

23 May 2022

Minority Shareholders Watch Group  
Level 23, Unit 23-2  
Menara AIA Sentral  
No. 30, Jalan Sultan Ismail  
50250 Kuala Lumpur

**Attention : Mr Devanesan Evanson**  
**Chief Executive Officer**

Dear Sir,

**AXIATA GROUP BERHAD ("AXIATA" OR "COMPANY")**  
**ANNUAL GENERAL MEETING ("AGM") OF AXIATA**

We refer to the Minority Shareholders Watch Group's letter dated 17 May 2022 and are pleased to provide our replies to your queries as follows:-

**Operational & Financial Matters**

- 1. The PGCEO's performance assessment is based on the "Balanced Scorecard" approach and comprises two differently weighted components - the Corporate Scorecard and the Strategic Key Performance Indicators (KPIs) (Page 16 of IAR 2021).**

**What were the major KPIs, targets and achievements made in FY 2021?**

**PGCEO's 'Balanced Scorecard'** comprises two components – the Corporate Scorecard and the Strategic Key Performance Indicators (KPIs) – both designed to address business and stakeholder needs dynamically whilst balancing short-term returns and long-term sustainability.

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In brief, :-

1. **65% was derived from the Corporate Scorecard** where the focus is on growth aspects of the business through metrics covering **Revenue Growth, Cashflow Generation, Profitability, Revenue Market Share** and **Customer Experience** – specifically Net Promoter Score (NPS) and Customer Satisfaction (CSAT). **PGCEO's achievement here has also translated into Axiata exceeding its 2021 Headline KPI** of low single digit growth for revenue ex-device growth and EBITDA growth i.e. for FY2021, our actual achievement was 8.3% and 8.5% respectively.
2. **35% was attributed to Strategic KPIs** which covers Axiata's 10 Key Focus Areas. These KPIs represent the major initiatives we need to undertake today in order to best position our organization to meet our Axiata 5.0 aspirations within the next 5 years. Examples of these Strategic KPIs and achievements as below:
  - i) **Celcom's Transformation:** Delivering subscriber growth of 0.9 million and PATAMI +39.2%;
  - ii) **Cost Excellence:** OPEX savings of RM696 million & CAPEX savings of RM1.3 billion – total savings of RM2 billion of in 2021;
  - iii) **Industry Consolidation:** Where we announced proposed Celcom-Digi merger (Apr 2021), acquisition of Awake Asia by ADA (Jun 2021) and acquisition of Touch Mindscape by edotco (Nov 2021). Based on M&A preparations undertaken in 2021, we subsequently also announced the proposed acquisition of PT Link Net Tbk (Jan 2022);
  - iv) **Value Illumination for Digital Businesses:** In 2021, Boost & RHB submitted a joint bid for digital bank license, for which we have since received conditional approval from Bank Negara Malaysia in Apr 2022. Meanwhile, ADA

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received an additional US\$60 million investment from SoftBank Corp to accelerate its growth agenda;

- v) **Sustainability:** Successfully developed and issued our Net-Zero Carbon Roadmap which outlines the Group's net-zero carbon goals, baseline, carbon emissions profile and strategy for the group to achieve our net-zero status by 2050.

**2. The Group set off on the transformational journey a decade ago by leveraging the digital ecosystem. It expanded into digital businesses via Axiata Digital in 2013. As for its traditional mobile operators, the ambition was to transform into Digital Telcos (Page 17 of IAR 2021).**

**How successfully has Axiata transformed into Digital Telcos? Please share the growth rate for each area of metrics and the prospects.**

Axiata's ambition to transform its traditional mobile operators into Digital Telcos anchored across 4 key strategic initiatives / metrics, which are progressing well. The 4 key metrics and their respective performances are (Page 18 of IAR 2021):

- **LEAP Program** – Digitisation of all Functional Areas. 3 of our OpCos have achieved Digital Leader stage and 3 have achieved Driving Digital Stage (Page 41 of IAR 2021), progressing from the previous Year which recorded 2 Digital Leaders, with a Year-on-Year Index improvement ranging from approximately 6% to 12% across our 6 Digital Telcos.
- **Digital Telco Model (DTM)** – Benchmark Global Best in Converting Functional Digitisation to Financial Outcomes. In 2021, Axiata Group achieved a 54% aggregate savings uplift relative to 2020.

