Myanmar - Taikpon Eingyi

National
Contribution
Report

Introduction

As one of the leading telecommunications groups in Asia with a presence in 11 countries and a customer base of approximately 350 million, Axiata Group Berhad (Axiata) makes a substantial contribution to the countries in which the Group operates. Through its investments in its portfolio of operating companies across the region, Axiata is recognised as one of the largest Foreign Direct Investors, best employer, significant taxpayer and substantial purchaser of local services.

Axiata's business of providing telecommunications, network infrastructure and digital services have created significant economic value and opportunities, both directly and indirectly to close to two billion people across the ASEAN and South Asia region.

Additionally, as a committed long-term investor, Axiata has further supported and created non-economic value in areas identified as national priorities and agendas in the countries within its footprint.

To continue to make an economic difference in the countries and communities it serves, Axiata has been measuring its investment impact in its National Contribution Report annually over the past four years. In the 2017 report, a new multiplier (i.e. the Capex multiplier) was included to measure the economic return on Capex by taking into account the GDP contribution from Axiata's operations and capital investments, as well as the productivity impact generated by the use of Axiata services through the increase in mobile penetration.

2017 National Contribution Report: Key Report Findings

- Contributed USD15.9 billion to the national GDPs of countries where we have a a telecommunication presence
- Collective direct operational and capital expenditures reached USD7.6 billion and USD2.8 billion respectively
- Every USD1 spent by the Group translated to between USD4.6 and USD8.0 contribution to GDP in six key operating markets
- Across the region, both directly and indirectly, one million jobs are supported by Axiata companies

2017 National Contribution Report: Report Scope and Information

This report consists of an economic impact assessment at six of Axiata's major operating companies. The report includes a two-part analysis comprising:

1. Economic and financial analysis of the Axiata operating companies' contribution to the national economy, which includes an assessment of the following:

   a. economic contribution to the nation
   b. investment and innovation for the long-term
   c. contribution to public finance
   d. talent development
   e. labour productivity

2. Assessment on Axiata companies' contribution and support to national priorities.

USD 15.9 billion Contribution in 2017 **GDP**

Employed approximately **27,000** employees across ASEAN and South Asia

Spent **USD 7.6 billion** on operating expenditure

Multiplier effect for every **USD1** spent on **Capex** generated

Capital Investment in 2017 **USD 2.8 billion**

	GDP contribution
Malaysia	USD5.7
Indonesia	USD8.0
Sri Lanka	USD5.3
Bangladesh	USD5.6
Cambodia	USD4.6
Nepal	USD7.2

Supported more than **1.0 million** jobs across the region for 2017

Served approximately **350 million** customers

National Contribution Report

Indonesia

XL axiata

PT XL Tbk is one of Indonesia's leading telecommunications service providers. XL offers an array of innovative products and services ranging from voice, SMS and Value Added Services (VAS) to mobile data covering more than 90% of the population throughout Indonesia. XL continues to innovate and transform itself into a leading mobile data provider, serving the burgeoning demand for mobile data amongst Indonesians.

Indonesia aspires to be the largest digital economy in the region, targeting USD130 billion online transactions by 2020. In 2017, Indonesia launched its "2020 Go Digital Vision" which has set targets for growing the digital economic contribution in agriculture, SMEs, connectivity and tech startups. Indonesia's 57 million SMEs account for more than 60% of the country's GDP. The government's plan includes supporting eight million SMEs to be "digitally empowered" by 2020 to continue this growth path. The plan also targets to get one million local farmers and fishermen to sell and promote their produce online.

National Contribution

Contribution to Gross Domestic Product

USD **4,287** million
(0.4% of the nation's GDP)

Operational Direct GVA
USD **725** million

Operational Indirect and Induced GVA
USD **663** million

Capital Investment
USD **485** million

Productivity GVA
USD **2,414** million

Direct Employees

Total **1,652** Staff

Total Employees **31%** Female

98% Indonesian Citizens

Total Jobs Supported

Total **215,227** jobs

Directly Employed **1,652**

Supported Indirectly - Operations **79,478**

Outsourced **794**

Supported Indirectly - Capital Investment **133,302**

Capital and Operational Expenditure

USD **1,625** million in 2017

Contributed USD **197** million in taxes in 2017
(0.2% of the total tax revenue of the Indonesian Government)

Capital Expenditure
USD **537** million

Operational Expenditure
USD **1,088** million

Multiplier effect for every
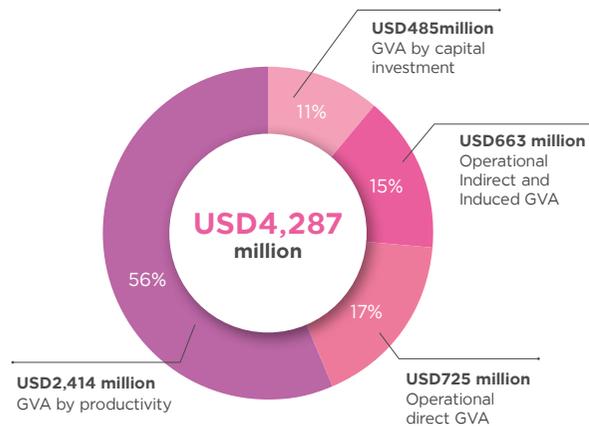**USD1** spent on **Capex** generated

