



COMMITMENT TO PROCESS EXCELLENCE & GOVERNANCE



We focus on improving our processes throughout the value chain to ensure we operate at peak efficiency and to maintain high levels of customer satisfaction. To these ends, we work together with various stakeholders including our vendors and business partners to ensure our entire supply chain remains sustainable. We also take customer feedback very seriously and conduct regular and thorough engagement with them to determine their evolving digital needs.



Best Practices Across
the Value Chain



Customer
Centricity



Digitising
Processes



Strong
Governance

PROCESS EXCELLENCE & GOVERNANCE

We believe that the quality of our processes and the level of our organisational governance are important factors contributing to improved customer and supplier relations, greater cost efficiencies and enhanced organisational oversight.

Each of our OpCos has its own specific set of tax, licensing and other regulatory requirements. We have a subscriber base of approximately 320 million customers across ten countries to whom we have made a commitment to meet their expectations and protect their personal data.

Our sustainability initiatives under this pillar have been formulated to ensure that we meet all our commitments to our stakeholders in an efficient and effective manner. The initiatives are categorised under five focus areas:

- Best Practices Across the Value Chain
- Customer Centricity
- Privacy and Data Protection
- Digitising Processes
- Strong Governance

Material topics covered under this pillar			
Issue	Context	Approach	Outcome
Supply Chain Management	<ul style="list-style-type: none"> • The majority of our procurement spend is on network-related technologies 	<ul style="list-style-type: none"> • Centralised Axiata Procurement Centre that handles all network-related procurement to improve efficiencies • Conduct Supplier Performance Management assessments for continuous improvement in vendor performance 	<ul style="list-style-type: none"> • Optimised procurement budget and the development of a network of suppliers and vendors that are committed to best practices and enhanced corporate governance.
Customer Service	<ul style="list-style-type: none"> • We are a highly customer-centric operation and operate in a changing environment where customer expectations are constantly evolving 	<ul style="list-style-type: none"> • OpCos measure customer satisfaction levels regularly and take all feedback seriously to identify issues and anticipate changes in their expectations 	<ul style="list-style-type: none"> • Improve customer experience in each market to be the best amongst service providers
Privacy and Data Protection	<ul style="list-style-type: none"> • We have access to confidential customer information • Digitisation has increased the risk of data breaches 	<ul style="list-style-type: none"> • Adherence to local and industry regulations • Incorporating best cybersecurity standards into our practices 	<ul style="list-style-type: none"> • Build customers' trust in us to safeguard their personal data • A secure environment ensuring the careful handling of sensitive information
Governance and Responsible Business Conduct	<ul style="list-style-type: none"> • We operate in six different markets each of which have their own regulatory frameworks • The telecommunications business is a highly regulated industry involving numerous stakeholders 	<ul style="list-style-type: none"> • Setting our own standard of conduct using UI.EP • Axiata's Enterprise Risk Management Framework has been adopted as a standard approach throughout the Group 	<ul style="list-style-type: none"> • A strong reputation as a reliable business partner in the region • Best practices in governance and compliance practices.
Tax and Licensing	<ul style="list-style-type: none"> • The telco industry is generally subject to stringent regulations and high taxes in our operating markets 	<ul style="list-style-type: none"> • Proactive engagements with local tax and regulatory bodies 	<ul style="list-style-type: none"> • Arrive at solutions where tax and fees are balanced with the long-term sustainability of the industry.

