

National Contribution

Contribution to Gross Value Added

USD313 million
(1.6% of the National GDP)



Direct Employees

1,047
Staff



Total Jobs Supported

40,656
Jobs



Capital and Operational Expenditure

USD207 million
in 2016



Every **USD1** Spent on Capex and Opex $\xrightarrow{\text{translated to}}$ **USD1.4** GVA Contribution

Contributed **USD65 million** in taxes, levies and fees in 2016
(3.6% of total national tax income excluding regulatory related fees and payment)

Smart is a leading mobile telecommunications company in Cambodia with over eight million subscribers and was the first telco to rollout 4G LTE services in 2014 and 4G+ in 2016. Being a strong advocate of digital innovation that has continued to evolve into a digital lifestyle brand, Smart has launched various value added services and digital services, in various areas including finance, insurance and entertainment.

Aside from launching Smart Music, the country's first music streaming application in partnership with Universal Music, Smart also launched SmartLuy, a mobile money service that allows mobile consumers to transfer funds and make financial transactions digitally. Through Smart Life Insurance, a product implemented in partnership with BIMA, Smart is now the largest provider of life insurance in Cambodia in terms of the number of people insured. In 2016, Smart launched SmartPay, a payment solution via phone balance. Smart

has been recognised by the industry and international organisations for its superior services, strong financial performance and national contribution. For its contributions to social development, Smart won the Telecom Asia Best Community Project Award for its involvement in Cambodia's National Literacy Campaign in collaboration with the Ministry of Education, Youth and Sport as well as UNESCO. It has also been lauded by the Global Banking and Finance Review as the Best Telco and the Best CSR Company in Cambodia for two consecutive years - in 2015 and 2016.

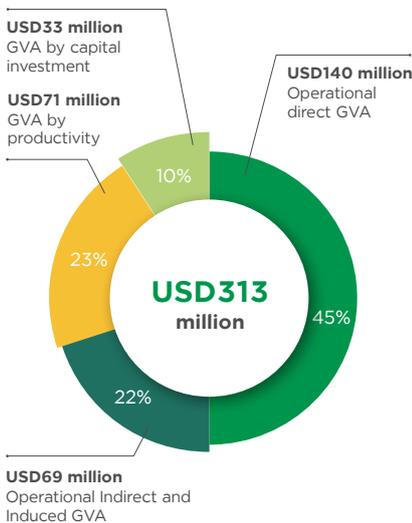
NATIONAL CONTRIBUTION REPORT

Cambodia remains one of Asia's fastest growing economies posting a GDP growth of 7% in 2016. Economic growth in the country is being largely driven by infrastructure investments, tourism, real estate development and growing exports.

While per capita income is still low compared to neighbouring countries, it has been rising rapidly, leading to increased telecommunications consumption and greater demand for technology. The growing affluence of Cambodians coupled with the proliferation of affordable smartphones means that there is ample room for the introduction of higher-value, digital services.

Economic and Financial Contributions

Figure 1: GVA contribution to the Cambodian economy 2016

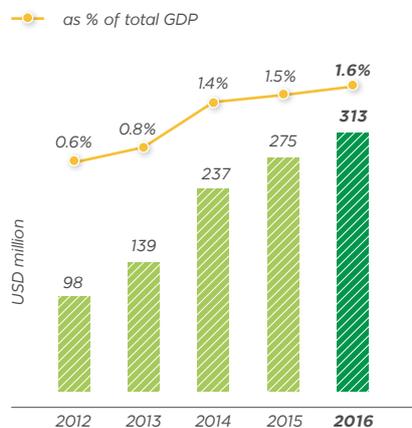


Smart's Gross Value Added (GVA) in 2016 was estimated at USD313 million comprising direct operational contributions of USD140 million, indirect operational contributions of USD69 million,

capital investment contributions of USD33 million and productivity gains of USD71 million (see Figure 1). Productivity gains are defined as the improvement in national productivity due to the rising mobile penetration rate. The total GVA of USD313 million was derived from Smart's total opex and capex of USD133 million and USD75 million respectively, and the 8.3% increase in the mobile penetration rate. Every USD1 spent by Smart in Cambodia through its operations and capital investment added USD1.4 in GVA to the Cambodian economy in 2016.

