



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

 Axiata Sustainability & National Contribution Report 2017
 

Sri Lanka



Dialog Axiata PLC operates Sri Lanka's largest and fastest growing mobile telecommunications network. It is one of Sri Lanka's largest listed companies by market capitalisation, and largest Foreign Direct Investor with investments totalling USD2.3 billion. Dialog, a winner of six GSMA Mobile World Awards has the distinction of being voted by Sri Lankan consumers as the Telecom Service Provider of the Year for the sixth successive year as well as the Internet Service Provider of the Year at the SLIM-Nielsen People's Choice Awards for the fifth successive year. Dialog has topped Sri Lanka's Corporate Accountability rankings for the past seven years in succession.

Sri Lanka is currently developing its digital economy strategy. This initiative will enable Sri Lanka to identify appropriate opportunities, key enablers, and initiate flagship programmes that will promote Sri Lanka's Digital Economy strategy. The digital economy strategy will align with the economic development thrust sectors of agriculture, tourism and manufacturing. It is estimated that the digital economy for Sri Lanka could contribute 1%-3% to the nation's GDP by 2019.

National Contribution

Contribution to Gross Domestic Product

USD 1,060 million
(1.4% of the nation's GDP)

Operational Direct GVA
USD 277 million

Operational Indirect and Induced GVA
USD 284 million

Capital Investment
USD 189 million

Productivity GVA
USD 310 million

Direct Employees

Total 3,370 Staff

Total Employees
22% Female

99.6%
Sri Lankan Citizens

Total Jobs Supported

Total 84,417 jobs

Directly Employed
3,370

Supported Indirectly - Operations
28,673

Outsourced
642

Supported Indirectly - Capital Investment
51,733

Capital and Operational Expenditure

USD 588 million
in 2017

Contributed
USD 234 million
in taxes in 2017
(2.0% of the total tax revenue of the Sri Lankan Government)



Capital Expenditure

USD 201 million



Operational Expenditure

USD 387 million

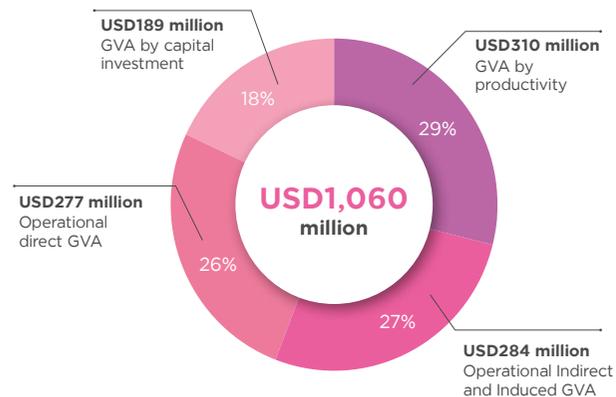
Multiplier effect for every

USD 1
spent on
Capex
generated

USD 5.3
GDP

Sri Lanka

Figure 1: GDP contribution to the Sri Lankan economy 2017



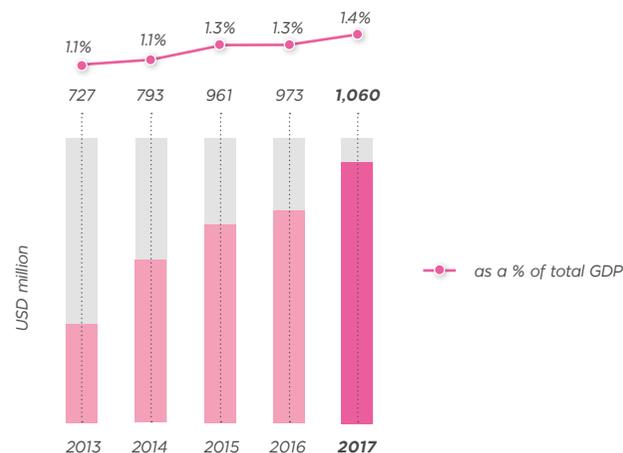
Economic and Financial Contributions

With a total operating expenditure of USD387 million and capital investment of USD201 million, Dialog's total GDP contribution to the Sri Lankan economy was estimated at USD1,060 million. This comprised of contributions from Dialog's direct operation of USD277 million, indirect contribution of USD284 million through procurement from local suppliers, USD189 million generated by Dialog's capital investment and productivity gains of USD310 million through the increase in the mobile penetration rate of 4.8% in 2017 (see Figure 1). Every USD1 spent by Dialog through its capital investment contributed USD5.3 to the GDP.