Reporting Highlights

Building Sustainable Supply Chains

2014

Held the first Axiata Supplier's Forum to share best practices and obtain feedback from our vendors

2015

- Introduced the Axiata Supplier's Code of Conduct to establish the Group's expectations from our vendors and suppliers
- Held our first Supplier Innovation Workshop to develop the capabilities of our vendors and suppliers, and to explore possible innovations that would be beneficial to the Group

2016

Held the inaugural Axiata Supplier Awards to recognise our top-performing vendors

Sustainability Targets and Progress

2016 Targets

- Review the Sustainability Governance structure including new developments in the area of Governance and Transparency
- Set up an internal task force to institutionalise a strong governance structure for the Group on privacy and data security
- Sustainability and Ethics to be included as key supplier evaluation criteria by 2016
- Continue with customer satisfaction surveys and include a customer study to gauge the Group's sustainability performance
- Proactively engage with our key stakeholders to manage the risks and opportunities of tax and licensing

Achievement/Progress

- ✓ Made continuous effort to expand and enhance sustainability initiatives
- ✓ Established the Cyber Security Steering Committee (CSSC) to accelerate the implementation of cybersecurity initiatives
- ✓ Sustainability and ethics assigned a weightage of 20% in the supplier's performance evaluation

2017 Targets

- Improve our measurement and tracking of sustainability initiatives and raise our sustainability reporting standards
- Implement privacy initiatives across the Group and OpCos under a new Group Privacy Framework
- Hold formal supplier development feedback sessions
- Enhance our measurement of customer satisfaction with new initiatives such as social listening
- Hold directed stakeholder engagement sessions to obtain greater feedback



OPEN

PROCESS EXCELLENCE & GOVERNANCE

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Pillar Underpinnings

The Process Excellence & Governance Pillar details our initiatives to streamline and optimise our processes and enhance internal governance frameworks.

We have in place a comprehensive procurement process managed by the Axiata Procurement Centre, which also works collaboratively with our vendors and suppliers to promote best practices and sustainability. Our OpCos are also constantly revisiting their processes to increase customer satisfaction while ensuring that they meet all data privacy protection regulations.

The '4i' Aspects of the Pillar

Our initiatives under this Pillar are described through the '4i' Aspects:

- 1 Improvement**
 Our initiatives introduce improvements to the Group's procurement processes as well as those of our suppliers and vendors throughout the value chain
- 2 Innovation**
 Our initiatives introduce innovations such as our Cyber Security Operations Centre and the Axiata Supplier Awards to support our improvement efforts
- 3 Investment**
 Our initiatives invest in the development of local vendors in the countries where we operate
- 4 Impact**
 Our initiatives have developed the capabilities of our vendors, ensuring our customers receive the highest levels of service and ensuring our organisation complies with best international practice