Smart's total GVA contribution increased to USD313 million in 2016 from USD98 million in 2012, translating to a CAGR of 33.6% (see Figure 2). The improving trend was due to higher operational profits and significantly increased number of mobile subscribers. Over the last five years, total operational profits grew to USD130 million from USD25 million. With a total number of mobile subscribers (as active declared SIM cards by the operators) in Cambodia at 19.9 million as reported to the Telecommunications Regulator of Cambodia, the mobile penetration rate stands at 126% by end-2016.

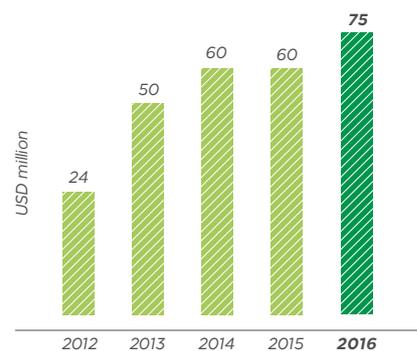
Figure 2: GVA contribution to the Cambodian economy, 2012-2016



Investing and Innovating for the Long Term

Smart invested a total of USD269 million between 2012 and 2016 to improve its network infrastructure, including rolling out its 4G LTE network and expanding its range of products and services. The company's total capital investment of USD75 million in 2016 represented a 25% increase compared to the USD60 million in 2015. Smart plans to continue investing in the country to further enhance its 4G LTE leadership and enhance its offerings to stave off competitors in a saturating mobile market. At the end of 2016, 60% of its more than 2,100 base stations across all 25 provinces have been equipped with 4G already while 100% of base stations feature 3.75G. Smart's push to further improve 4G customers' experience is evident with the introduction of 4G+ in September 2016 which increases the capacity of the base stations and consequentially speed Smart's users can enjoy.

Figure 3: Total capital investment: 2012-2016



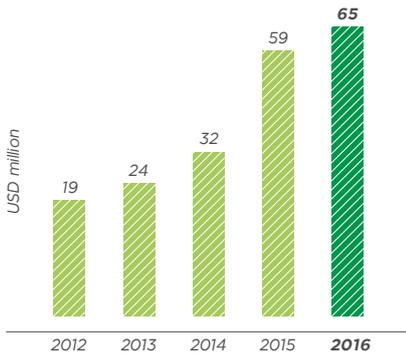
Note: As a % of total GVA contribution; Numbers may not balance due to rounding

NATIONAL CONTRIBUTION REPORT

Contributions to Public Finance

Total contributions by Smart over the last five years reached USD199 million. This expanded to USD65 million in 2016 alone, up from USD19 million in 2012, representing a CAGR of 36.1% (see Figure 4). Smart's contribution of USD65 million includes regulatory related fees, levies and payments. Smart's tax contribution alone accounted for 3.6% of national tax income, excluding other regulatory related fees and payments.

Figure 4: Total contribution to public finance, 2012-2016

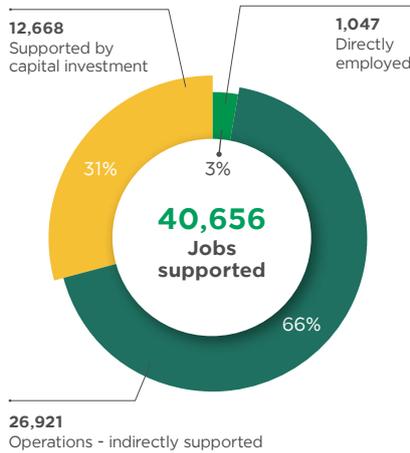


Talent Development

Total employment impact 2016

Smart provided 1,047 direct jobs in 2016 of which 98% of the positions were staffed by Cambodian citizens (see Figure 5). About 37% of Smart employees were women. During the year, Smart engaged 199 interns as part of its goal to provide young people with specialist skills required in the ICT and digital economy. Smart also indirectly supported an additional 27,000 jobs through its operations, and a further 12,700 jobs through its capital investments.

Figure 5: Total employment impact 2016



Smart's labour productivity over the last three years

Smart's productivity, measured as Gross Value Added (GVA) per employee, increased from USD98,256 in 2014 to USD133,383 in 2016 with a CAGR of 16.5% between 2014 and 2016. Significant growth in operational profits supports the expanding of productivity.

In Support of the National Agenda

As part of the Cambodian Government's national agenda, many priorities have been identified as key development areas. These priorities present Smart with an opportunity to play a role in Cambodia's development. The following section provides an overview of some focus areas and Smart's contribution to them.

