



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 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

Spent
USD 7.6 billion
on operating expenditure

Capital Investment in 2017
USD 2.8 billion

Supported more than
1.0 million
jobs across the region for 2017

Served approximately
350 million
customers

Employed approximately
27,000 employees across ASEAN and South Asia

Multiplier effect for every

USD1
spent on
Capex
generated

Malaysia **USD5.7**

Indonesia **USD8.0**

Sri Lanka **USD5.3**

Bangladesh **USD5.6**

Cambodia **USD4.6**

Nepal **USD7.2**

GDP contribution

National Contribution Report

Malaysia

 Axiata Sustainability & National Contribution Report 2017
 


Celcom is Malaysia's leading data network provider, with 9.5 million customers. Established in 1988, it boasts the nation's widest 2G, 3G and 4G LTE networks, covering over 98% of the population. Currently the largest mobile broadband and corporate services provider, Celcom is moving towards integrated multi-access and multimedia services, in line with evolving technologies and consumer behaviour in Malaysia. A culture that places the customer FIRST™ is reflected in our award winning customer service, products, and other corporate accolades at a regional level.

In 2017, the Malaysia's digital economy contributed 18.2% to the country's GDP and is expected to exceed the projected target of 20% earlier than the 2020 target. As SMEs represent over 76% of Malaysian businesses, the government is focused on launching initiatives to empower local SMEs and micro business to unlock growth opportunities in the digital economy.

National Contribution

Contribution to Gross Domestic Product

USD 1,705 million
(0.5% of the nation's GDP)

Operational Direct GVA

USD 750 million

Operational Indirect and Induced GVA

USD 714 million

Capital Investment

USD 241 million

Direct Employees

Total 3,481 Staff

Total Employees

44% Female

99.5%

Malaysian Citizens

Total Jobs Supported

Total 49,588 jobs

Directly Employed

3,481

Supported Indirectly - Operations

33,231

Supported Indirectly - Capital Investment

12,875

Capital and Operational Expenditure

USD 1,273 million
in 2017

Contributed

USD 124 million in taxes in 2017

(0.2% of the total tax revenue of the Malaysian Government)



Capital Expenditure

USD 299 million



Operational Expenditure

USD 974 million

Multiplier effect for every

USD 1

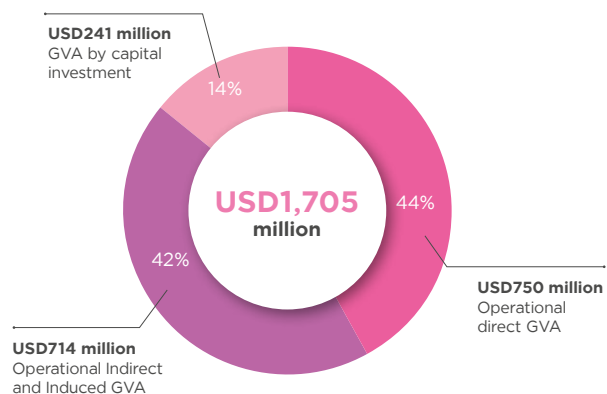
spent on **Capex** generated

USD 5.7

GDP

Malaysia

Figure 1: GDP contribution to the Malaysian economy 2017



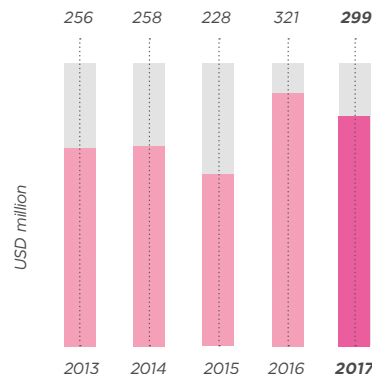
Economic and Financial Contributions

With a total operating expenditure of USD974 million and capital investment of USD299 million, Celcom's total GDP contribution to the Malaysian economy was estimated at USD1,705 million. This comprised contributions from Celcom's direct operation of USD750 million, indirect contribution of USD714 million through procurement from local suppliers, and USD241 million generated by Celcom's capital investment (see Figure 1). Every USD1 spent by Celcom through its capital investment contributed USD5.7 to the GDP.

Investing and Innovating for the Long-Term

Celcom invested a total of USD1,363 million between 2013 and 2017 towards improving its products and services, expanding its network coverage, introducing new technology and enhancing its infrastructure for the Malaysian market. Total investment of USD299 million in 2017 represented a 7.1% decrease compared to USD321 million in 2016 (see Figure 2). Overall, however, the significant investments over five years demonstrates its commitment trend towards long-term development and continuing contribution to the Malaysian economy.

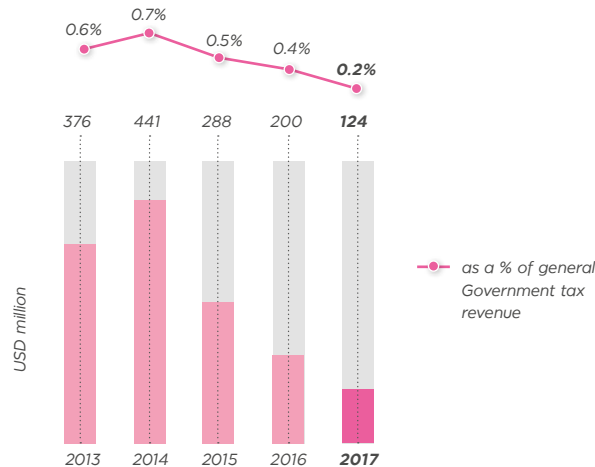
Figure 2: Total capital investment: 2013-2017



