

A Conversation On Sustainability With Our President & Group Chief Executive Officer



Dato' Izzaddin Idris
President & Group Chief Executive Officer

The new normal has seen Axiata Group Berhad (Axiata) asserting its role of providing connectivity and digitalisation to empower societies, address stakeholders' needs and respond to the planet's needs more urgently. The Group has responded with enhancing its Environmental, Society and Governance (ESG) practices, based on the conviction that its license to operate is rooted in serving and uplifting society and the environment as a whole.

Against these shifts, Axiata emerged from the financial year ended 31 December 2021 (FY2021) with a strong financial position, once again demonstrating its readiness to rise to the accelerated demand for data,

connectivity and digitalisation across its regional footprint. The encouraging results reflect the Group's organisational resilience and preparedness in meeting the accelerated demand for digitisation, coupled with OpCo efforts in delivering solid operational performance in executing the Axiata 5.0 Vision.

Axiata's President & Group Chief Executive Officer, Dato' Izzaddin Idris, provides more insights on the Group's progress in addressing an evolving landscape of stakeholder expectations and accelerating its sustainability ambition.

What were Axiata's ESG highlights for 2021?

As a Group, we recorded significant milestones during the year. A key moment was our signing of the Science Based Target Initiative (SBTi) Business Ambition Pledge for 1.5°C. This formalised our commitment to reach net-zero emissions no later than 2050. In tandem with this Sustainability and National Contribution Report 2021, we have developed our Net-Zero Carbon Roadmap which sets the direction for the Group to achieve our Advancing to Zero climate ambition.

Overall, our ESG highlights across the Group also included continued efforts in championing digital inclusivity and enabling opportunities for empowering society through digitisation and modernisation. Conscientiously, we take due care in ensuring socioeconomic contributions to the markets we operate in are consistent, enabling sustainable business growth for the Group as a whole.

As a testament to our collective efforts in 2021, we saw improvements across the Group's ESG ratings and indexes. Our MSCI ESG Ratings improved from 'A' (Average) to 'AA' (Leader) and our FTSE ESG Russell rating from 3.1 to 3.4. These improvements have largely been driven through enhanced transparency on corporate governance, responsible practice adoption and strengthened climate action. Our improved ratings from investors and analysts validate our overall efforts towards advancing our sustainability performance and management. Concurrently, our stakeholder engagements and response to stakeholder expectations earned us the top three position in PwC's Building Trust Awards in 2021.

We are encouraged to embark further on our ambition this year, leveraging on developing organisational readiness and strengthening investors' trust along the way.

ESG HIGHLIGHTS ACROSS THE GROUP

Increased collaboration through the Axiata Sustainability Steering Committee with engagements through the year focused on our net-zero journey with support from key operational functions such as Strategy and Technology

Axiata Group scored **third-best performing in Southeast Asia for the Digital Inclusion Benchmark**, ranking in the top third of companies assessed

Achieved cost excellence with **RM2.0 billion in savings**, including RM1.1 billion from Collective Brain initiatives

Contributed to society empowerment by supporting approximately **700,000 employment opportunities** and **contributing USD11.1 billion to GDP** in the markets we operate in

Signed the Science Based Target Initiative (SBTi) Business Ambition pledge for 1.5°C

Committed **to reducing emissions by 45% by 2030** across operations and formalised with the launch of **Axiata's Net-Zero Carbon Roadmap**

Axiata Foundation pledged RM115 million in investments over the next 10 years through a refined structure focused on Education, Environment and Community Investments

Rolled out a risk-based approach to managing cyber security and maintaining digital trust through **Digital Trust and Resilience 2023**

Enhanced digitisation and modernisation efforts by supporting **70 employee-led projects as part of LEAP NOW**

Increased on-site solar adoption compared to 2020 driven by increased uptake of on-site solar solutions to replace diesel generators

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The events of the past two years have underscored the inevitability of change. How is Axiata responding to change, particularly at the accelerated pace observed during these times?

We view evolution as part and parcel of our industry and business streams. We support the need for digital infrastructure through our network and digital services that play an important role in providing continuous and reliable access to connectivity. The advancements in our industry, and the rising prominence of sustainability which we have seen in recent years, fuel our continued efforts to adapt to change through a fair and inclusive sustainability journey.