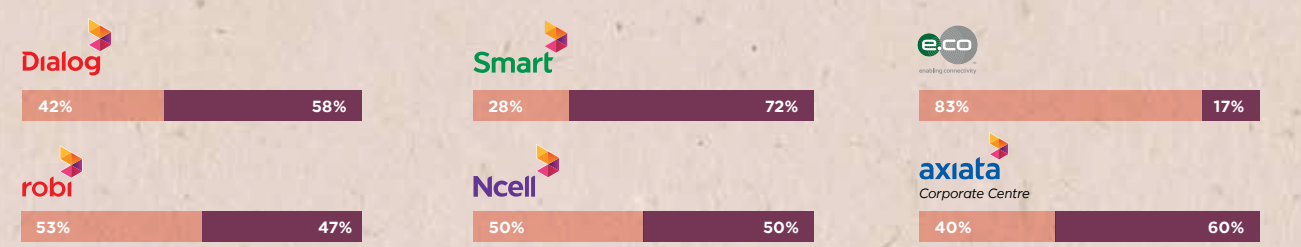
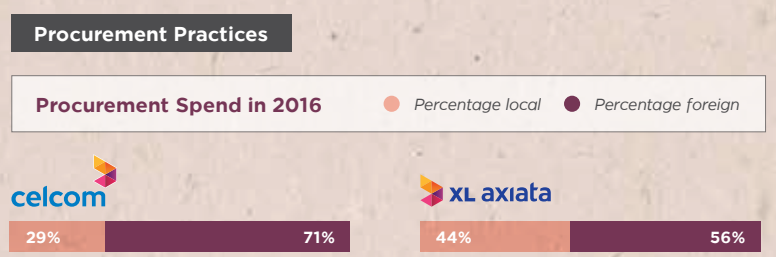
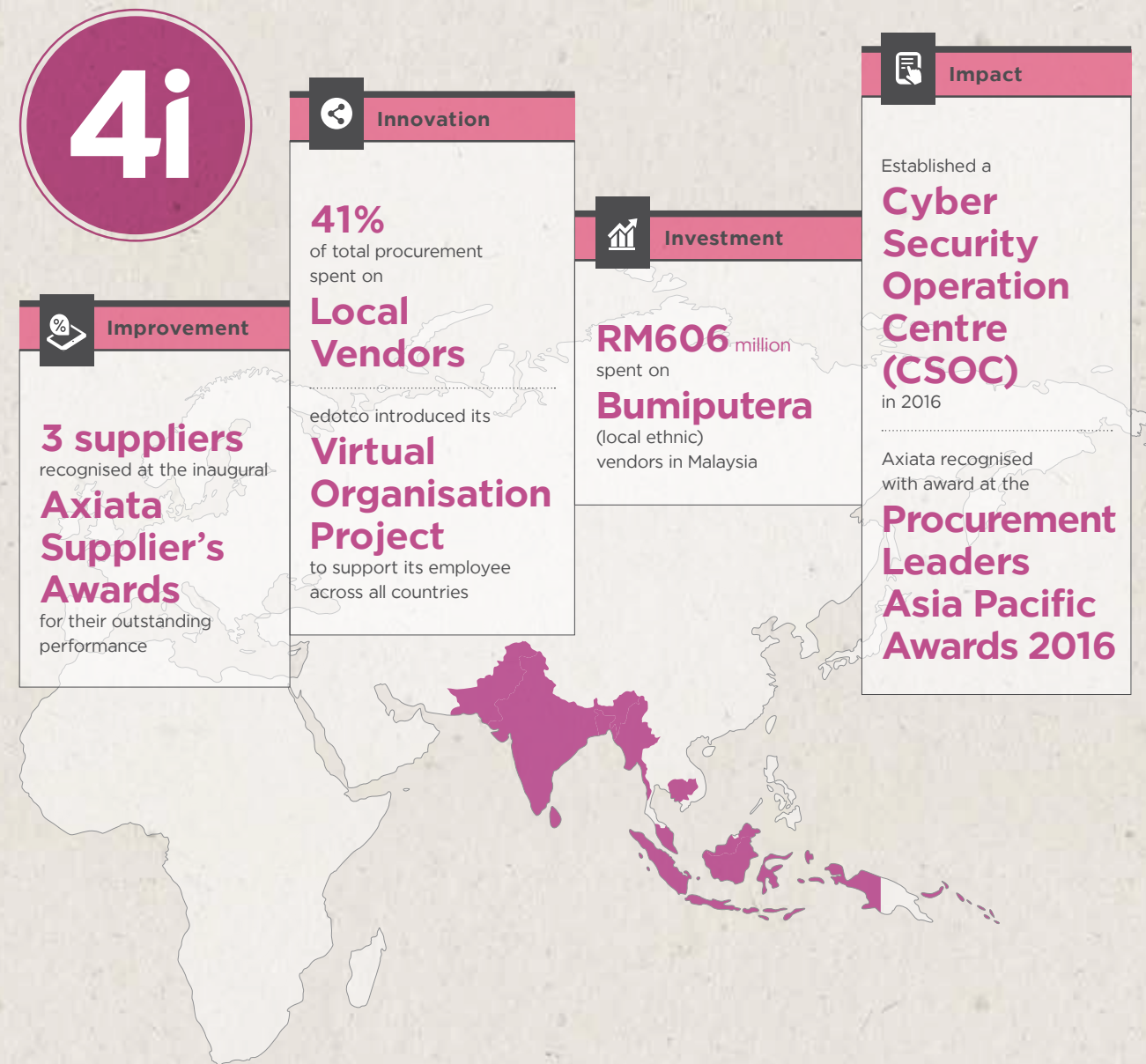
Strengthening Our Data Security

We are constantly enhancing the level our commitment to privacy and data security initiatives beyond the baseline level of compliance and governance. Axiata's CSOC was established to drive our security initiatives and implement our IT security policy across the Group. We also comply with all applicable data security and privacy laws and regulations in the countries where we operate.



