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2022 TCFD REPORT

Digi's climate-related
disclosures

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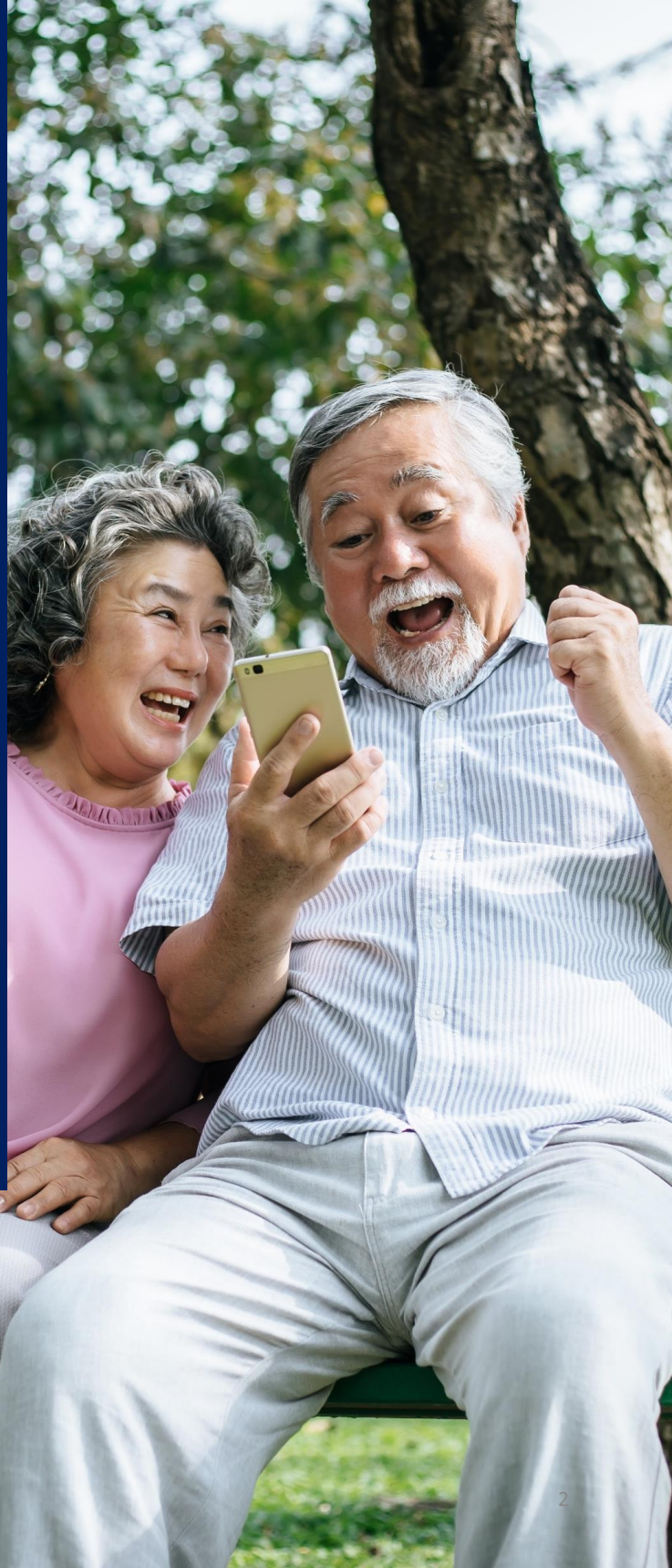
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Recommendations of the Task Force on Climate-related Financial Disclosures & why is it important?

Digi is pleased to provide our first report aligned to the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"). This is in line with our Sustainable Development Goal 13 (Climate Action) commitment to "Take urgent action to combat climate change and its impacts". This report provides transparency on our approach to managing climate-related risks and opportunities across our business.

The most recent IPCC Sixth Assessment Report Climate Change 2022 (AR6) published in February by the Intergovernmental Panel on Climate Change (IPCC), the AR6, shows that to limit global warming to 1.5°C, the world must decarbonise all segments of society and bring global greenhouse gas (GHG) emissions to net zero within 2050. According to the emission scenario aligned with the 1.5°C target, the most rapid emission reductions need to occur at the beginning of the period between now and 2050. Currently, the world is not aligned with the targeted 1.5°C warming scenario but on a path toward 2.5°C-2.9°C warming scenario.

The IPCC's Special Report, Global Warming of 1.5°C, identified Southeast Asia (SEA) as among the regions that would be the hardest hit by climate change, near future. In Malaysia, this could mean higher average temperatures, more intense rainfall, sea level rise, flooding, higher incidences of diseases and lower crop yield. All these translate into increasing risks for businesses, including Digi as our customers' livelihoods will be affected, coupled with rising costs in the supply chain and damages to critical infrastructures.

In the recent [12th Malaysia Plan \(12MP\)](#), the country's five-year development roadmap 2021-2025 seeks to advance green growth by implementing a clean, green and resilient development agenda through the whole-of-nation approach. The commitment include the aspiration to become a carbon-neutral nation by 2050 at the earliest. Currently contributing 0.7% of GHG emissions, Malaysia aims to reduce its emission intensity of GDP by 45% by 2030. This is based on the emission intensity of GDP in 2005, in line with the Paris Agreement in 2015. (GHG intensity is the ratio of a country's emission to the economic value it generates.)

