is 33.1%.

HIGHLIGHTS OF THE YEAR



A total dividend of
10.0 sen
per share
for the financial year ended
31 December 2023



Over
0.6¹ million jobs
generated and
USD8.7¹ billion
contributed to the GDP
of Axiata's markets



Implemented an **ESG model across all OpCos** in 2023 to efficiently track, monitor and prioritise key ESG-related and regulatory issues and risk management, ensuring they are **aligned with the Group's sustainability goals and material matters**






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Axiata completed the integration of climate risk assessment based on the Task Force on Climate-related Disclosures (TCFD) requirements into its Enterprise Risk Management (ERM) policy. It reviewed its carbon emissions baseline and set targets for the Science-Based Targets initiative (SBTi) validation submission, in support of its Net-Zero and SBTi goals.

TCFD

 **SNCR**, Climate Change pages 57 to 63


The Group's commitment to ESG integration into its sustainability strategy was reflected in these improved scores: up to 3.6 from the previous 3.4 in the FTSE Russell ESG Rating, constituent of FTSE4Good Bursa Malaysia Index and Bursa Malaysia Shariah Index with a 3-star ESG Grading Band, top third in the Telecommunications Services Industry in the 2023 S&P Global Corporate Sustainability Assessment by S&P Global, maintained its C position in the CDP Scoring (Awareness), and placed in the 22nd position from its previous 28th on the Digital Inclusion Benchmark in the World Benchmarking Alliance. The Group maintained its AA (Leader) rating in the MSCI ESG Rating.

 **IAR**, Our Investor Proposition on page 8

 **SNCR**, Axiata Sustainability Framework, Advancing Green Economy on pages 12 to 13 and 55 to 64

Diversity is just as important in the boardroom as in the wider organisation. Guided by the Group's Diversity, Equity and Inclusion (DEI) framework, Axiata continues to integrate DEI principles to foster an inclusive culture. The Group (Holding Company) is committed to achieving at least 30% female representation at the Board and Management levels.

 **IAR**, Outcome 2 on pages 40 to 41

 **SNCR**, Advancing Our People and Communities on pages 67 to 88

Advancing Cyber Resilience, Data Protection and Responsible Use of AI

As Axiata deepens its Telco-TechCo journey, the importance of strengthening digital trust and resilience through rigorous cyber security and data privacy measures becomes paramount. The digital



landscape presents unique challenges with the rise of sophisticated cyber threats and evolving legal and regulatory frameworks for data privacy. In response, the Board of Directors strengthened its governance through the BRCC to oversee cyber security and data privacy policies, strategies and implementation. This strategic oversight aims to harmonise initiatives across the organisation and ensure that the organisation remains resilient.

Axiata has been actively working to improve its cyber security capabilities under the Digital Trust and Resilience (DT&R) Strategy. The aim is to enhance cyber resilience and counter emerging cyber threats and risks. The Group completed the implementation of its security operations centre operating model, which has led to the creation of innovation and intellectual property, improved efficiency and cost savings. Axiata met the National Institute of Standards and Technology (NIST) target maturity levels, which is a testament to the efforts put in place to strengthen cyber security. Currently, the Cyber Security Strategy (DT&R 2024-2026) is under revision to ensure Axiata remains future-fit.

In 2023, Axiata took steps to strengthen its data privacy framework in response to evolving legal and regulatory developments. Data Privacy offices were established in each OpCo and adopted the Three Lines of Defence model. The Group completed its strategic roadmap for data privacy, covering a three-year period, and is currently developing strategies for the next three years. The successful

completion of strategic initiatives from the roadmap set the stage for developing the next plan, which is called #ASH 3.0, for the years 2024-2026. The new plan considers the evolving threat landscape and technological advancements, and emphasises the synergy between cyber and privacy capabilities to proactively manage data privacy risks and safeguard digital information.

Group-wide initiatives on AI and AI Factory will enable Axiata to expand its digital services and provide segment-of-one approach to its customers. The Group is committed to exploring the use of emerging technology such as Generative AI (GenAI) responsibly, ethically and in a way that benefits customers, employees and shareholders. The Axiata Board has approved GenAI principles and has adopted a risk-based approach to managing AI risks.

 **GAFS**, Building Digital Trust Through Data Privacy And Cyber Security on pages 40 to 42

 **SNCR**, Digital Integrity on pages 90 to 93

Committed to Deliver Value

The success of the Group is deeply intertwined with the success of its stakeholders in the countries that make up Axiata's footprint and will be key to Axiata's ambition of Advancing Asia. The Group is well on its way to realising its long-term strategy and providing sustainable dividends to its shareholders.

In the spirit of driving excellence, Axiata is proud to share that Dr Hans Wijayasuriya, CEO of Telecommunications Business and Group Executive Director, has been honoured with the prestigious GSMA Chairman's Award. This recognition of his contributions to the mobile telecommunications industry mirrors Axiata's consistent efforts to push the boundaries in innovation and digital excellence across Asia.

On behalf of the Board, I extend my sincere thanks to all who have driven Axiata's progress in 2023. The Board is committed to supporting the Group as it embarks on this transformative journey, building upon the achievements of the past years to deliver value in the years ahead for all stakeholders.

Tan Sri Shahril Ridza Ridzuan
Chairman

HIGHLIGHTS OF THE YEAR

TCFD

Completed the **integration of climate risk assessment based on the Task Force on Climate-related Disclosures (TCFD) requirements** into its Enterprise Risk Management (ERM) policy



Improved score of
3.6
from the previous 3.4 in the

FTSE Russell ESG Rating



Completed the implementation of its security operations centre operating model, which has led to the **creation of innovation and intellectual property, improved efficiency and cost savings**