Process Excellence & Governance

In 2014, we introduced the '4i' aspects of each of our Sustainability Pillars. We continue to describe our sustainability initiatives in 2016 based on these four aspects:



PROCESS EXCELLENCE & GOVERNANCE

We are committed to maintaining optimal efficiency and upholding best ethical business practices throughout Axiata, and this commitment extends to our third-party suppliers and vendors.

Recognised
3 suppliers
 at our inaugural
Axiata Supplier Awards
 in 2016 for their excellent track record and performance

Best Practices along the Value Chain

We are committed to maintaining optimal efficiency and upholding best ethical business practices throughout Axiata, and this commitment extends to our third-party suppliers and vendors. Our robust procurement practices ensure that our business partners uphold our expectations of them in the areas of ethical practice and sustainability which have been codified in our Axiata Supplier Code of Conduct. Additionally, Axiata works closely with its vendors to minimise procurement costs by leveraging on Group-wide volumes and exploring alternative solutions with our partners.

Some of our ongoing initiatives with our procurement partners and suppliers include:

Supplier Code of Conduct

We introduced the Axiata Supplier Code of Conduct in 2015 requiring our suppliers to meet our expectations in the areas of:

- Business Integrity and Ethics
- Management Responsibility
- Quality Management System
- Labour and Human Rights
- Health and Safety
- Reliable Supply Chain
- Environment Management
- Disaster Recovery Management

Suppliers are expected to conduct a self-assessment of their services to ensure that they meet these stipulations. The programme has been steadily expanded to include more of our suppliers and, in 2016, was expanded to all our suppliers.

Supplier Performance Management (SPM)

The SPM is a process implemented by the Axiata Procurement Centre (APC) which creates a common framework across the Group to communicate transparent and objective feedback to our key suppliers for the purpose of driving continuous improvement. In the past, SPM was managed by individual OpCos using different methodologies and evaluation criteria.

The Axiata SPM framework assesses suppliers along four key pillars :

- **Commercial and Contract Compliance:**
 - o Supplier's compliance to contract terms
 - o Commercial competitiveness
 - o Proactive initiative to drive cost optimisation
- **Quality and Operational Performance**
 - o Delivery lead time per contract
 - o Fulfilment of quality and competence standards in execution and customer service
 - o Resolution of operational issues
 - o Ease of communication
- **Ethics and Sustainability**
 - o Compliance to Axiata's sourcing process governance
 - o Demonstrates integrity in business relationship
 - o Commitment to sustainable business practice
 - o Commitment to the principles of Axiata's Supplier Code of Conduct
- **Strategy and Roadmap**
 - o Execution of a sustainable roadmap aligned to Axiata's strategies
 - o Strategic alignment with Axiata's business strategies



PROCESS EXCELLENCE & GOVERNANCE

The first assessment cycle in 2016 involved 235 cross-functional evaluators across the organisation from various business functions and covered 23 key suppliers. It culminated in the inaugural Axiata Supplier Award given to three suppliers in recognition of excellent performance and collaboration amongst Axiata's supply base.

Supplier Sustainability Self-Assessment

As part of the SPM process, APC conducted a Supplier Sustainability Self-Assessment. This assessment required references to any publicly available document, webpage or report to demonstrate our supplier's compliance to sustainable business practises. If the supplier had not formalised any public disclosure on any of the areas assessed, they were to provide reference to any internal policy or guidelines providing evidence of their sustainability practice.

The Sustainability Assessment builds on the Axiata Supplier Code of Conduct self-certification exercise in 2015 and assesses the following areas:

- Availability of a Sustainability Statement/ Report
- Policies on Anti-Corruption, Environment Protection
- Commitment to safe labour practices
- Efforts to ensure occupational safety
- Efforts to improve its supply chain

Inaugural Axiata Supplier Awards

Regular engagements are held with our suppliers through our annual Axiata Supplier Forum where we share and discuss issues and solutions. Suppliers with excellent track records were recognised at the inaugural Axiata Supplier Awards following a performance evaluation of their performance.