Sustained climate action and risk mitigation strategies

Digi's Yellow Heart is our Sustainability commitment to our stakeholders to be a responsible business. Climate change poses both physical and transition risks, as well as opportunities for our business. Thus, routine assessment of these risks and opportunities can maximise the long-term shared value we bring to our customers, investors and the communities we operate in. We constantly monitor changes in the business landscape to explore opportunities from the transition to a low carbon economy.

Sustainability, particularly in climate change, is a journey where we are still actively learning from others. The TCFD 2022 report is a milestone as we work towards a phased approach in assessing risks opportunities while producing high-quality, transparent and globally comparable sustainability disclosures that are compatible with the financial statements. The report is structured around four content pillars: (i) Governance; (ii) Strategy; (iii) Risk Management; and (iv) Metrics & Targets to support effective disclosure under each pillar.



Governance The organisation's governance around climate-related risks and opportunities

Strategy The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Risk Management The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics and Targets The metrics and targets used to assess and manage relevant climate-related risks and opportunities

This TCFD report should be read in conjunction with our wider disclosures on climate change and environmental, social and governance ('ESG') commitments in our Integrated Annual Report 2021 at <https://corporate.digi.com.my/annualreport>

Implementation Standards and best practices adopted



Sustainable Development Goal (SDG) 13 is about **climate action** and is one of the 17 SDGs established by the United Nations General Assembly in 2015. The Paris Agreement provides a roadmap to reduce emissions and build climate resilience. Implementing this is essential to achieve the SDGs.



The GHG Protocol is an international **standard for emissions accounting** for corporates. It was established by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).



SBTi is a collaboration between CDP, the UN Global Compact, WRI and World Wide Fund for Nature (WWF). **SBTi defines best practice** in science-based target setting. Corporates seek SBTi's **endorsement** to ensure commitment to a recognised methodology.



The GSMA has established a science-based pathway to reduce GHG emissions: The mobile industry is to achieve Net Zero emissions by 2050. Mobile network operators adopting the SBT are **required to follow the SBT emissions trajectory** during 2020-2030 – reducing emissions by >45% over the period (Scope 1+2).



CDP is a **reporting framework** to disclose climate related data, including targets and status. The framework enables full transparency for investors and customers involved in the mobile sector.



The Task Force on Climate-Related Financial Disclosures (TCFD) provides a framework for companies to inform investors about risks related to climate change. The main **factors of TCFD are integrated in the CDP report submission**. The International Sustainability Standards Board (ISSB) climate disclosures is expected to be launched based on TCFD's recommendations.

Overview on our response to TCFD disclosure recommendations

Recommendations	Key Points
Governance: Disclose the organisation's governance around climate-related risks and opportunities	
a) Describe the Board's oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> Digi's Board of Directors (Board) provides oversight of the company's Responsible Business (RB) strategy and initiatives, and approves the materiality matrix, targets and disclosures. The Board is updated on the progress & performance at least twice a year, reviews ESG priorities and take discussions on future outlooks. The Board attended a strategy workshop on Climate and Environment to assess and review Digi's readiness and commitment to decarbonisation, climate roadmap and plans to adopt the recommendations of TCFD. Reviewed Digi's 2021 material matters as part of the Materiality Assessment exercise conducted with external and internal stakeholders.
b) Describe management's role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> Digi's Management deliberates the climate risk assessment and monitors the progress to ensure the exposure is within acceptable level. Digi's climate risk is assessed via the enterprise risk management process. Management's role include identifying significant threats and opportunities, evaluating the risk profile and guiding in mitigation strategies on a regular basis. Movement and mitigation status of material climate risks are reviewed and deliberated to ensure oversight and adequate risk governance. The Chief Executive Officer (CEO) chairs the Responsible Business Forum (RBF) while the Chief Corporate Affairs Officer (CCAO) has the overall accountability for the management of climate action and is supported by the Chief Technical Officer (CTO) and Chief Human Resource Officer (CHRO).
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material	
a) Describe the climate-related risks and opportunities the organisation has identified over short, medium, and long term	<ul style="list-style-type: none"> Opportunities: Demand for development of new climate friendly solutions and low carbon digital services; first mover advantage as climate thought leader; brand preference by customers as a responsible digital service provider Risks: Material transition risks include carbon pricing, increased energy costs, indirect price increase, carbon target gaps, and reputational damage, e.g. stakeholders' lost of confidence leading to revenue loss. Physical risks include extreme weather and flooding in both short and long-term disrupting services and damaging critical infrastructure.
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	<ul style="list-style-type: none"> Possible impact over short (until 2025), medium (until 2030) and long (until 2050) term horizons with scenario analysis outcome summarised as climate-related risks and opportunities. Both physical and transition risks can potentially influence the company's financial standing (revenue, cost and balance sheet in the long term). Opportunities primarily reflect an expected growth of Internet of Things (IoT) and Artificial Intelligence (AI)-related revenues and energy efficiency measures, partially offset for additional investments required for increased network robustness and availability for business-critical communication services.
c) Describe the resilience of the organisation's strategy, taking consideration of different climate-related scenarios, including a 2°C or lower Scenario	<ul style="list-style-type: none"> We selected 3 climate-related scenarios analysis for potential implications of physical and transition risks to Digi's strategy over the short (2025), medium (2030) and long term (2050). We have used warming by 2100 as best estimate for Scenario 1 (warming to 1.8°C) and Scenario 3 (warming to 3.6°C) risk modelling. Digi has relatively low risk after mitigations. Focus for climate action include accelerating climate tech solutions, renewable energy transitioning, and data centers upgrades for environmental sustainability. Drive climate resilience into the core of our corporate strategy and operations.