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- **Big Data & Analytics (BDA) Maturity** – Analytics & Data-driven Decision Making. In 2021, the Group's Big Data & Analytics Maturity improved to 92% from 87% in 2020, an improvement of +5pp (page 41 of IAR 2021)
- **AI Maturity** – Pervasive use of Artificial Intelligence as a Business Accelerator. In 2021, the Group-wide average increased to 47%, a +18pp year-on-year improvement compared to 29% in 2020 (page 41 of IAR 2021).

Each of these programs are aimed at increasing and/or sustaining the competitive advantage of our mobile operators, drive efficiencies and innovation to dynamically meet the evolving needs of our customers as well as unlock opportunities for cost improvements and revenue uplift via investment in new technologies.

3. **As at the end of 2021, Axiata's Enterprise segment throughout its six Digital Telco operating markets is catering to the needs of around 185,000 enterprises with plenty of room to capture new growth in digital enablement (Page 20 of IAR 2021).**

**What is the targeted number of enterprises for end of 2022?  
What is the expected growth rate for Enterprise segments revenue contribution in FY 2022 and FY 2023?**

Axiata's Enterprise Businesses across all markets are targeted with **aggressive Revenue Growth Ambitions**. Targeted Enterprises range from Large through to Medium and Small businesses. Due to the wider variation in terms of size and revenue potential of individual businesses, **target setting is based on aggregate Revenue capture and profitability** as opposed to the number of individual businesses. Growth in Enterprise Business will be driven through **organic as well as inorganic strategies**.

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**Enterprise Revenue Growth targets for FY2022 range from 6% to 40%**, depending on country maturity and growth potential yielding an Axiata Group Average of 23%. This would translate to an Enterprise Revenue contribution of 9% to the Group. We expect **Enterprise Revenue contribution to increase to 20% in 2024.**

4. **2021 has been an exciting year for Axiata, as it 'graduated' its digital businesses and set them off on their path to profitability with the ambition of unicorn status by 2024. It consolidated all its fintech offerings under the Boost umbrella to evolve into a full spectrum regional fintech business (Page 21 of IAR 2021).**

**Axiata is focusing on building two unicorns. Which are the two? What is their status now and when are they expected to be profitable?**

The two potential unicorns are Axiata Digital & Analytics (ADA) and Boost Holdings (BHSB). ADA is a data and AI company that provides integrated digital, analytics, marketing, and eCommerce solutions. BHSB is a fintech company that unifies financial services spanning payments, micro-financing, micro-insurance, cross border content services and merchant solutions.

**ADA was already profitable in FY2019**, and delivered strong financial performance in FY2021, with 89% YoY Revenue growth, and 8x Profit growth. ADA's PATAMI contribution to Axiata improved from RM4 million in FY20 to RM32 million in FY21.

BHSB grew its customer base by 900k and merchants by 139k in 2021. **BHSB generates positive Gross Profit but at PAT level still lossmaking.** The impact to Axiata from Boost's negative PAT improved significantly YoY, from RM298 million in FY2020 to RM125 million in FY2021. The Board of Directors and Management of BHSB are closely monitoring its performance, to the company is on track towards sustainable profitability.

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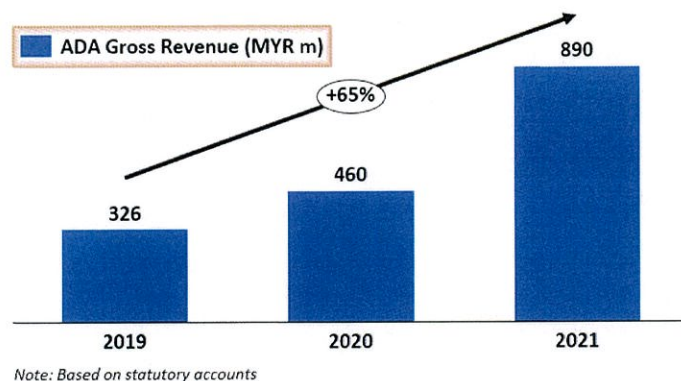
A consortium that is 60% owned by Boost Holding recently won **one of the five licenses for a Digital Bank** in Malaysia. The Digital Bank license will enable Boost to drive innovation, increase competitiveness and fast-track the country's digital transformation ambitions.