Education

Education is one of the significant drivers for country development. Through its CSR pillar Education, Smart continues playing an active role in various initiatives as a key development partner with the Ministry of Education, Youth and Sport and Ministry of Posts and Telecommunications of Cambodia to ensure sufficient skilled human resources for the country.

Education as a key component of a knowledge-based society

The Government of Cambodia's long-term vision of Education for All is to ensure equal access to quality basic education for all citizens and to prepare its citizens to play an active role in building the country as well as integrating Cambodia into the knowledge-based global community. Smart runs many programmes designed to empower youth with basic education and literacy; expedite the proliferation of digital literacy; promote continuous education; encourage entrepreneurship and ICT as well as support national culture awareness. Some of Smart's key education-related CSR activities include the award winning National Literacy Campaign 2015 in partnership with long-term partner UNESCO, Mobile Library and Factory in partnership with Sipar, and the SmartEdu Scholarship programme which offers ten tertiary scholarships annually. Smart has also sponsored other education events and Government capacity building initiatives, including the construction of a dormitory for the National Institute of Posts, Telecoms and ICT.

Note: As a % of total GVA contribution; Numbers may not balance due to rounding

NATIONAL CONTRIBUTION REPORT

ICT to support digital education

Cambodia has embarked on a journey of building a digital society in tandem with the rapid expansion of mobile broadband availability and affordability. The Telecommunication and ICT Development Policy 2020 specifies targets such as 100% of high school graduates equipped with basic ICT skills and 15% of ICT human resource in the country. Mobile connectivity can increase access to education and enrich learning experiences with digital content to ensure inclusive, equitable and sustainable education.

Besides having much better 4G LTE services compared to its neighbouring countries, smartphone penetration and internet literacy in Cambodia is booming day by day whereby there are about eight million internet subscribers and 4.9 million social media users as at end-2016. Whilst supporting programmes that help to promote Science, Technology, Engineering and Mathematics (STEM), Smart is also gearing up its involvement in innovation initiatives that contribute towards supporting digital education; for example facilitating the development of educational mobile applications, local content, e-learning portals, e-books and so forth.

Sports

One of the goals of the Cambodian Government is to promote sports and a healthy lifestyle at all levels while contributing to social, cultural and economic development. Football, in particular, has been gaining popularity after improved performances of the national team in the 2018 World Cup Qualifications and the 2016 ASEAN Football Federation

U-16 Youth Championship. Smart has been tremendously active in partnering with the Ministry of Education, Youth and Sport, local authorities, football institutions and NGOs in supporting sporting events, youth programmes and national sports initiatives to spur Cambodia's sports development.

Supporting Cambodia's first National Games

The national policy on the development of physical education and sports is accelerating rapidly ahead of the prestigious regional 2023 SEA Games which will be hosted by Cambodia. In collaboration with the National Olympic Committee, the National Games were launched in 2016 as a result of an eight-year partnership reflecting Smart's commitment to playing a part in developing new sportsmen and sportswomen in the country. Sports covered by this bi-yearly event include athletics, swimming, boxing, badminton, basketball, Kun Khmer and Bokator football, wrestling, table tennis, taekwondo, volleyball, tennis, petanque and acrobatics. The inaugural National Games in 2016 involved 2,700 athletes nationwide and was attended by 60,000 sports enthusiasts over 11 days.

Sports for development programmes

Sports is one of the most powerful tools for personal and professional development. Through its CSR initiatives in Community Sports, Smart aims to trigger positive change and to empower Cambodians to help their communities and families become more sustainable. In the second year of Smart's three-year partnership with Happy Football Cambodia, the Cambodian team won the Men's Globe Trophy at the 2016 Homeless World Cup in Scotland.

2016 also saw Smart partnering with World Vision International and Salt Academy in a sports for development pilot programme which reaches out to over 300 vulnerable youth in Battambang, Preah Vihear and Takeo. These programmes have enabled and encouraged many young Cambodians to dream big, not only in football but also in life. Smart is also the main sponsor of Phnom Penh Crown Football Club and Smart Dragon Basketball Club; the former also runs a Young Talent Academy to cultivate talented players, an initiative that Smart believes will eventually create world-class footballers in Cambodia. As part of promoting a healthy lifestyle, Smart supports every marathon activity in Phnom Penh, Sihanoukville, Siem Reap and Kampot, which saw a total of more than 20,000 participants in 2016.

Introduction

Beyond Short-Term Profits

Nurturing People

Process Excellence & Governance

Planet & Society

Our Associates