Overview on our response to TCFD disclosure recommendations

Recommendations

Key Points

Risk Management: Disclose how the organisation identifies, assesses and manages climate-related risks

a) Describe the organisation's processes for identifying & assessing climate-related risks

b) Describe the organisation's processes for managing climate-related risks

c) Describe how processes for identifying, assessing & managing climate-related risks are integrated into the organisation's overall risk Management

- Digi's risk management framework & process is broadly based on ISO 31000:2018. We identify, assess and manage risks to reduce the uncertainty associated with executing our business strategies, and mitigate potential adverse impacts on our business. Climate related risks is assessed in our materiality assessment exercise.
- We have established a comprehensive Risk Management Framework at the enterprise level, which includes our governance structure for risk management, risk appetite and tolerance levels, management approach and risk factors.
- Climate risk is identified as a top risk. It is managed by respective line managers within their areas of responsibility and this risk management is embedded in the day-to-day business and decision-making processes.
- Climate risk is also an ongoing agenda in Digi's Management Team and Board meetings to discuss and deliberate significant threats and opportunities, evaluate the risk profile and guide mitigation strategies on a regular basis.
- Through stakeholder engagement and materiality assessments, we annually review and assess climate and broader ESG risks in our value chain, and we address them with various corporate sustainability initiatives.
- We have a Climate Roadmap approved by the Board – aligned to our risk register, planned actions and annual business strategy planning. Climate transition and physical risks are identified, assessed and managed as part of Digi's strategy and operations.
- We have conducted a climate scenario analysis and aspire to set a science-based targets (SBTi) for the company to transition to a low carbon economy.

Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

a) Disclose the metrics used by organisation to assess climate-related risks and opportunities in line with its strategy & risk management process

b) Disclose Scope 1, Scope 2, & if appropriate, Scope 3 greenhouse gas (GHG) emissions, & the related risks

c) Describe the targets used by organisation to manage climate-related risks & opportunities & performance against targets

Digi tracks metrics related to climate mitigation and transition across scopes 1, 2 and 3 in line with the GHG protocol. Our parent company – Telenor Group's science-based targets were validated by the SBTi in 2021. The Group's emissions reductions for Scope 1 and 2 is in line with a 1.5°C pathway and the supplier engagement requirements for Scope 3.

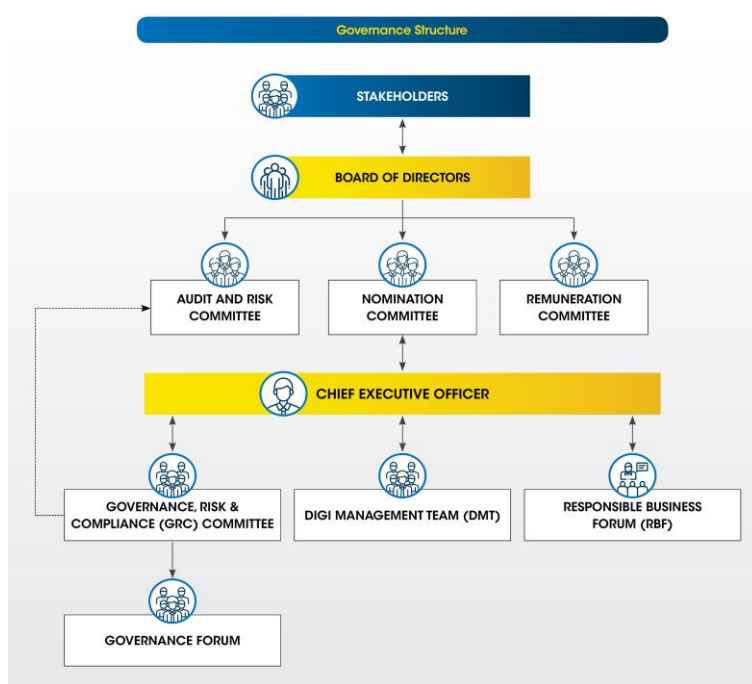
We disclose Scope 1, 2 and 3 GHG emissions in this report.
(refer to Metrics & Targets section)

Committed to establish absolute GHG reduction emissions science-based targets (approved by SBTi) for 2030, in alignment with the Paris Agreement of a well-below 2°C scenario. Committed to net-zero ambition by 2050 aligned to 1.5°C scenario.

Digi's governance framework around climate-related risks and opportunities

Board Oversight

Digi's Board of Directors ("Board") engages with senior leaders on near- and long-term business strategy and reviews management's performance in delivering on Digi's Climate Roadmap for long-term value creation. Sustainability, including climate-related action and disclosures, as part of the Responsible Business strategy pillar is deliberated and approved by the Board annually.



The Board ensures Digi has complied with and shall remain committed to attaining the highest possible standards of corporate governance through the continuous adoption of the principles and best practices of the Malaysian Code on Corporate Governance (MCCG - updated 2021) and shall fulfill its responsibilities to specifically address climate and environment as an ongoing agenda point under Digi's overall RB strategy in Board meetings.

