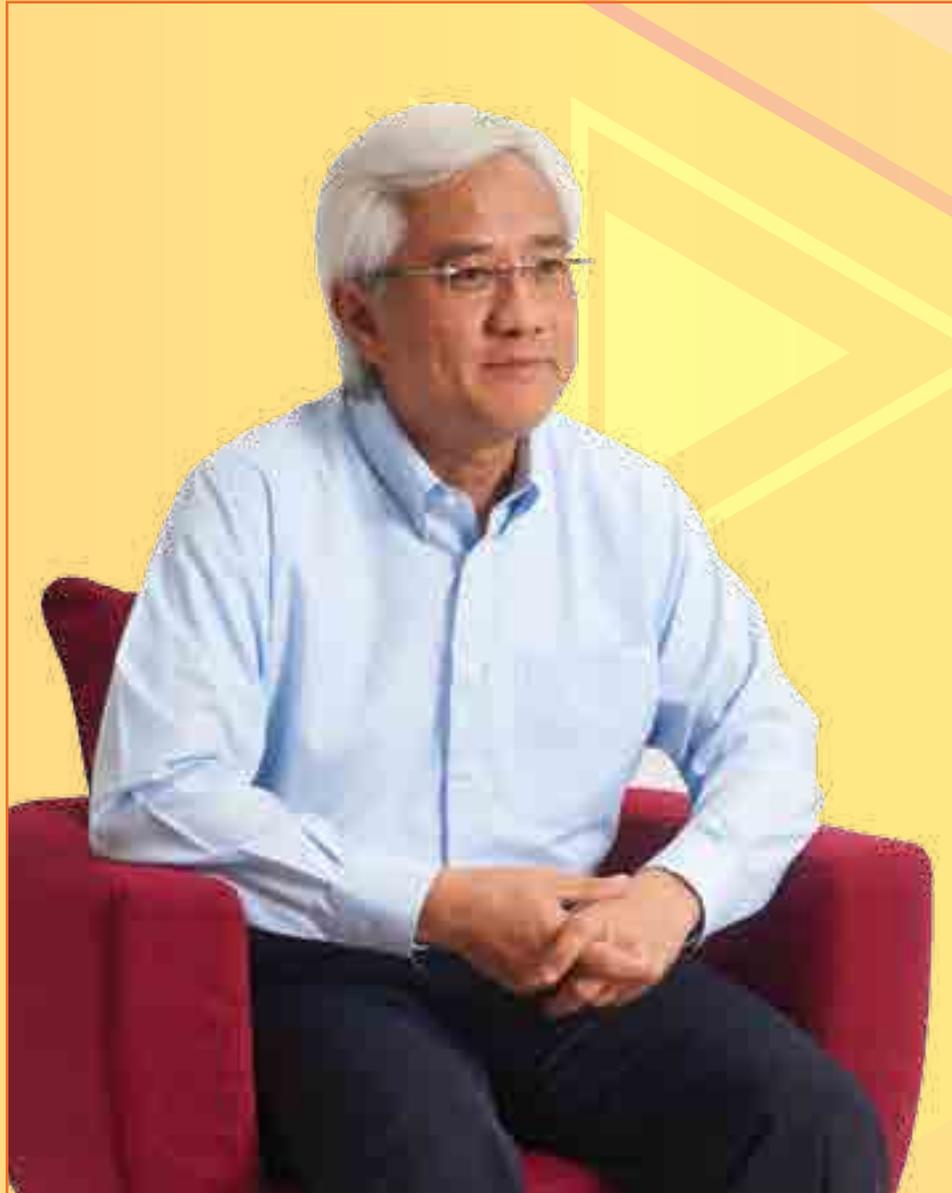




President & GCEO's Statement

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It is my pleasure to present to you Axiata's Sustainability and National Contribution Report 2018, our detailed account of how we deliver continuous value for our stakeholders across the three dimensions of Economic, Environmental and Social (EES) issues, anchored on the Axiata 4P Sustainability Framework which encompasses Beyond Short-Term Profits, Nurturing People, Process Excellence and Governance, and Planet and Society.

Since our inception in 2008, we have transformed from a pure-play mobile operator into a regional technology and business leader, within an intensely competitive industry. As one of the region's largest telecom operators and one of Malaysia's largest public-listed companies, we command significant brand presence in our markets, where we are ranked either first or second by revenue market share.

In 2018, the telco industry was affected by various headwinds that are expected to worsen in the year ahead. Macroeconomic volatility and geopolitical disruptions created structural market shifts. Changing market dynamics, especially hypercompetition within local markets have become the new norm for our sector. We, along with other industry players, have not remained unscathed. The growing cross-integration of industries, disruptive competition and services, and increasingly challenging regulatory factors form a gauntlet of risks that we increasingly need to navigate.