We have and will continue to ensure that our goal of Advancing Asia is balanced by ESG elements, focusing on our net-zero commitment and sustainable development.

One change in particular that has emerged at the forefront is the all-of-organisation approach in managing sustainability. Now more than ever, sustainability has become a key contributor to value creation across our business operations. Through the adoption of sustainable business practices across functions throughout the organisation, we aim to incorporate sustainability into the daily operations and long-term goals of our diverse business.

Supporting this transition are our sustainability values, 'It Begins With Me, It Begins With Us'. These values encompass how we, as individuals of Axiata as well as through collective action, can enable purposefulness in progressing sustainable development. We have also relaunched our Axiata Foundation which will enable greater involvement from our employees at a personal level, relating back to 'It Begins With Me, It Begins With Us'.

Good governance also forms part of our corporate values to operate responsibly, specifically in the areas of data privacy and cyber security. As a digital company, we recognise that protecting the data privacy of our customers, employees and other stakeholders is paramount. Throughout our organisation, both internally and externally, we ensure data is handled with the highest level of care and diligence.

How has Axiata 5.0 integrated sustainability into its goals and ambition, and how will it continue to evolve?

Sustainable practices are a crucial component to deliver our business strategy. Our climate ambition towards net-zero demonstrates our commitment to deliver value to our stakeholders in response to the urgency of climate action. Through our Operational Excellence pillar, we foresee net-zero playing a crucial role in enabling competitive advantages across all OpCos. For example, energy saving and solarisation initiatives implemented across our networks have already lowered our operating costs and improved our carbon intensity performance by 24% from 2020.

Furthermore, by driving innovations in green tower infrastructure, inclusive connectivity and digital business opportunities, we aim to contribute to a sustainable digital economy in line with our purpose of Advancing Asia.

How has the Group's sustainability governance and agenda benefitted OpCos' performance in their respective markets?

Good governance is the bedrock of a responsible and sustainable business. With direction from our Board and support from the Group, our OpCos are empowered to serve as a conduit for value creation for our other stakeholders. Strong governance towards ESG enables processes and systems that seamlessly ensure efforts towards realising our vision and business strategies, as well as providing returns on investment for our OpCos and to the Group.

At the Board level, we've actively promoted responsible oversight into sustainability issues and sustainability management. Following key awareness engagements with the Board on sustainability, we strive for more active and meaningful collaborations leveraging our diverse Board to advance Axiata's sustainability goals.

As Group CEO, in August of last year I had committed to the Board a sustainability KPI to reinforce the Group-wide commitment towards our climate ambition. OpCo CEOs have joined me in this effort and have also adopted sustainability-related KPIs to drive action across our footprint.

At the Group level, through leadership and accountability, we drive and execute OpCo localised strategies in line with our Axiata 5.0 Vision. We also pursue Group-wide synergy towards operational excellence through the Collective Brain platform to unlock opportunities for success. These efforts have enabled us to deliver on our promise while promoting the business case for operating smarter for the future.

Along this journey, the lessons we learn continuously shape our efforts as we adapt and mature our governance and strategies for inclusive value creation.

What have been the most challenging and rewarding aspects of stakeholder collaboration in driving Axiata's ESG agenda?

We recognise that we cannot work alone to achieve our sustainability aspirations. We see our pursuit of meeting our ESG agenda as an opportunity to build transformative partnerships internally and externally through collaborations to collectively drive bigger impacts.

Internally, the collaborations and synergies within the Group have enabled improved operational efficiencies as we unlock collective opportunities for value creation.

Through our **Group People Division**, the implementation of Organisation 5.0 is set to provide the environment for an inclusive and winning culture for our people. Focus areas include high organisational effectiveness, nurturing capabilities and maximising our potential to become a Digital Champion that positively impacts communities. A particularly rewarding aspect of involving our workforce was our strengthened commitment in understanding and adopting ESG principles across our respective businesses.

