

## AXIATA GROUP BERHAD (“AXIATA” OR THE “COMPANY”)

### IMPLEMENTATION OF A LONG-TERM INCENTIVE PLAN (“LTIP”) BY AXIATA DIGITAL & ANALYTICS SDN BHD (“ADA”), A SUBSIDIARY OF AXIATA

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#### 1. INTRODUCTION

Pursuant to Paragraph 9.19(52) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of Axiata (“**Axiata Board**”) wishes to announce that ADA, a subsidiary of Axiata had on 22 December 2022 implemented the LTIP in the form of an employees’ share option scheme of up to 7% of ADA’s issued and paid-up share capital at any point of time during the duration of the LTIP. As at the date of this announcement, Axiata holds effective interests of 61.29% in ADA.

The principal terms of the LTIP are set out below.

#### 2. DETAILS OF THE LTIP

The LTIP serves to attract, retain, motivate and reward the selected employees and executive directors of ADA and its subsidiaries (including dormant subsidiaries) (“**ADA Group**”) (“**Eligible Employees**”) who are eligible in accordance with the by-laws governing the LTIP (“**By-Laws**”) through the grant of Share Options (as defined below) to the Eligible Employees.

The LTIP will be administered by a committee to be appointed and authorised by ADA’s board of directors (“**Board**”) in accordance with the By-Laws (“**LTIP Committee**”).

The Eligible Employees will be granted options to subscribe for new ordinary shares in ADA (“**ADA Shares**”) at the Share Option Price (as defined below) (“**Share Options**”), subject to the terms and conditions of the By-Laws.

The offers in writing of the Share Options to be made by the LTIP Committee to the Eligible Employees (“**Share Option Offers**”) once accepted by the Eligible Employees (“**Share Option Holder(s)**”), will be vested to the Share Option Holders in such manner and subject to the achievement by ADA and/or the Share Option Holders (as the case may be) of certain Performance Targets (as defined below) and/or such other conditions, as may be determined by the LTIP Committee in accordance with the By-Laws, which includes, but is not limited to, ADA’s share price performance but subject always to the Board’s power to overrule any decision of the LTIP Committee.

The price at which a Share Option Holder shall be entitled to subscribe for each ADA Share upon the exercise of a Share Option (“**Share Option Price**”) shall be based on the fair value of ADA Shares for the financial year of ADA immediately preceding the year the Share Option Offer is made as determined by a third party valuer appointed by ADA and as approved by the LTIP Committee or based on such other factors as the LTIP Committee may determine, or such other value as may be determined by the LTIP Committee subject to the relevant applicable laws, rules and regulations.

The other salient terms of the LTIP are as follows:

##### 2.1 Maximum number of ADA Shares available under the LTIP

The total number of ADA Shares which may be available under the LTIP shall not exceed in aggregate 7% of the issued and paid-up share capital of ADA on a fully diluted basis (“**Share Capital**”) at any point of time during the Share Plan Period (as defined below) (“**Maximum Shares**”).

In the event the Maximum Shares exceed the 7% limit as a result of ADA reducing its own ADA Shares in accordance with the provisions of the Companies Act 2016, all Share Options granted prior to the said variation of the total number of ADA Shares shall remain valid and exercisable and may vest in accordance with the provisions of the LTIP as if that reduction had not occurred. If, after such reduction, the Maximum Shares as at the date of reduction of ADA Shares exceeds the 7% limit, no further Share Option Offers shall be made by ADA until such aggregate number of ADA Shares in respect of the Share Option Offers falls below the 7% limit (or such other lower percentage as may be determined by the LTIP Committee at its sole and absolute discretion).

## **2.2 Basis of allocation and maximum allowable allocation**

The aggregate number of ADA Shares comprised in the LTIP to be granted to any one (1) of the Eligible Employees at any time shall be at the recommendation of the LTIP Committee after taking into account the Performance Targets during the Performance Period (as defined below) and/or such other criteria as the LTIP Committee may decide in its discretion (subject always to the By-Laws and any applicable law).

However, the allocation to any one Share Option Holder who, either singly or collectively through persons connected (as defined under the relevant applicable law) with the Share Option Holder, holds 20% or more of the Share Capital, does not exceed 10% of the total number of ADA Shares to be issued under the LTIP or any other share issuance schemes to be implemented by ADA.