Despite these challenges, we are on track to become a New Generation Digital Champion by 2022, steered by our Axiata 3.0 blueprint which focuses on strategically developing our Triple Core Strategy - Digital Telco, Digital Businesses and Infrastructure. We have recorded significant progress in the digitisation of our processes to elevate our customers' experience and exceed their expectations, witnessed the expansion of our regional integrated telecommunications infrastructure company edotco into new emerging markets, and gained traction towards becoming future "unicorn" companies in digital financial services, digital advertising, and API platform.



President & GCEO's Statement

As we grow, we will uphold our purpose of Advancing Asia, and act in line with our evolving sustainability framework. We are committed to being National Champions in all our markets by working with national governments to strengthen the digital ecosystem, nurture the next generation of digital innovators, and build the capacity of our local business partners. We further commit to continue integrating best practices and sustainability principles that are aligned with the United Nations Sustainable Development Goals (UN SDGs), and Global Compact principles in our business model. This will enable us to champion digital access and inclusivity for everyone in Asia's emerging digital economy and do our part to ensure no one is left behind.



EMPOWERING ECONOMIES

Supporting Nation Building

We are a proud flag-bearer for Malaysia and a leading investor of long-term growth in our markets with our investments in digital telco infrastructure and digital services over the past decade. Our investments and commitment to sustainable growth have helped to create access, foster digital inclusion and drive innovation, and we are recognised as a trusted partner in nation building.

The crux of our nation building efforts focuses on overcoming connectivity infrastructure challenges that hamper economic development, and helping drive digital inclusion by investing in digital ecosystems. Over the past decade, we have invested significantly in infrastructure across our markets, to cumulatively serve approximately 150 million customers in the region. Our nation building milestones include locating more than 46% of our base station sites in rural communities and significantly increasing 4G population mobile coverage across in all our markets. We are actively investing in the emerging regional digital ecosystem through digital innovation funds, inspiring the next generation of young talents, and creating award-winning digital inclusion initiatives.

Financing Digital Innovation Ecosystems

Within the Fourth Industrial Revolution (IR 4.0) era, digital innovation is a key catalyst to drive regional economic growth and social progress. To support the development of end-to-end digital ecosystems in our markets, we have committed over RM200 million to invest in digital startups in Malaysia, Sri Lanka and Cambodia.

Since the launch of the Axiata Digital Innovation Fund (ADIF) in 2015, we have actively nurtured promising Malaysian startups with high growth aspirations. With a fund size of RM100 million, the objective is to create Malaysia's next digital champions, especially from the Bumiputera segment. In 2018, we invested RM48.9 million in 14 Malaysian companies, of which 58% are Bumiputera technopreneur startups. The combined ventures recorded a 52% year-on-year revenue growth and created 4,792 jobs.

In its first full year, the Dialog Axiata Digital Innovation Fund in Sri Lanka and the Smart Axiata Digital Innovation Fund in Cambodia have actively engaged and invested in the local startup ecosystem to nurture the next high potential startup. With a combined fund size of USD20 million, we have invested in nine innovative ventures ranging from digital services and media, to logistics and agricultural services.

Across our markets, there is an insatiable demand for not only young digital talents, but those embodying the right mindset which embraces innovation and harbour ambitions to be a digital leader. We partnered with the MIT Global Startup Labs in Nepal, the Impact Hub in Cambodia, and Universiti Teknologi Mara in Malaysia to teach university students and budding entrepreneurs design thinking, digital, and life skills.

Enabling Digital Inclusion

We are committed to enabling a digital ecosystem built around the principles of digital inclusion and reducing inequalities. Bridging the digital divide requires multifaceted yet flexible solutions tailored to the needs of local populations and communities. These can range from the simplest solution of providing basic access to a device, to deploying more sophisticated digital solutions that meaningfully improve life, education and work.

Axiata is actively innovating digital financial solutions, including micro-financing, micro insurance and last mile e-payments, to improve financial access and security for the unbanked and underbanked. In 2018, Boost launched three micro-financing products to benefit micro-enterprises in Malaysia and Indonesia who frequently lack access to financial services and often transact only on a cash basis.

Across our footprint, the lack of social safety nets, illness or the loss of a breadwinner can be financially devastating. As such, reducing inequalities in healthcare and social protection can boost the financial security of disadvantaged families. In 2018, our investment in BIMA helped subscribers access better health care and social protection.