Dialog's total GDP contribution grew at a CAGR of 9.9% from USD727 million to USD1,060 million over the last five years (see Figure 2). The improving trend was due to increased operational profits and a surge in the number of customers. The total number of mobile customers in Sri Lanka expanded to 28 million from 22 million during the same time period translating to a mobile penetration rate of 122% in 2016 (95% in 2012).

In 2017, Dialog Axiata launched the Dialog Axiata Digital Innovation Fund (DADIF), a venture capital fund created to invest in Sri Lankan digital service companies and startups. DADIF has a fund size of USD15 million and is the largest corporate digital fund in Sri Lanka.

Figure 2: GDP contribution to the Sri Lankan economy, 2013-2017



Investing and Innovating for the Long-Term

Dialog invested a total of USD866 million between 2013 and 2017. Dialog's total investment of USD201 million in 2017 represented a 11.3% increase from USD180 million in 2016 (see Figure 3). Dialog is committed to further invest in Sri Lanka so as to enhance its network coverage and service quality in an increasingly competitive market.

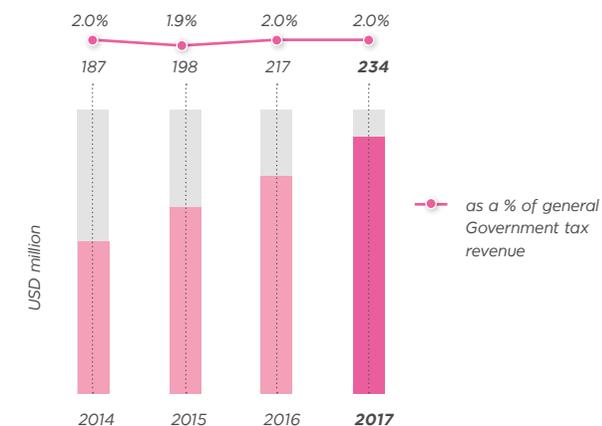
Figure 3: Total capital investment: 2013-2017



Contributions to Public Finance

Total tax contributions for Dialog from 2014 to 2017 totalled USD837 million, expanding to USD234 million in 2017 from USD217 million in the previous year. Annual tax contributions increased by 25% in 2017 (see Figure 4). Dialog's tax contributions in 2017 accounted for 2.0% of the Sri Lankan Government's total tax revenue. Dialog's tax commitments includes direct taxes such as corporate and withholding tax, as well as indirect taxes such as value-added tax and licensing fees.

Figure 4: Total tax contribution to public finance, 2014-2017



Note: 2014-2016 General Government tax revenue data is from Budget estimates 2015-2017, Ministry of Finance, Sri Lanka

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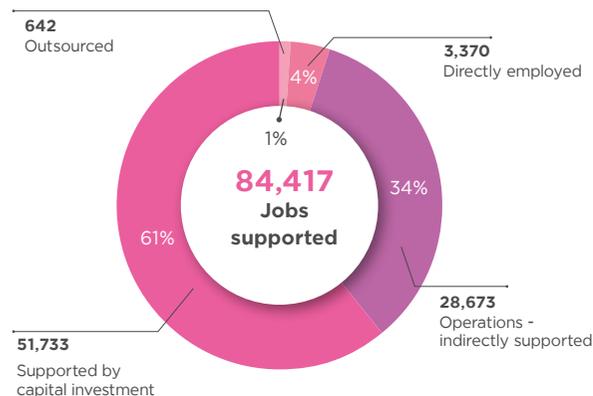
Sri Lanka



Talent Development

Dialog provided 3,370 direct jobs in 2017 of which 99.6% of the positions were staffed by Sri Lankan citizens (see Figure 5). About 22% of Dialog employees were women. During the year, Dialog engaged 11 new graduates, apprentices and interns as part of its goal to provide young people with specialist skills required in the digital economy. Dialog also indirectly supported an additional 28,673 jobs through its operations, and a further 51,733 jobs through its capital investments while a further 642 jobs were outsourced.