USD8.0 GDP

National Contribution Report

Indonesia

Figure 1: GDP contribution to the Indonesian economy 2017

- **USD485million** GVA by capital investment — 11%
- **USD663 million** Operational Indirect and Induced GVA — 15%
- **USD725 million** Operational direct GVA — 17%
- **USD2,414 million** GVA by productivity — 56%

Center: **USD4,287 million**

Economic and Financial Contributions

With a total operating expenditure of USD1,088 million and capital investment of USD537 million, XL's total GDP contribution to the Indonesian economy was estimated at USD4,287 million. This comprised contribution from XL's direct operation of USD725 million, indirect contribution of USD663 million through procurement from local suppliers, USD485 million generated by XL's capital investment and productivity gains of USD2,414 million through the increase in mobile penetration rate of 16.2% in 2017 (see Figure 1). Every USD1 spent by XL through its capital investment contributed USD8.0 to the GDP.

Investing and Innovating for the Long-Term

XL invested a total of USD2,444 million between 2013 and 2017 to improve its network and in launching new innovative products and services (see Figure 2). The OpCo's total investment of USD537 million in 2017 represented a 10% increase from USD487 million in 2016. XL continues to innovate on its VAS and quality of services to grow its presence in the country.
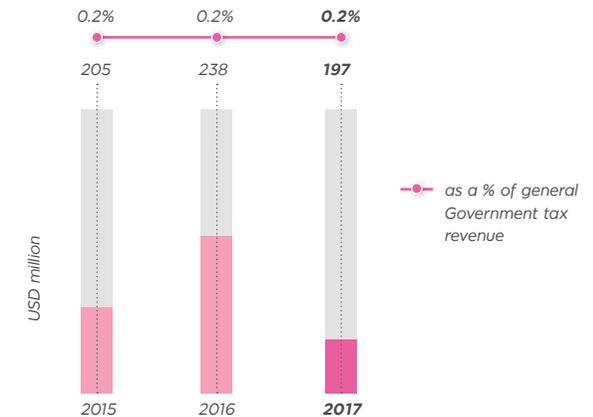
Figure 2: Total capital investment: 2013-2017

USD million

| 2013 | 2014 | 2015 | 2016 | 2017 |
| 572 | 486 | 362 | 487 | **537** |

Contributions to Public Finance

XL contributed USD197 million in taxes to the Indonesian Government in 2017, accounting for 0.2% of the country's total tax revenue (see figure 3). XL's tax commitment in Indonesia includes direct taxes such as corporate and withholding tax, as well as indirect taxes such as value-added tax and licensing fees.

Figure 3: Total tax contributions to public finance, 2013-2017

USD million

	2015	2016	2017
%	0.2%	0.2%	**0.2%**
value	205	238	**197**

— as a % of general Government tax revenue

Talent Development

XL provided 1,652 direct jobs in 2017 of which 98% of positions were staffed by Indonesian citizens. About 31% of XL employees were women. During the year, XL engaged 69 new graduates, apprentices and interns as part of its goal to provide young people with specialist skills required in the digital economy. XL's operations also indirectly supported an additional 79,478 jobs and outsourced a further 794 jobs. Its capital investments, meanwhile, supported 133,302 jobs (see Figure 4).
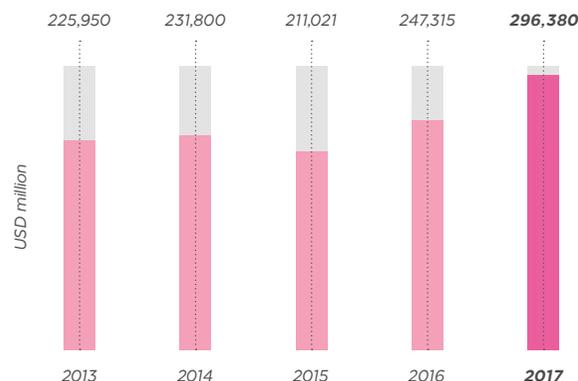
Indonesia

Figure 4: Total employment impact 2017

- **1,652** Directly employed — 1%
- **794** Outsourced — 0%
- **133,302** Supported by capital investment — 62%
- **79,478** Operations - indirectly supported — 37%

215,227 Jobs supported

XL's Labour Productivity

XL's productivity, measured as Gross Value Added (GVA) per employee, reached USD296,380 in 2017. It grew by 19.8% from USD247,315 in 2016 (see figure 5). This is mainly due to an increase in operational profit and a reduction in number of employees.