Our other milestones in 2018 include devising solutions to support farmers and women. Based on the findings of an in-depth research on digitising the agriculture value chain in Sri Lanka with GSMA's Mobile Agriculture Programme, Dialog has begun a pilot project to overcome the last mile challenges of the agriculture industry's complex supply chain - the digital payment of smallholders. Using big data analytics to identify women who are unbanked and digitally excluded, Robi is working with financial institution partners to help them obtain a bank account and purchase a mobile device with easy monthly installments.

President & GCEO's Statement



NURTURING PEOPLE

Leaping into a Brighter Future

We believe the long-term sustainability of the Group requires investment towards developing our talent, encouraging innovation, and identifying future leaders developed and immersed in Modern, Agile and Digital (M.A.D) ways of thinking and working. The dawn of the IR 4.0 which increasingly adopts cyber physical systems and smart connected technologies, underscores the urgency of transforming our human capital culture. This has driven us to attract, train and retain new pools of skilled digital talents, as well as build digital capacities and skillsets to fulfill our New Generation Digital Champion ambition.

In 2018, we enhanced the Group Accelerated Development Programme (GADP) to increase its rigour and improve outcomes. Using data analytics, we can now draw on a much larger set of data to identify and invest in talent, facilitating a secure and robust leadership pipeline. We onboarded another 67 talents from across the Group to join 174 talents who have completed the GADP. Thanks to the GADP, we successfully filled 83% of leadership positions in 2018 with internal talents.

We are at a very exciting crossroads in executing our Axiata 3.0 strategic blueprint. In 2018, we invested RM28.5 million in talent development to scale up employees' digital expertise across all levels. We provided technical analytics training to over 170 data scientists and data engineers across the Group to reinforce our big data and data analytics capabilities. Through Lynda.com, employees across the Group can learn anytime, anywhere. Judging from the number of courses completed and hours logged, our employees have a voracious appetite for learning.

Following on the success of Digital Jam, we launched the Learning, Engagement, and Accelerating Performance (LEAP) programme to promote collaboration and embed the culture and mindset required to be a Digital Champion. Through this overarching programme, employees gain access to best-in-class speakers and focused functional training. The LEAP Awards also encourage friendly competition to drive and accelerate adoption of new habits and methods that spur productivity.

Grooming Young Leaders of the Future

In its eighth year, the Axiata Young Talent Programme (AYTP) is anchored on a holistic framework, and aims to build socially responsible and competent young adults. Since the inception of AYTP, over 1,600 future leaders of Malaysia completed the programme which instilled them with values, attitudes and skills associated with leadership.

In 2018, the AYTP Young CEO Development Programme reached a major milestone with the graduation of its first two cohorts of 120 individuals. Before they graduated from the programme, they participated in a Regional Business Challenge which involved visiting regional markets, ideating and proposing viable Go-To-Market strategies for an e-wallet business.

The XL Future Leaders programme continues to grow in momentum through multiple face-to-face and online platforms. It launched a nationwide townhall programme to provide youth with an additional channel to engage in person with government stakeholders, business and industry leaders, on future digital and business innovation.

I am delighted that in 2018 the philosophy of AYTP has spread to Cambodia in support of the national digital economy agenda. The SmartEdu University Student Development Programme selected the top 48 students from 14 universities to be part of the inaugural 13-day camp.



ENHANCING GOVERNANCE AND SUSTAINABILITY THROUGH PROCESS EXCELLENCE

Driving Digitisation of the Core

The Group continues to implement its comprehensive Digital Transformation Strategy, which focuses on ensuring that our core processes and customer interactions are fully digitised to deliver increased satisfaction and value. Driven by a Cross-OpCo Working Group, we have moved the needle significantly in our digitisation framework. An assessment of our OpCos' digital journey benchmarked against the Digital Transformation Index has shown on average a 50% improvement from the 2017 baseline. Our assessment also showed that one of our OpCos performed on-par with the Emerging Market Top Quartile Average.

As we move closer to our goal of becoming a New Generation Digital Champion, we run a higher risk of cyber intrusions, which are becoming more frequent and sophisticated. Cyber security threats not only pose a risk to individuals but are a national menace. In 2018, we implemented Digital Trust 2020, Axiata's three-year strategy to build proactive capabilities and establish information security functions to manage cyber risks and support our Axiata 3.0 strategy. The Digital Trust Roadmap will focus on five security initiatives to ensure implementation of industry leading standards and certification, which in turn will reinforce the confidence and trust of our stakeholders.