Dig's Board has responsibility for oversight of risk management activities. The Audit and Risk Committee (ARC) assists the Board in overseeing, identifying, and reviewing enterprise, fiduciary, and other risks, including those related to climate and other sustainability risks, that could have a material impact on the company's performance.

Digi as part of the Telenor Group has an approved climate target towards 2030. This is based on the mobile sector-specific decarbonisation pathway approved by the SBTi to support the ambitious Paris Agreement goal of limiting global warming to 1.5°C.

Digi's governance framework around climate-related risks and opportunities

Management Role

Climate and Environment form part of Digi's ESG commitment in the RBF which is held quarterly. The RBF oversees the progress, issues and updates of material issues including climate action and is under the purview of the Chief CCAO. These material issues are discussed and deliberated at the forum, chaired by the CEO. Other members of the forum include the CHRO, CFO, CTO and other senior leaders and material issues are brought into the Board's agenda for further dialogue and guidance.

DIGI SUSTAINABILITY GOVERNANCE FRAMEWORK



Climate action including mitigation and adaptation is conducted by several departments, such as the sustainability functions, the operational and technical departments, the financial function as well as the purchasing organisation.

Progress of the climate Key Performance Indicators (KPI) for Scope 1+2 and 3, and climate risk management are reported to the Management and the Board. They reflect progress towards the company's Climate Roadmap and science-based emission targets respectively. Both the CCAO and the CTO are responsible at executive level for these KPIs, including climate policies, strategy and targets, implementation and reporting.

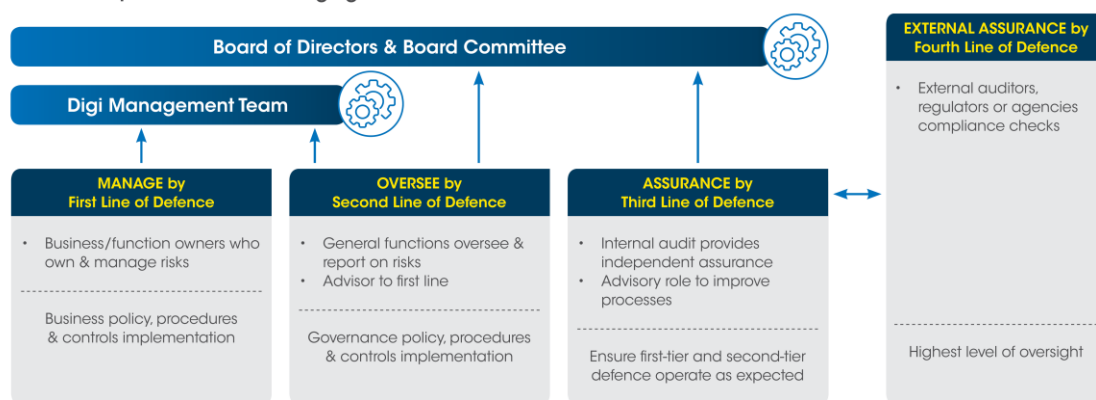
Integrating climate risk variables into our overall risk management process

Climate change related risks and opportunities are an integrated part of Digi's risk management framework. Our process is broadly based on ISO 31000:2018 International Risk Management Standards.

1. Our processes for identifying and assessing climate related risks

The Sustainability and the Risk Management function is responsible to identify and assess climate related risks via the enterprise risk management process. Digi's climate risks are identified based on risk assessments performed relative to the organisation's objectives from our strategic planning process. The identified risks are assessed and deliberated by Management and monitored to maintain the risk exposure within acceptable level.

Roles & Responsibilities of Managing Risks:



2. Our processes for managing climate-related risks

We adopt an integrated approach for holistic management of risks. Climate risks is assessed and managed quarterly by the Sustainability line managers. They assume responsibility for risk management within their areas of responsibility and ensure that the climate risk management is embedded in the day-to-day business and decision-making processes.