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What have been the most challenging and rewarding aspects of stakeholder collaboration in driving Axiata's ESG agenda? (cont'd)

Collaborations between the **Chief Technology Officer (CTO) Council and Group Sustainability** have enabled the Group to work towards operational excellence targets of the Collective Brain, with a view to improve our carbon emissions performance. Overall, the exercise enabled us to take a more rigorous approach to energy and carbon data analytics, supporting the development of a strategy towards energy efficiency and renewable energy which forms part of our Net-Zero Carbon Roadmap.

Externally, across our stakeholder groups, we actively gather, respond, and interact with our stakeholders on ESG. This approach offers valuable insight into opportunities to evaluate, reassess and improve our ESG practices.

Through these engagements, we continue to build strong stakeholder trust through transparent communications and disclosure, affording us with greater insight and stronger relationships with the stakeholders we impact. Regular and active dialogues with **Governments** across our footprint also help influence policy, encourage national efforts towards regulated climate action and drive an inclusive climate agenda.

A number of our key engagements with **regional policy-makers, local collective corporate groups, and industry GSMA Ministerial Events** that I had the opportunity to be a part of, centred on one common agenda: urgent corporate climate action. These had propelled the Group's voice, representing digital telcos in ASEAN and South Asia, in strengthening efforts to reduce emissions in line with the science.

Together with our OpCos, the Group contributes to national socioeconomic development across the markets we operate. Our digital inclusivity and connectivity agenda empowers communities as well as contributes to national GDP growth and job creation. In 2021, we provided 13,181 direct opportunities across the Group, and supported approximately 700,000 employment opportunities indirectly across the markets we operate. Overall, the Group contributed USD11.1 billion to GDP during the year, contributing to economic, social and environmental development in our respective footprint countries.

Our philanthropic outreach to **communities**, through the relaunch of our Axiata Foundation, has also expanded to now cover three areas (Education, Environment and Community Investments). The Foundation's new structure enables us to collaborate with **Governments** and **NGOs** to empower communities in these areas towards shared value creation.

How does Axiata's Next Generation Digital Champion ambition contribute to value creation for our stakeholders?

Our vision of becoming The Next Generation Digital Champion is anchored on enabling our business and society to leverage opportunities and capabilities of a digital future. These form the core of delivering our ESG ambition and vision of Advancing Asia.

For our employees, we encourage an innovative mindset as an imperative of a future-ready workforce. In this respect, digitisation efforts such as our LEAP NOW programmes and workstreams, that seek to modernise internal and external processes, bring forth efficiencies throughout our business in the face of digital disruption.

For societies across the countries we operate, we hope to empower positive change by enabling inclusiveness in an all-of-society approach towards combating climate change and social challenges. Digital connectivity and modernisation form key enablers for this change.

For our customers, we prioritise cyber security and data privacy risk management for safe, responsible and reliable connectivity. The execution of the first year of our Digital Trust and Resilience 2023 (DT&R) strategy rooted on our T.R.U.S.T principles also addresses growing consumer demand for data governed by safe and responsible management of data privacy.

For our suppliers, we cascade our vision of Advancing Asia in balance with ESG principles across our supply chain operations. Collaboration, through ESG empowerment and carbon management, will be a potential avenue for a greater value chain approach with shared benefits to our industry and region as a whole.

What can we expect in 2022 in terms of the Group's sustainability outlook?

As we take our next steps, we remain committed to furnishing our stakeholders with the strategies required to execute our commitments and targets. **Having spent the past year establishing foundations and inculcating awareness across the Group, in the coming year we will focus our efforts on refining and strengthening our sustainability framework and strategy while enhancing our net-zero carbon agenda.**

Establishing our sustainability framework and strategy will entail identifying specific objectives and targets aligned with existing ambitions, our stakeholder expectations and contributing to the United Nations Sustainable Development Goals.

Enhancing our net-zero carbon agenda in 2022 will involve efforts that leverage on the climate governance and targets established in 2021. The addition of our Scope 3 inventory in the year, together with embarking on our Task Force on Climate-related Financial Disclosures (TCFD) journey, will help us understand the implications, risks and opportunities that climate change could have across our markets and outside of our operational boundaries.

With the fundamentals of our sustainability goals and initiatives now firmly in place, as well as the results to date which reaffirm the trajectory we have charted thus far, we look forward to delivering greater sustainable value to our stakeholders and for our planet in the year ahead.