5. **ADA is on a steady growth path, as revenue in 2021 soared by 89.4% YoY on the back of the expansion of its customer engagement business and its clients' increased focus on digital transformation (Page 22 of IAR 2021).**

**What is ADA's revenue for FY 2021? Is it already profitable? If not, when is it expected to be profitable?**

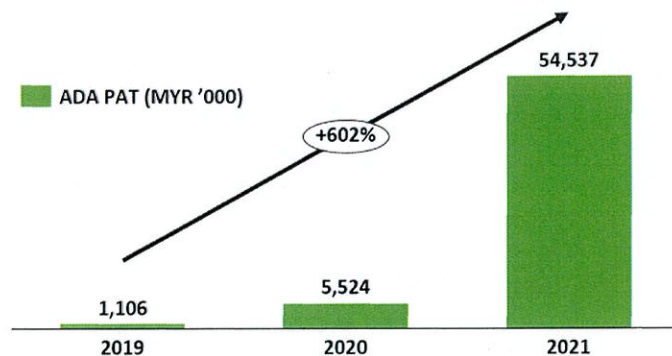
ADA is a digital analytics and AI company that designs and executes integrated digital, analytics, marketing, and eCommerce solutions.

Yes indeed, ADA's revenue has been on a steady growth path from 2019 to 2021. **The Gross Revenue in FY2021 was RM890 million.** ADA continues to benefit from the growth in digital ad spending, shift in retail sales from offline to ecommerce and digital transformation investments made by enterprises in South East Asia.



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**ADA has been profitable since FY 2019 and has maintained its profitability in FY2021 as shown below :-**



*Note: Based on statutory accounts*

- edotco has progressed in its journey to become The Next Generation TowerCo by complementing its traditional towerco products with value-added and innovative offerings (Page 23 of IAR 2021).

**What value-added and innovative offerings has edotco complemented its traditional towerco products with? What have been the achievements and contributions?**

edotco is **expanding its product offering from traditional macro towers to NextGen infrastructure which is 5G ready**. One of the key product lines is 5G enabled street furniture in the form of streetlights, bus stops, minarets, etc. which blends with city beautification and aesthetics. Most noticeably, in Malaysia, edotco have delivered ~450 street furniture sites in the ongoing 5G rollout in the industry.

edotco has also **expanded the portfolio of managed sites** which has resulted in synergies in the field operations with its own tower portfolio and ability to deliver elevated service levels consistently.

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In edotco footprint of over 50,000 sites, approximately 25,000 sites are managed sites where edotco is providing end-to-end power systems and/or field operations.

edotco energy solutions are **moving from traditional power systems into cutting edge and sustainable power technology**, which is with longer duration, deeper discharge cycles and at the same time delivering better carbon footprint. Over the last 5 years edotco have saved carbon emission on a per site basis by 62% via innovative designs, system optimisation, digitisation, data driven control points, and use of alternative materials/ technologies.

edotco is also exploring **additional products lines** which include **fiber last mile, edge computing, active Distributed Antenna System (DAS) and and Network-as-a-Service ("NaaS") for rural telephony** which are complementary to the core tower and power business. These products will assist in lowering network cost, leading to more affordability and also deepen network sharing amongst mobile operators.