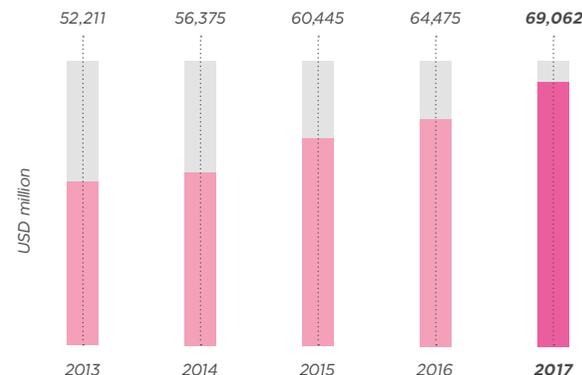
Figure 5: Total employment impact 2017



Dialog's Labour Productivity

Dialog's productivity, measured as Gross Value Added (GVA) per employee, grew by 32.3% from USD52,211 in 2013 to USD69,062 in 2017 (see figure 6). Annual growth rate of Dialog's productivity was estimated around 7.2% over the last five years. Expanding operational profits contributed to the growth of productivity.

Figure 6: Dialog's labour productivity, 2013-2017



In Support of the National Agenda

The Sri Lanka government recognises the potential disruptive technology and services have on the country's productivity. The use of ICT plays an essential role in driving this national agenda of strengthening technology and digitalisation set out in the country's Vision 2025 manifesto. Smart solutions and e-commerce are examples of how the government is facilitating the adoption of technology and digitalisation.

Smart Solutions

Sri Lanka's ICT industry foresees the industry will generate USD5 billion in revenue, create 200,000 direct jobs and enable 1000 start-ups in its Vision 2022 report. The ICT Agency (ICTA) launched the SMART Society and Citizen Empowerment programme to build a digitally inclusive nation. Initiatives include establishing smart education (SMART Classrooms and Capacity Building program), health (integrated interoperable healthcare system), and public services (digital government and e-services).

Integrating ICT into urban development is the focus of the Western Region Megapolis Project Masterplan. To be completed by 2030, the new megapolis in Sri Lanka's western province employs the smart city concept to boost economic growth, promote social harmony and improve environmental sustainability.

Dialog has unveiled South Asia's first narrowband Internet of Things (IoT) enabled network to revolutionise 'Dialog Smartlife' services. With the introduction of 'Dialog Smartlife', Dialog has established a leadership position on innovative digital service supporting IoT solutions to connect customers.

Dialog Smartlife has launched two services. 'Car Connect' is an advanced Vehicle On-Board Diagnostics device and smartphone application. It provides vehicle performance and driving telemetric data to the driver. 'Connected Home' allows home owners to manage a vast array of functionalities within their homes by using a mobile application connected to security, temperature and humidity sensors.

E-commerce

Domestic B2C e-commerce in Sri Lanka is thriving, while B2B and cross-border e-commerce have yet to realise its full potential. The passage of the Electronic Transactions (Amendment) Act in 2017, provided a boost to Sri Lanka's e-commerce agenda as it lifts a legislative roadblock and positions Sri Lanka in a more favourable position to carry out e-commerce trade over digital platforms around the world. An online e-commerce platform WEBXPAY was introduced and aimed to enable businesses, especially SMEs, to trade goods online with various multiple payment channels.

with Australia's Department of Foreign Affairs and Trade (DFAT) to roll out a digital payment platform across 200 ATM locations in Sri Lanka's Northern Province. Customers are able to withdraw money via eZ Cash, an e-wallet licensed by the Central Bank of Sri Lanka, across a wide network of corner stores and ATMs by using their mobile phones. They can also transact on-the-go and pay for goods, services and mobile reloads.

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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.