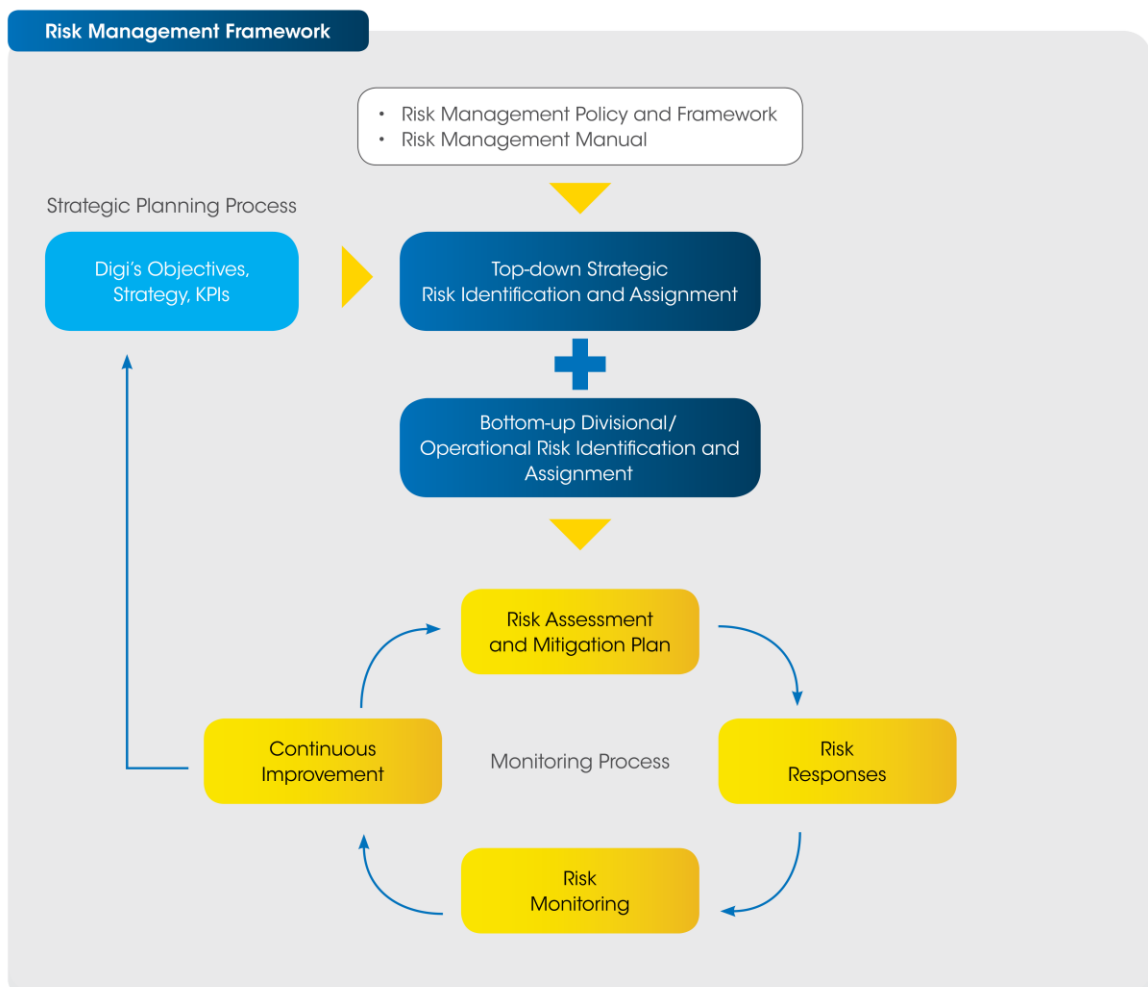
Key Risks & Descriptions	2021 Performance & Challenges	Mitigation Actions
<p>Climate Risk</p> <p>Digi is committed to foster a culture of responsible business in all our activities. This risk relates to Digi's climate action commitment towards achieving net zero ambition.</p> <p>Risk Movement in 2021 <i>Unchanged</i></p>	<p>As part of our commitment to operate ethically and sustainably, we have been increasing our understanding of climate-related risks and opportunities as well as embedding responses into our business strategy and operations.</p> <p>Non-fulfilment of Digi's responsible business commitments and new regulatory requirements on climate-related disclosures may lead to negative brand perception, loss of investors' confidence and financial penalties from enforcement agencies.</p>	<ul style="list-style-type: none"> ➢ Improve Digi's sustainability framework to further enhance commitment in raising standards on responsible business conduct ➢ Maintain stakeholder engagement regarding our material sustainability matters ➢ On-going climate change and environment initiatives to minimise carbon footprint and mitigate climate risks ➢ Implement renewable energy and energy saving initiatives in network, and drive eco-practices in the workplace ➢ Adopt recommendations of TCFD in phases

Integrating climate risk variables into our overall risk management process

3. Our processes for identifying, assessing, and managing climate-related risks as part of Digi's overall risk management.

Risk management responsibilities in Digi are both Top-down and Bottom-up as defined in the framework. Climate risks are actively managed by line managers within their areas of responsibility and Digi's Management Team's key role is to identify significant threats and opportunities, evaluate the risk profile and guide in mitigation strategies on a regular basis.

The Management reports Digi's top enterprise risks including climate-related risk to the Board ARC in a risk heat map on a quarterly basis. Movement and mitigation status of material risks are reviewed and deliberated to ensure oversight and adequate risk governance.



Building climate resilience into our business strategy for long term sustainability

Climate Roadmap

Digi's strategy is based on three strategic pillars. The Responsible Business pillar addresses ESG material issues including developing a Climate Roadmap approved by the Board to address and manage our climate-related ambitions, targets, and plans, as well as risks and opportunities.



Short Term (2022-2025)

In the short-term (2022-2025), the key focus is to continue our efforts to reduce our carbon emissions, ensure high quality climate reporting, conduct a climate risk assessment for better guidance towards making informed decisions on strategies and target setting. Digi plans to adopt the recommendations of the TCFD in phases in our climate disclosure. This will enable us to develop robust strategic plans that can assess potential business implications of climate-related risks and opportunities. We continue to drive ambitions towards our science-based targets for 2030 and Net Zero for 2050. In tandem, Management shall continue to prioritise climate governance via policies and clear roles and responsibilities building towards the medium and long-term ambitions.

Medium Term (2025-2030)

In the mid-term (2025-2030), we aim to mature our climate strategy to achieve Carbon Neutrality (CO₂) and focus on enhancing business resiliency over climate risks and mitigate transition risks. This will include implementing full TCFD recommendations or the upcoming ISSB standards to integrate climate-related risks, operations and considerations into business strategy and financial disclosures. The opportunities will guide our continued investment towards achieving low-carbon in our operations and supply chain. We aim to strengthen leadership and management ownership in climate governance, risk & opportunities, strategy and targets. In parallel, we plan to establish an internal shadow pricing mechanism in anticipation of carbon pricing introduction by the government. Some of these initiatives might even be implemented earlier, where possible.