The LTIP Committee shall have sole and absolute discretion in determining whether the Share Options under the LTIP is to be offered to the Eligible Employees via a single grant at a time determined by the LTIP Committee or several grants where the grant of the Share Options will be staggered or made in tranches at such times determined by the LTIP Committee.

The executive directors and senior management of the ADA Group shall not be allowed to participate in the deliberation or discussion of their respective allocation of Share Options and/or allocations of Share Options to persons connected (as defined under the relevant applicable law) with them under the LTIP.

## **2.3 Eligibility**

Subject to the determination of the LTIP Committee, any Eligible Employee who meets the following criteria as at the date of the Share Option Offer ("**Share Option Offer Date**") shall be eligible for consideration and selection as a Share Option Holder by the LTIP Committee if the Eligible Employee:

- (i) is a Malaysian citizen or a foreigner employed by the ADA Group;
- (ii) is at least 18 years of age;
- (iii) is neither an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (iv) has been employed on a full-time basis or is serving in a specific designation under any employment contract with, and is on the payroll of, any company within the ADA Group ("**ADA Group Company**");
- (v) is confirmed in service;
- (vi) remains an executive director or employee of any ADA Group Company and has not given any notice of resignation or received a notice of termination or has otherwise ceased or had his/her employment terminated;
- (vii) is also required to be an executive director or an employee of any ADA Group Company holding a senior position or such position as may be designated by the Board. For the avoidance of doubt, non-executive directors will not be eligible;

- (viii) in the case of the executive director or employee of a corporation which is acquired by the ADA Group during the Share Plan Period and such corporation becomes a subsidiary of ADA upon completion of such acquisition, the executive director or employee must have completed a continuous period of employment of at least one year in the ADA Group from the date of confirmation of employment (which for the avoidance of doubt shall exclude any probation period), following the date that such corporation becomes or is deemed to be a subsidiary of ADA;
- (ix) in respect of all foreign executive directors and/or employees (i.e. persons who are not Malaysian citizens) where in the opinion of the LTIP Committee the contribution of such executive director and/or employee is vital to the ADA Group, such executive director and/or employee shall be eligible to participate in the LTIP, subject to the provisions of the By-Laws, if the required approvals (if any) from the relevant authorities have been obtained by ADA or such executive director or employee (as the case may be), and such executive director and/or employee is, on the Share Option Offer Date, under a subsisting employment contract and has served for at least a period of one year from the date of confirmation of employment (which for the avoidance of doubt shall exclude any probation period) prior to the Share Option Offer Date; and
- (x) falls within any other eligibility criteria as may be determined by the LTIP Committee.

The selection of any Eligible Employee as a Share Option Holder shall be made by the LTIP Committee, whose decision shall be final, binding and conclusive. The LTIP Committee may determine any other eligibility criterion or waive any eligibility criterion, for the purposes of selecting an Eligible Employee at any time and from time to time.

Eligibility under the LTIP does not confer on any Eligible Employee any claim, right to participate in, or any other right whatsoever under the LTIP.

## 2.4 Duration and termination of the LTIP

The LTIP will take effect from 22 December 2022 ("**Effective Date**") and shall continue to be in force for a maximum period of 10 years commencing from the Effective Date ("**Share Plan Period**"). The LTIP may, at the discretion of the Board upon the recommendation of the LTIP Committee, be extended for a further period from the expiry of the first 10 years thereof.

ADA may terminate the LTIP at any time during the Share Plan Period as ADA deems appropriate.

On expiry of the LTIP, any unvested Share Options which have yet to be vested (fully or partially) or vested but remained unexercised or partially exercised, shall be deemed to have been cancelled and be null and void and of no further force and effect.

## 2.5 Vesting

The vesting of the Share Options may be subject to the fulfilment by the ADA Group Company and/or the Share Option Holder (as the case may be) of the performance conditions recommended by the LTIP Committee and approved by the Board and such other conditions as may be determined by the LTIP Committee at its sole and absolute discretion ("**Performance Targets**") during the period in which the Performance Targets are required to be achieved ("**Performance Period**") and/or such other conditions, as may be determined by the LTIP Committee. Such Performance Targets and/or other conditions will be stipulated in the Share Option Offers to the selected Eligible Employees.