Contributions to Public Finance

Total tax contributions for Celcom over the last five years totalled USD1,428 million. The drop in total annual tax contributions since 2014 is due to falling operating profits. In 2017, Celcom contributed USD124 million in taxes, accounting for 0.2% of the Malaysian Government's total tax revenue (see Figure 3). Celcom's tax commitments in Malaysia 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

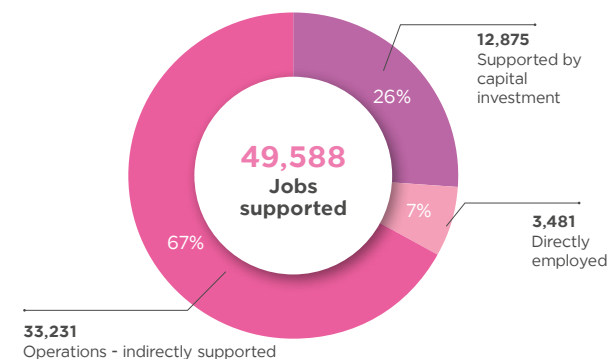


Note: Total tax revenue for the Federal Government. (Source: 2013-2017 budget, Ministry of Finance)

Talent Development

Celcom provided 3,481 direct jobs in 2017 of which 99.5% were staffed by Malaysian citizens (see Figure 4). About 44% of Celcom employees were women, which is higher than the national average of 32%. Celcom's operations also indirectly supported an additional 33,231 jobs through its engagement with suppliers, and a further 12,875 jobs through Celcom's capital investments. As Celcom undergoes a business and culture transformation towards being a modern, agile and digital company, significant efforts will be spent on reskilling and upskilling employees in UI/UX, Analytics and Data Science.

Figure 4: Total employment impact 2017



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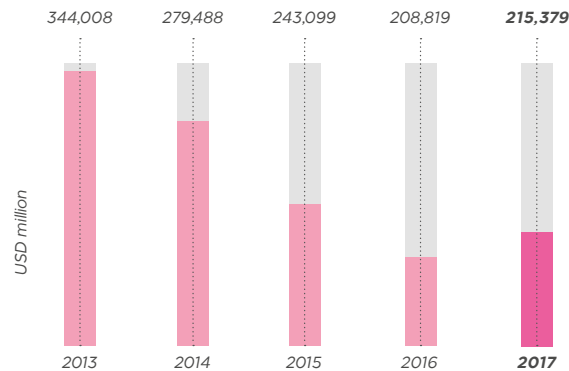
Malaysia



Celcom's Labour Productivity

Celcom's productivity, measured as Gross Value Added (GVA) per employee, reached USD215,379 in 2017. This represents a decrease from USD344,008 in 2013, mainly due to a fall in Celcom's direct GVA contribution.

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



Supporting our Local Business Partners and SMEs

Axiata and Celcom are committed to advancing the national agenda of developing the capacities and capabilities of local Bumiputera SMEs. In 2017, Celcom spent RM951 million on local Bumiputera companies and maintained more than 50% spend on Bumiputera vendors.

Celcom's Local Partner Development Programme supports 50 Bumiputera vendors, business, and strategic partners by providing capacity-building programmes and networking opportunities to scale competitiveness of their business. We provide additional support to our local partners by working with government agencies to provide technical advice such as from the Ministry of International Trade and Industry, as well as MARA, SME Bank, CEDAR, JCORP, MDEC, MIDF, PUNB and TERAJU. In 2017, 15 of our local partners enrolled in training and development programmes with these agencies.

Axiata Partner Development Programme aims to develop Bumiputera entrepreneurs beyond Malaysia's shore. The programme targets to nurture four National, two Regional, and one Global Champion by 2020. In 2017, the programme developed its first regional champion, KAT Group of Companies, a pioneer in Malaysia's mobile prepaid distribution business. KAT Group was awarded a contract to implement its proprietary KATSys platform in Ncell, Nepal. KATSys will drive Ncell's end-to-end sales and distribution management system.

In Support of the National Agenda

Malaysia's National e-Commerce Strategic Roadmap aims for e-commerce to contribute 20.8% to the nation's GDP by 2020. The advancement of digital services and investment in infrastructure will be key enablers to drive this national commitment to build a digital economy.

Infrastructure

Enhancing connectivity is critical to rolling out a digital economy. Malaysia aims to improve the coverage, quality and affordability of its digital infrastructure under the Eleventh Malaysia Plan 2016-2020, with a focus on infrastructure investment to support economic growth. The Malaysian Communications and Multimedia Commission aims to provide access to 95% of populated areas with broadband at higher speeds and lower prices by 2020. Over RM1 billion has been allocated towards this initiative.

Celcom's investments and efforts to improve the digital infrastructure will strengthen the productivity and efficiency of the Malaysian economy. Together with Ericsson, Celcom performed South East Asia's first 5G trial on the 28GHz band. Celcom also launched two high-speed fiber internet connection services in Sabah; the Celcom Home Fiber and Celcom Business Fiber. Both plans provide 10x faster unlimited internet download speeds of up to 100 Mbps, the most advanced broadband services for homes and businesses in the state.

E-commerce

E-commerce is an essential component within the digital economy. It is expected to accelerate cross-border business and boost the overall economy by contributing 18.2% of national GDP by 2020. Several initiatives have been established to drive this government agenda. The Malaysian Digital Economy Corporation has been allocated RM162 million to develop an e-commerce ecosystem. Other national programmes include the Mydigitalmaker movement and the Malaysia Digital Hub.

Celcom has invested in partnerships to build e-commerce portals to support the emerging e-commerce ecosystem. In 2017, in partnership with World of Gifts, Celcom developed a digital platform, 'OleOle'. It allows customers to instantly send and receive e-voucher from a variety of brands. Once redeemed, the e-vouchers can be used to purchase items on exclusive partners' online stores or mobile applications.

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.