Axiata receives Procurement Award

Axiata's collaboration with its suppliers received an award at the Procurement Leaders Asia Pacific Awards 2016. Axiata was recognised for its work together with turnkey suppliers on large projects underlining our commitment towards developing mutually beneficial relationships with our suppliers.

Strengthening our Procurement Policies

In addition to managing our relationships with our external partners, we strengthened our internal procurement policies in 2016 by introducing our Group-wide Capex Governance Framework. The formalising of our capex policy acknowledges the Group's involvement in managing our OpCos' capex. The new policy will help our OpCos reduce costs and discover alternative solutions by leveraging on the knowledge-base of the Group as a whole.

Internally, as part of building the capability of our procurement function, APC conducted a training on Category Management, an essential skill in strategic sourcing with the participation of team members from all OpCos and APC. As a follow-up to this workshop, category teams have been established across the Group to further enhance the collaboration and knowledge sharing within the procurement community.

In 2017, APC will continue to expand its training curriculum to build skills and capabilities in Axiata's procurement function to support Axiata's vision to transform into a digital company.

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in recognition of our work together with turnkey suppliers on large projects

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PROCESS EXCELLENCE & GOVERNANCE

The Group's approach to

Protecting Customer Data

is grounded on the

Group Privacy Framework

To Fully Digitise

our process by 2020

Customer Centricity

Customer satisfaction is among our foremost priorities at Axiata, and we are committed to enhancing customer experience in their dealings with us. Customer feedback and comments are the primary gauge of our performance, helping us understand if we meet, surpass or fall short of their expectations. It also helps us identify issues in our products or processes that require further attention from our team.

To measure the level of customer satisfaction, a Group-wide Net Promoter Score (NPS) has been put in place to collate data on customer loyalty and satisfaction across the entire Group. The NPS is conducted annually, and has been used as an indicator for setting KPIs since 2014. Each of our OpCos' scores are benchmarked against the market regularly and problems addressed through mitigating action. In 2016, we started using more digital channels to gather feedback in calculating our NPS. The use of digital channels is an upgrade on our existing process to give us improved results.

We are also embarking on a social media monitoring/listening initiative to get a better sense of our customer's opinions of our services. Social media is a popular channel for our customers to express their satisfaction or dissatisfaction with products and services, and we plan to use it as an avenue for better understanding and serving our customers.

Further complementing our Group's efforts to gauge customer satisfaction are our OpCos' individual efforts to better engage customers or obtain feedback.

Privacy and Data Protection

The advent of digitisation has made user data a valuable commodity and thus subject to security risks and misuse. Our customers share a substantial amount of personal information with us by subscribing to our services, and we are bound by both ethical and legal requirements to keep this data confidential. Strict policies have been put in place throughout the Group to keep customer data from being disclosed or accessed by third parties without explicit consent.

Our commitment to customer privacy and data protection has been set at the highest level based on the Personal Data Protection Act (PDPA) 2010 in Malaysia and the ISO27000 information security standard. Our OpCos also comply with local regulations in their respective countries, and make best efforts to secure their systems from breaches and unauthorised access.

Strengthening Cybersecurity

Significant emphasis was placed on mitigating cybersecurity risk in 2016. This resulted in the creation of the Cyber Security Steering Committee (CSSC) comprising members from Axiata's Board Audit Committee, Celcom and XL. One of the first initiatives of the CSSC was to assess the cybersecurity risks of the Group and come up with recommendations on ways to mitigate the risk. These were presented to the Axiata Board in February 2017.

The Group's approach to protecting customer data is grounded on the Group Privacy Framework which is focused on enhancing security to improve data safety, proactive engagement with our customers about protecting their information and seeking explicit consent in the use of their personal details. We conduct periodic audits on our systems and ensure that customer data is deleted when no longer required.