Long Term (2030-2050)

In the long-term (2030-2050), we shall go beyond addressing carbon emission to address all GHG emissions with reduction strategies and targets as we expect more commercially available green technology and systemic solutions in line with Malaysia's Net Zero commitment. Our Climate Neutrality (GHG) strategy will include partnering suppliers and cross-industry efforts to jointly address our shared climate emissions across our value chain. We aspire to continue to be a climate leader, to be a first mover in the industry with adoption of climate best practices in business and being a preferred brand offering climate-friendly products and services to our customers.

Building climate resilience into our business strategy for long term sustainability

Country Climate Risk Profile – Malaysia

Climate Related Natural Hazards (Flood)

¹ Selected indicators from the INFORM 2019 index for risk management for Malaysia. For flood risk sub-category, higher scores represent greater risks.

Flood (0–10)	Tropical Cyclone (0–10)	Drought (0–10)	Vulnerability (0–10)	Lack of Coping Capacity (0–10)	Overall Inform Risk Level (0–10)	Rank (1–191)
6.6 [4.5]	2.9 [1.7]	3.3 [3.2]	3.0 [3.6]	3.2 [4.5]	3.2 [3.8]	111

Malaysia is particularly vulnerable to flooding, with this natural hazard contributing more damage than any other the country experiences. The population annually affected by flooding in Malaysia is estimated at 130,000 and the expected annual damages at \$1.8 billion. Frequency and extremity of flood events have increased in recent decades with projections they could increase with continued global warming

Scenario Analysis

Our climate risks is assessed in three time-horizons: short (until 2025), medium (until 2030) and long (until 2050), in line with the scenario recommendations of the TCFD and our Climate Roadmap. Climate risk assessment uses longer-term horizons since several of the climate risks have the most severe potential effects toward the end of the long-term horizon and worsen after that.

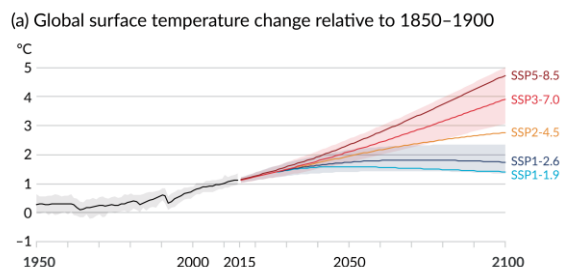
Digi Scenario	IPCC 6th Assessment Report	IPCC - Warming by 2100 (best estimate)	IEA Scenario
Strong Mitigation Scenario (SMS)	SSP 1 - 2.6 “Low”	1.3-2.4°C (1.8°C)	SDS (Sustainable Development Scenario)
Delayed and Disorderly Scenario (DDS)	SSP 2 - 4.5 “Intermediate”	2.1-3.5°C (2.7°C)	STEPS (Stated Policies Scenario)
Business as Usual Scenario (BUS)	SSP 3 – 7.0 “High”	2.6-4.6°C (3.6°C)	(Discontinued CPS - Current Policies Scenario)

¹ Climate Risk Country Profile: Malaysia (2021): The World Bank Group and the Asian Development Bank. The INFORM Risk Index is a global, open-source risk assessment for humanitarian crises and disasters.

Building climate resilience into our business strategy for long term sustainability

Scenario Analysis (cont.)

We have carried out high-level scenario analysis to assess the impact and likelihood of our material climate-related risks and opportunities for each time horizon and scenario.



- **Strong Mitigation Scenario (below 2°C) - SMS**

In this scenario, the world is able to regulate GHG emissions so that at best estimate, global warming does not exceed 2 degrees and net zero CO₂ emissions are achieved in the second half of the century. The mitigation pattern is roughly equivalent to the “Low” SSP1-2.6 scenario from IPCC’s 6th Assessment Report. The primary risk to Digi in this scenario is transitional and comes from policy change, as goods and services, including energy, becomes more expensive due to increased pricing of GHG emissions.

- **Delayed and disorderly scenario - DDS**

The physical damage from climate change is more severe in this scenario and the mitigation/transition is disorderly, as the global community adapts to a changing world. The emission profile in this scenario is roughly equivalent to the “Intermediate” SSP2-4.5 scenario from IPCC’s 6th Assessment Report. The transition risks to Digi in this scenario are less severe than in SMS. However, the physical risks and adaptation impacts are more severe, especially toward the end of the long-term horizon.

- **Business as usual scenario - BUS**

In this scenario, global emissions of GHGs continue to rise at approximately current levels. The pace and severity of global warming increase significantly. In this scenario, there are significantly less stringent policies put into effect worldwide. The emission profile in this scenario is roughly equivalent to the “High” SSP3-7.0 scenario from IPCC’s 6th Assessment Report. The primary risk to Digi in this scenario comes from accelerating severity of acute and chronic physical risks of climate change, as extreme weather, sea level rise, and temperature rise all have increasingly severe effects in the long-term.