### **Sustainability and Corporate Governance Matters**

1. **During the year, the Board approved the inclusion of Sustainability as a Strategic KPI in line with the requirements of the Malaysian Code on Corporate Governance (MCCG) 2021. This is in addition to an existing Strategic KPI to drive the national development agenda through efforts to groom local talents and build digital entrepreneurs (Page 16 of IAR 2021).**

**What is the existing Sustainability Strategic KPI, target and achievement? What is the new Sustainability Strategic KPI and target for FY 2022?**

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The sustainability KPI that has been put in place reinforces the Group's emphasis on Environmental, Social and Governance ("ESG") matters. This KPI covers the following:-

- i) The development of Axiata's net-zero carbon roadmap to achieving net-zero no later than 2050 (as per GSMA ambition).
- ii) Strengthening Axiata's sustainability strategy.

The CEOs of Axiata's Operating Companies have joined in this effort and have also adopted sustainability related KPIs pertaining to improved carbon data governance and reporting to drive action across our footprint.

As of today, we have successfully developed and in the midst of announcing our Net-Zero Carbon Roadmap which outlines the Group's net-zero carbon goals, baseline, carbon emissions profile and strategy for the group to achieve its net-zero status by 2050. This will be launched this Thursday, 26 May 2022.

We have also committed to the Science Based Targets initiative (SBTi), ensuring that the pathway is aligned to science and will contribute toward limiting temperature rise to below 1.5°C.

Supporting our climate action journey, we have achieved the following milestones:

- i) Established Axiata Group's baseline for Scope 1 and 2 carbon emissions;
- ii) Established data governance structure strengthening carbon management to drive action and support data collection and tracking; and
- iii) Established a Board Sustainability Committee.

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The focus for 2022 will be to rollout our Net-Zero Carbon Roadmap and enhance our Group Sustainability framework and strategy. Sustainability is an ongoing journey and we will continue to refine our practices and approaches going forward.

- 2. To support the agenda to develop a Group-wide target to reduce carbon emissions aligned to the Science Based Target Initiative (SBTi), the Axiata Net-Zero Carbon Roadmap will be launched in 2022 (Page 16 of IAR 2021).**

**Please share with shareholders the key milestones to be achieved under the Axiata Net-Zero Carbon Roadmap.**

Axiata's Net-Zero Carbon Roadmap outlines the Group's net-zero carbon goals, baseline, carbon emissions profile and strategy for the group to achieve its net-zero ambition, which is to reach net-zero carbon emissions no later than 2050.

The roadmap sets forth a three objective-strategy as follow:

- i) Accelerate decarbonisation of our network operations;
- ii) Accelerate transformation of our value-chain; and
- iii) Deliver an inclusive climate agenda.

Amongst the key milestones for the Roadmap are:

- i) To reduce operational network emissions for Scope 1 and 2 by 45% by 2030 from a 2020 baseline; (Scope 1 – direct emissions owned or controlled by the company; Scope 2 – indirect emissions from purchased electricity consumed);
- ii) With Scope 1 and 2 baseline set, the focus is to establish the baseline of the Group's Scope 3 emissions;
- iii) To reduce value-chain emissions for Scope 3 from our indirectly controlled sources by 2050 (Scope 3 – all other indirect emissions outside the control of the company);

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- iv) To contribute to positive climate action through carbon removal and enabling avoidance through technology and digitalisation; and
- v) To prepare for reduction targets to be approved by Science Based Targets initiative (SBTi) by 2023.

**3. Practice 5.9 - The board comprises at least 30% women directors.**

**Axiata's response: Departure. The composition of the Board as at 31 December 2021 comprised ten Directors of whom two are women providing a representation rate of 20%. Timeframe for application is as soon as possible with the identification of suitable candidates that possess the necessary qualification and experience that meet the requirements set for a position on the Board.**

**MSWG's comment: The Company should set a specific timeframe to apply the Practice.**

Axiata is committed towards ensuring the required diversity on its Board and this extends to gender diversity. Towards that objective, Axiata is working towards fulfilling the required rate of women representation on its Board **by the end of 2022.**

Active evaluation of suitably qualified and experienced candidates is currently underway.

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We will present all the above-mentioned questions and our responses thereto at the 30<sup>th</sup> Annual General Meeting to be held on Thursday, 26 May 2022.

Thank you.

Yours sincerely,

For and on behalf of

**AXIATA GROUP BERHAD**



**DATO' IZZADDIN IDRIS**

**President & Group Chief Executive Officer**