The LTIP Committee may, by giving notice in writing to the Share Option Holders, vary or waive the terms of any Performance Targets, Performance Period or other conditions or include additional conditions, as will be used to determine the number of Share Options to be vested on such Share Option Holders on any date in which the Share Options shall be vested in favour of the Share Option Holder ("**Share Option Vesting Date**").

The determination whether the Share Option Holder has achieved the stipulated conditions or his/her Performance Targets (if any) during the Performance Period and the value created therein shall be determined by the LTIP Committee.

The LTIP Committee shall determine the number of Share Options to be vested on that Share Option Holder subject to Section 2.2 of this announcement.

The Share Options will vest in such manner as the LTIP Committee may in its discretion determine, as set out in the Share Option Offer provided that the vesting conditions as set out in the Share Option Offer are fully and duly satisfied and met on the Share Option Vesting Date and as may be determined by the LTIP Committee and, unless the LTIP Committee decides otherwise in its sole discretion:

- (i) the Share Option Holder must remain in employment with the ADA Group Company as at the relevant Share Option Vesting Date (whether employed on a full-time basis or serving in a specific designation under employment contract for a fixed duration) and shall not have given a notice of resignation or received a notice of termination as at each of the Share Option Vesting Date save and except as may be provided under the By-Laws;
- (ii) the Share Option Holder is not enrolled in any performance improvement programme as may be required by the relevant ADA Group Company. The vesting of Share Options shall be suspended until the Share Option Holder has completed the performance improvement programme to the satisfaction of the LTIP Committee in its sole discretion. The Share Options shall be vested to the Share Option Holder upon such satisfaction on the Share Option Vesting Date next occurring; and
- (iii) the Share Option Holder is not an undischarged bankrupt as at the relevant Share Option Vesting Date under the laws to which he is subjected to and shall not have received any notice that a bankruptcy proceeding is being instituted/threatened to be instituted against him as at such Share Option Vesting Date.

No Share Options shall vest on a Share Option Vesting Date which falls after the expiry of the Share Plan Period.

## **2.6 Ranking of ADA Shares**

The new ADA Shares to be allotted and issued pursuant to the exercise of a Share Option shall:

- (i) be subject to the laws of Malaysia and all provisions under the constitution of ADA; and
- (ii) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing ADA Shares, the entitlement date for which is on or after the date the ADA Shares are allotted and issued to the respective Eligible Employees pursuant to an exercise of the Share Options and shall in all other respects rank pari passu with other existing ADA Shares then in issue.

The Share Option Holder shall not be entitled to any dividends, rights, allotment and/or other distributions which may be declared, made, or paid to shareholders of ADA, for which the entitlement date is prior to the date on which the ADA Shares are allotted and issued to the Share Option Holders.

## **2.7 Alteration of share capital and adjustment**

If there is any variation in the capital structure of ADA during the Share Plan Period, the LTIP Committee may appropriately adjust the number of ADA Shares and/or Share Options contained in the LTIP to be granted pursuant to the LTIP and/or the Share Option Price, subject always to the provisions of the By-Laws and applicable laws.

### 3. RATIONALE FOR THE LTIP

The LTIP is intended to:

- (i) reward and retain the Eligible Employees for their loyalty and attainment of higher performance achievements and whose talents are vital to the ADA Group;
- (ii) attract skilled and experienced individuals to join the ADA Group and contribute to the performance of the ADA Group;
- (iii) motivate the Eligible Employees to improve their performance standards and maintain high level contributions through greater levels of commitment, dedication and loyalty to the ADA Group;
- (iv) provide incentive for the Eligible Employees to participate more actively in the operations and future growth of the ADA Group;
- (v) make the ADA Group's remuneration scheme more competitive by offering an additional mode of compensation/benefit to the Eligible Employees;
- (vi) to align the performance of the Eligible Employees with the share performance of ADA, future growth of the ADA Group and interests of ADA's shareholders;
- (vii) to reward Eligible Employees by allowing them to participate in the ADA Group's growth and profitability and eventually realise potential capital gains arising from any appreciation in the value of the ADA Shares; and
- (viii) to gear the Eligible Employees' behaviour and performance towards long-term liquidity events and encourage a sense of shared ownership of the targeted outcomes through sharing of value created.