Source: <https://www.ipcc.ch/assessment-report/ar6/>

Building climate resilience into our business strategy for long term sustainability

Climate-Related Risks and Opportunities

The most material climate risks to Digi are:

- Increased pricing of GHG emissions including future carbon pricing, and consequent indirect price increase
- Carbon target gaps due to lack of access to renewable electricity
- Loss of investor confidence & reputational damage leading to revenue loss
- Physical risks from extreme weather, flooding and global warming effects, both short & long-term disrupt services and damage critical infrastructure

The most material climate opportunities to Telenor are:

- Increased demand for development of new climate friendly solutions and low carbon digital services
- Opportunities primarily reflect an expected growth of IoT and AI-related revenues and energy efficiency measures
- First mover advantage as climate thought leader and evaluation as a climate resilient and prepared company
- Brand preference by customers as a responsible digital service provider
- Use of more efficient production and distribution processes

The TCFD risk assessment is based on best estimates on business impacts from climate change and uncertainties are excluded in such estimates. The following table represents a summary of the assessment of the severity of the identified climate risks for medium (by 2030) and long (by 2050) term. It is based on Digi's own evaluations supported by ²external sources where available.

Scenario	Time Horizon	MALAYSIA	
		Transition risk	Physical risk
Strong mitigation scenario (SMS)	2030	Medium	Medium
	2050	High	High
Delayed and disorderly scenario (DDS)	2030	Low	Medium
	2050	High	High
Business as usual scenario (BUS)	2030	Low	High
	2050	Low	Very High

² External sources - regional prognosis from IPCC Working Group I Interactive Atlas, IPCC Regional Fact Sheets and country specific CDP's City Hazards and Adaptation inputs collected regularly from local authorities.

Building climate resilience into our business strategy for long term sustainability

Risk (Transition)	Description	Primary Anticipated Financial Impacts	Mitigation
Policy and Legal Risk	<p>The policy and legal risks are especially relevant in SMS, partially relevant in DDS, and less relevant in BUS. In SMS, climate change will be less severe, but there will be stringent climate policies at the national and international level.</p>		
	<p>Transition Risk (TR) 1: Increased pricing of GHG emissions, and consequent cost increases</p> <p>In SMS, the government may implement stringent climate policies, such as carbon tax as announced in the 12th Malaysian Plan (2021-2025). This will increase the price of carbon emission significantly, with a direct cost increase in electricity generation. There will be indirect and sustained cost increases on purchased goods and services.</p>	Increased expenses	<p>To limit direct energy costs, Digi adopted an Environmental Management System – ISO 14001:2015 approach & obtained Leed and Green Building Index (GBI) certification for optimising our energy usage. We continue to explore, securing access to renewable electricity (RE) at predictable costs in the future to ensure the company's global emissions are reduced in line with our science-based target.</p>
	<p>This is expected to be the most material cost increase for Digi as our Scope 3 emissions are projected to contribute significantly to our total footprint. Our suppliers will be impacted by increased energy costs in their value chains and may compensate by raising their prices.</p> <p>TR2: Mandates on and regulation of telco products and services</p> <p>Governments may set a certain emission intensity of telco services. This may result in taxonomy criteria risk being excluded from ESG focused mutual funds & access to green bonds may be lower when deemed to be non-aligned to the taxonomy.</p>	Increased expenses	<p>Our network modernisation plan systematically implements a wide set of measures to limit energy consumption and emissions despite underlying traffic growth, including replacing diesel generators with solar solutions. The company actively works to reduce the most material scope 3 emissions both directly and through industry and supply chain collaboration.</p> <p>Digi is mitigating this risk by decarbonising its operations and supply chain in line to its Group science-based targets. In addition, Digi is actively collaborating with corporate Malaysia through its advocacy and membership in the CEO Action Network.</p>

(Reference: Appendix 1)

Building climate resilience into our business strategy for long term sustainability

Risk (Transition)	Description	Primary Anticipated Financial Impacts	Mitigation
Technology Risk	<p>Technology Risk is relevant in all three scenarios. In SMS, this transition risk is relevant due to technological disruption occurring as a result of the world economy adjusting to higher prices of GHG emissions, fossil fuel and energy, whilst in BUS, there are technology risks associated with i.e. limited availability of renewable power suppliers.</p>		
	<p>TR3: Cost increase and lack of availability of renewable electricity (RE)</p> <p>In SMS, there is a risk that Digi will meet a supply/demand squeeze (lack of availability and higher prices) of RE generation. In this scenario, companies and customers are more climate aware, and are putting pressure on all suppliers of goods and services to reduce their carbon footprint. This results in high demand for RE, which could outstrip supply.</p>		<p>Digi is currently employing RE in our operations and is exploring for more deployments in the future. In 2022, initiatives include deploying hybrid solar energy at 56 off-grid sites and converting generator-to-Grid at 46 sites to displace fuel dependency. We have also implemented Centralised Self Organising Network (CSO) AI initiative, deploying tools to automatically analyse and implement power-saving mode at 6,900 Radio Access Network (RAN) sites in 2022. Site Battery Autonomy Prediction Tool is another AI-based initiative deployed to automatically monitor and record usage info of backup batteries at Digi's network sites. This data is crucial for timely sites restoration and battery replacements planning to ensure minimal disruptions.</p>
	<p>While Malaysia is amply endowed with RE sources, however, the RE capacities are grossly under-utilized, particularly from solar energy due to financing challenges and energy market regulations. Generation of energy from renewable resources is economically unattractive due to high cost of energy generation and availability of cheaper alternatives.</p>	Increased expenses	<p>Digi has a preference of Power Purchase Agreements (PPAs) over unbundled Energy Attribute Certificates (EACs). However, EACs often play a role even in PPA contracts. However, there remains regulatory constraints due to current non-liberalised power sector regulatory structure. Energy efficiency improvements will continue to be a crucial mitigation to limit cost increases for energy use.</p>
	<p>There will be a risk for Digi not meeting its emission targets, having supply availability and cost increases on the purchase of RE.</p>		