Developing the Business Value Chain

Small and medium enterprises form the backbone of Asian economies and are integral to our business value chains. We proactively allocate 50% of our procurement spend to local vendors in our markets. Through our Supplier Code of Conduct, we promote and drive good business practices that go beyond national standards and requirements.



President & GCEO's Statement

We are committed to building the capacities and competencies of local vendors and partners as part of our nation building initiative. Celcom's Local Partner Development Programme continues to support Bumiputera business partners through building capacity, driving digitisation of their operations, facilitating networking, and business matching with our partners. Close to 60% of Celcom's local procurement is sourced from Bumiputera vendors. Through the Axiata Partner Development Programme, we further support Bumiputera companies to become Regional and Global Champions by providing opportunities for them to expand their business footprint. We target to develop four Bumiputera National Champions, two Regional Champions and one Global Champion by 2020.

Good Governance through Transparency and Accountability

At Axiata, we seek to integrate the principles of transparency, responsibility and accountability in all aspects of our governance practices, and to embed a sound ethical code that spans the entire organisation. In 2018, we strengthened regulations and guidance in our Gifts and Entertainment Policy in line with international benchmarks. Our best practices and governance structure were recognised at the annual Malaysia-ASEAN Corporate Governance Index 2018 Awards, where Axiata was ranked among the Top 50 public listed companies in ASEAN.



PLANET & SOCIETY

Greening our Operations

Climate change is a major risk, and Axiata conscientiously manages our environmental footprint across our operations to reduce our impacts, particularly in energy consumption and emissions. While we have been progressively working to replace legacy assets with energy-efficient equipment and systems, our goal to reduce Axiata Group's emission will be more challenging as we expand our network to connect more people in emerging Asia.

Axiata's telecommunications infrastructure subsidiary, edotco Group, had committed to reducing its carbon footprint by 40% by 2018, from a 2013 baseline. Over the years, edotco has implemented a three-pronged approach of innovating and incorporating lean and green design, increasing fuel efficiency, and adopting renewable energy where commercially feasible to meet its carbon reduction target. According to an independent Life Cycle Assessment study of its telecommunication towers in four countries, edotco reduced its carbon footprint by 44% in 2018.

Supporting Building of Sustainable Communities

To support communities in social development needs that go beyond digital inclusion, we actively work with local partners to understand and surmount local challenges. Our corporate social responsibility initiatives range from providing access to electricity from our base stations, providing essential drinking water to the public, to funding scholarships of top talents and providing access to free education support.

A cornerstone of our Corporate Social Responsibility (CSR) strategy is to facilitate disaster preparedness for vulnerable communities in our markets. The Global Risk 2019 Report predicts a very high likelihood of extreme weather and natural disasters. As a founding signatory partner to the GSMA Humanitarian Connectivity Charter, we will continue to do our best to support communities in times of natural disasters. In 2018, we aided Indonesian communities in Lombok, Palu and along the Sunda Straits during pre and post-disaster events. XL provided free connectivity services valued at over USD1.8 million to subscribers in the immediate aftermath, and through our humanitarian partner, MERCY Malaysia, Axiata delivered aid and supported post-disaster remediation efforts.

Across the region, we strengthened our partnerships with national disaster agencies to provide early warning capabilities and post-disaster support. In Malaysia, we signed a letter of co-operation to support an SMS base

alert system with the National Disaster Management Agency. In Nepal, we strengthened our co-operation with the National Department of Hydrology to expand its coverage of early warning flood alerts. Building on its comprehensive emergency warning network, Dialog has committed to work with the World Food Programme on aid distribution in future disasters using base station heat maps to identify where communities are seeking refuge.



WHAT'S NEXT

As we move forward, Axiata Group will continue to integrate sustainability into our business and impacts for the benefit of all our stakeholders, across all our markets. In the coming year, we aim to further improve our social and environmental outcomes, in line with global efforts to enhance governance for the broader public interest. This will be guided by the articulation of a UN SDG framework aligned with the Axiata business model, which will then be rolled out across the Group in phases.

Every year, I emphasise the importance of collaboration and partnerships to achieve successful sustainable development. As such, I wish to thank our many stakeholders and partners for engaging proactively with Axiata on our broader cross-sector agenda. Your inputs and support are invaluable in our continual assessment and prioritisation of opportunities, issues and risks, as we work to deliver positive economic, social and environmental outcomes across the region. In our drive to help achieve the UN SDGs by 2030, we pledge that our social development initiatives will be inclusive and beneficial to all, so that we leave no one behind. Together, we are Advancing Asia.

TAN SRI JAMALUDIN IBRAHIM

Managing Director/President & Group Chief Executive Officer