PROCESS EXCELLENCE & GOVERNANCE



Bringing Smart Technology to the Home

Dialog, in collaboration with a technology partner, introduced its pioneering Smart Home product, which provides a range of connectivity solutions and packages to suit all customer needs.

Dialog's Smart Home leverages on the Internet-of-Things (IoT) technologies to give customers the ability to connect and control household systems and appliances anytime and anywhere. Through their mobile phones, Smart Home subscribers can engage with

various components of their homes including:

- home security systems,
- lighting,
- air conditioning,
- entertainment systems, and
- smart switches and power points.

Smart Homes are designed to save energy and related costs for homeowners while providing greater convenience, flexibility and control. They grant greater ease of mind as homeowners will be able to check in on the state of their homes at any time through the use of a mobile device, and make appropriate adjustments as the situation warrants.

IoT has been identified as the emerging revolution in technology-enabled futures, designed to optimise and change the way people live and interact with their environment.

With a growing number of household appliances and security products being fitted with IoT capabilities, Dialog is committed to further develop the technologies required to sustain the ecosystem.

However, customer information does play a vital role in helping us tailor new products and services that will add value to them. In mining data from our customer base, we will either seek explicit consent from our customers or use extraction techniques that process data without identifying specific individuals. Nevertheless, we continue to take precautions to ensure that customer privacy is not violated at any stage of the data mining process.

Digitising Processes

As an aspiring Digital Champion, Axiata is making considerable effort to digitise both its customer-facing and internal processes. We have set a target of having 100% of our processes digitised by 2020 as part of our overall effort to improve efficiency and transparency in our internal operations as well as our dealings with external stakeholders.

We are also committed to the digitisation of our internal processes to optimise efficiencies within the Group and, on a larger scale, increase the implementation of digital tools in the management of our network infrastructure. We are introducing digitisation in our products to improve customer experience through innovations such as Dialog's pioneering Smart Home service, which leverages on the Internet-of-Things (IoT) to create a digital home environment for our customers.

PROCESS EXCELLENCE & GOVERNANCE

Strong Governance

The long-term sustainability of Axiata and the execution of our business strategy in the region requires that we maintain an impeccable governance track record for both operational and reputational reasons. Our commitment to governance has seen us go beyond compliance in many of our operating countries to safeguard the interests of all our stakeholders including minority shareholders and business partners. Our policy on governance requires that the Group and OpCos meet all local requirements, including tax, licensing and cybersecurity requirements.

We are committed to the principles of transparency and accountability in our governance practices. In 2016, our corporate governance record was acknowledged by the Minority Shareholder Watchdog Group (MSWG), which presented us with several awards including the Excellence Award for ESG Practices for the fourth consecutive year.

Regulatory Compliance Framework

The telecommunications industry is heavily regulated by local authorities in all our operating markets. The Axiata Regulatory Compliance Framework ensures OpCos meet local regulatory requirements and the Group provides direction as to how these needs are to be met. The Framework stipulates the principles by which regulatory compliance is to be approached by our OpCos.

Tax and Licencing

We are cognisant of the fact that we operate in a heavily taxed environment and we take every step to comply with all local requirements, including those covering licensing issues. In 2016, we complied with all tax and licensing requirements in all our markets with no instances of breaches or violations reported.

Moving Forward

In our bid to become a New Generation Digital Company, we are taking measures to ensure that we are an end-to-end digitised company. This is not only to take advantage of the new capabilities offered by new technology, but also to cater to our customers who are living increasingly digital lifestyles. Customers today expect immediate responses from their service providers in relation to their queries or requests for new services, which in turn requires new investments on our side. At the same time, we have also put in a lot of processes to tighten data security to ensure that our customers' personal information is protected from unauthorised use.

The initiatives under this pillar which address our supply chain, our customers, our governance framework and our internal processes thus play key roles in helping us reduce our costs without sacrificing the quality and level of compliance of our Group.