### 4. FINANCIAL EFFECTS OF THE LTIP

The financial effects of the LTIP to Axiata and its subsidiaries ("**Axiata Group**") are as follows:

#### 4.1 Share capital of Axiata

The LTIP will not have any effect on the share capital of Axiata as it does not entail the issuance of new shares in Axiata.

#### 4.2 Net assets ("NA") per share and gearing

The LTIP will not have an immediate effect on the consolidated NA, NA per share and gearing of the Axiata Group until such time that new ADA Shares are issued upon the exercise of the Share Options vested under the LTIP.

Any potential effect on the NA per share of Axiata will depend on the number of ADA Shares to be issued and/or cash paid in lieu of ADA Shares upon exercise of the Share Options which can only be determined at the point of the exercise of the Share Options.

Assuming that the number of ADA Shares to be issued upon exercise of the Share Options granted amounts to 7% of the total number of issued shares of ADA (being the Maximum Shares) as at 30 November 2022, being the latest practicable date prior to the issuance of this announcement, the consolidated NA of the Axiata Group and NA per share of Axiata are expected to be diluted. The dilutive effect of Axiata's effective shareholding in ADA is set out below:

	<b>Effective shareholding (%)</b>
Axiata's effective shareholding before the full exercise of the Share Options granted	61.29
Axiata's effective shareholding after the full exercise of the Share Options granted	57.28

It should be noted that even if the Maximum Shares of ADA stipulated above are granted to the Share Option Holders, the actual number of new ADA Shares to be issued by ADA may be less in view of the following:

- (i) ADA and/or the Share Option Holders would need to meet the Performance Targets and/or other vesting conditions for the Share Option Holders to be entitled to the ADA Shares comprised in their Share Options; and/or
- (ii) the unvested Share Options may cease to be capable of vesting or the vested Share Options may cease to be capable of exercise by the Share Option Holders.

Notwithstanding the above, the LTIP is not expected to have a material impact on the Axiata Group's consolidated NA per share and consolidated gearing for the financial year ending 31 December 2022.

#### **4.3 Earnings and earnings per share ("EPS")**

With the adoption of Malaysian Financial Reporting Standards 2 - Share-based Payment ("**MFRS 2**"), the potential cost of the Share Options under the LTIP will need to be measured at fair value on the date of the Share Option Offers and recognised as an expense in the earnings over the vesting period of such Share Options.

The extent of the effect of the LTIP on the Axiata Group's consolidated earnings and EPS cannot be determined at this juncture as it would depend on the fair value of the new ADA Shares to be granted as at the respective dates of the Share Option Offer.

For clarification purposes, there will only be a cash outflow relating to the Share Options under the LTIP in the event the exercise of vested Share Options is satisfied wholly or partially in cash in lieu of ADA Shares. Except for the aforesaid potential cash outflow under the LTIP, the potential cost of the Share Options (at the date of the Share Option Offers) to be satisfied by allotment and issuance of ADA Shares do not represent a cash outflow.

The LTIP is expected to have a dilutive effect on the Axiata Group's EPS due to an increase in the number of ADA Shares should there be any allotment and issuance of new ADA Shares upon the exercise of any Share Options pursuant to the LTIP. In view of this, the Axiata Board has taken note of the potential effect of MFRS 2 on the Axiata Group's earnings and will take reasonable measures to manage the effect on the consolidated EPS of the Axiata Group in the granting of the Share Options to the Eligible Employees.

#### **5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM**

None of the directors, major shareholders or chief executive of Axiata and/or persons connected with them have any interest, direct or indirect, in the LTIP.

In the event ADA intends to allocate any Share Options to Axiata's directors and/or persons connected with them during the duration of the LTIP, the said director will abstain from deliberating and voting at all relevant Axiata Board's meetings on his/her allocation, as well as allocations to persons connected with them (if any). In addition, Axiata will seek the approval of its shareholders for the relevant entitlements at a general meeting.

**6. DIRECTORS' STATEMENT**

The Axiata Board is of the opinion that the LTIP is in the best interest of Axiata.

**This announcement is dated 22 December 2022.**