Figure 5: XL's labour productivity, 2013-2017

2013	2014	2015	2016	2017
225,950	231,800	211,021	247,315	296,380

USD million

In Support of the National Agenda

With the region's largest population, Indonesia is looking towards the use of smart solutions and education to ensure sustainable development of the country. Leveraging on the scalability of digital services, Indonesia is pushing the envelope to explore creative solutions to strengthen adoption and integration of ICT into the daily lives of its citizens.

Smart Solutions

Over 70% of Indonesia's population is expected to live in cities by 2025. The development of smart city solutions will increasingly be important to improve urban mobility, increase operational efficiency, share information with the public, and improve both the quality of government services and citizen welfare.

Several Indonesian cities are already developing and adopting smart city solutions. Jakarta launched a Smart City programme and established a command center with co-working space for startups. In Denpasar, several mobile applications were developed to assist in the fishery sector and flood monitoring. In Surabaya, the local government implemented an e-government service to better connect and improve public services. Bandung established a command center integrating street lighting, and system to monitor traffic flow. Xmart City is XL's digital platform to enable city administrations to connect and collect data from residents.

XL continues to expand 4G LTE services to underserved areas to support the government in closing the digital gap. XL's network infrastructure under the Universal Service Obligation (USO) programme ensures that rural communities are not left behind. In cooperation with the Ministry of Marine Affairs and Fisheries (KKP) and the Ministry of Communication and Informatics, XL launched the programme "Fisherman Go Online" for fishermen across the region. The programme empowers fishermen to use digital technology to manage their operations, boost productivity, and improve fish catch.

Education

The improvement of education standards in Indonesia has been emphasised in the National Medium-term Development Plan 2015-2019. Indonesia launched the 'Smart Indonesia' programme to improve the country's quality of education and training. The programme aims to improve enrolment, reduce drop-outs, promote gender equality in education, and prepare students for job market. The Ministry of Education and Culture highlighted the importance of ICT infrastructure to improve education and introduced "Smart School" programme for Indonesian schools.

XL introduced several initiatives to support and develop Indonesia's education. It built and developed a free online learning platform incorporating the principles and programmes of XLFL Global Leaders, one of Indonesia's most comprehensive and longest running youth leadership programme. This has allowed over 20,000 young adults across the country to learn leadership skills. XL also expanded internet coverage for students to further support education in Indonesia. Over 4,000 students in 100 schools in East Kalimantan are now connected to fast internet through XL's initiative.

National Contribution Report

1. Methodology

1.1 Methodologies and computational formula

Direct Value Added contributions were estimated based on operational data provided by Axiata regarding operating revenues, operating expenditures, compensation of employees and indirect taxes and levies.

Total Value Added contributions were estimated using an economic multiplier. The total multipliers (Type II) for the Telecom industry were derived from national Input-Output (I-O) tables published by OECD, ADB and national statistical agencies.

Employment is generated through a number of avenues including:

1. Directly through Axiata and related industries.
2. Outsourced support services including customer support and network operations and maintenance.
3. Indirectly through firms that provide services to Axiata's operations.
4. Induced as employees from the above spend their household income thereby generating further rounds of employment.

Total employment impact is estimated using I-O tables and Average Value Added per Worker derived from relevant Departments of Statistics for each country.

1.2 Capital Investment

1. Total Value Added = Capital Expenditure x Proportion Spent in Host Country x Average Value Added Multiplier

2. (a) **For countries employment multipliers are available,**
   Total Employment in Host Country = Total Capital Expenditure in Host Country x Average Employment Multiplier
   (b) **For countries employment multipliers are not available,**
   Total Employment in Host Country = Total Capital Expenditure Value Added in Host Country/Average Value Added per Worker in Host Country

1.3 Operational

1. Total Value Added = Direct Value Added x Total Value Added Multiplier

   Where,

   Direct Value Added = Operating Revenue – Operating Expenditure + Compensation of employees + Indirect taxes and levies

   Note: Operating expenditure provided by Axiata excludes depreciation.

2. (a) **For countries employment multipliers are available,**
   Total Employment = Total Operational Expenditure x Average Employment Multiplier
   (b) **For countries employment multipliers are not available,**
   Total Employment = Total Indirect Value added/Average Value Added per worker + Direct Employment Direct Employment = As per Axiata data

3. Axiata's labour productivity = Direct Value Added/ Number of employees

   Note: Number of employees includes both direct and outsourced employees.

1.4 Productivity Analysis

Axiata Contribution to GDP Growth = National Contribution to GDP Growth x Market Share of Axiata

Where,

National Contribution to GDP Growth = National Penetration Growth x Growth Factor Penetration = Number of Customers/Population

Note: Growth Factor was assumed to be 1.2% per 10% change in market penetration for all countries except 0.6% market penetration for Singapore

1.5 Multiplier Analysis

Capex Multiplier = Total Axiata's Value Added Contribution/Capital Expenditure

Note: Total Axiata's Value Added contribution includes Operational Direct Value Added, Operational Indirect and Induced Value Added, Value Added by capital investment and Productivity impact.