(Reference: Appendix 1)

Building climate resilience into our business strategy for long term sustainability

Risk (Transition)	Description	Primary Anticipated Financial Impacts	Mitigation
Market Risk	<p>TR4: Demographic shifts due to physical effects from climate change Disruptions and damages from physical effects of climate change will be significantly higher in SMS. This is especially relevant in the long-term perspective where climate change may lead to demographic changes, such as people moving away from areas prone to extreme weather, sea level rise, flooding, soil salinisation, and other physical risks. With population shifts like these, lifetime revenues from investments in long lived infrastructure assets like telco towers will be negatively affected.</p>	Reduced Revenue	Modelling suggests that the rising frequency and severity occurrence of droughts and floods threatens to exacerbate poverty and inequality, with low-income earners economically dependent on activities where climatic conditions play a prominent role, such as agriculture, fishing and informal sectors in the urban economy, and typically those living in more exposed areas. Mitigation of this risk involves a more detailed evaluation of the risk and planning for possible demographic shifts in markets particularly vulnerable to these effects of climate change.
Reputation -al Risk	<p>TR5: Shifts in consumer preferences Under the SMS and BUS scenarios, consumers avoid providers of goods and services with perceived inferior environmental credentials. Brands that are deemed to not take climate responsibility will likely be penalized by customers leaving for other brands. Given the energy trilemma in Malaysia, Digi's may not be able to meet the emissions reductions required through its science-based target. This could potentially cause a loss of reputation with customers and investors. Adoption of science-based targets is expected to be delayed among suppliers based in Malaysia due to a lack of awareness and understanding of how the impacts of climate change can affect their business continuity and profit.</p>	Reduced Revenue	<p>Digi is mitigating this risk by decarbonizing its operations and supply chain in line with its science-based targets.</p> <p>We actively engage our investors, analysts and stock exchange on dialogues on our climate roadmap and alignment to the national Net-Zero ambition.</p> <p>We supported WWF Malaysia and BCG Malaysia, and provided telco specific insights in the development of the study on Net Zero Pathways for Malaysia 2050. This report is meant to catalyse stronger and more cohesive climate action amongst all stakeholder groups.</p>

(Reference: Appendix 1)

Building climate resilience into our business strategy for long term sustainability

Risk (Physical)	Description	Primary Anticipated Financial Impacts	Mitigation
	<p>Physical risks (PR) due to climate change can be divided in two categories:</p> <ul style="list-style-type: none"> • Acute risks: Extreme weather events, including tropical cyclones, flooding, wildfire, drought periods, and heatwaves. • Chronic risks: Long-term changes in climate and weather patterns, including changing levels of precipitation, mean temperatures, and sea level rise. <p>All physical risks will increase significantly in DDS and especially BUS, compared to SMS, and significantly more long-term compared to short- and medium- term.</p>		
Acute Physical Risk	<p>PR1: Increased frequency and severity of extreme weather events</p> <p>Malaysia is particularly vulnerable to flooding, with this natural hazard contributing more damage than any other the country experiences. The frequency and extremity of flood events have increased in recent decades with projections showing they will continue to increase with continued global warming.</p>	Increased Expenses & Reduced Revenue	<p>Digi mitigates the effects of climate –related physical risks via improving the resilience level of Digi’s infrastructure. In 2022, Digi raised the platform for 12 of our base station sites to pre-empt against extreme weather effects and flooding in the future.</p>
	<p>With more extreme weather comes more severe winds and lightning strikes, which can damage equipment installed at base stations. Lightning strikes will also contribute negatively toward knocking out local electrical grids, increasing the frequency of blackouts and brownouts and the need for backup generation capacity. Such extreme weather events can damage Digi’s infrastructure and cause network outages that disrupt Digi’s services.</p>		<p>We have included climate risk in our business continuity policies and processes (e.g. remote or alternate workplace to minimize disruption of inflow and outflow of staff, materials, products & services) which will result in financial losses.</p> <p>Our risk management aims to enhanced comprehensiveness of risks identified, reduced potential blind spots in the business and better forward-thinking and preparedness to manage risks in the long run.</p> <p>Our CSR initiatives in the past few years included providing recovery support for our distributors and relief for affected communities.</p>

(Reference: Appendix 1)

Building climate resilience into our business strategy for long term sustainability

Risk (Physical)	Description	Primary Anticipated Financial Impacts	Mitigation
Chronic Physical Risk	<p>PR2: Sea level rise Coastal adaptation and disaster risk reduction issues have risen up the national agenda in Malaysia. Vulnerability assessments identify risks to agricultural yields in coastal areas and demographic shifts due to sea-level rise, with greater sea level rise predicted in East Malaysia.</p>		<p>Digi is mitigating these risks by maintaining business continuity plans for extreme weather events and redundancy planning with our industry (e.g. domestic roaming) and expects such efforts to increase.</p>
	<p>PR3: Increased precipitation Increased precipitation will lead to increased frequency and severity of flooding, flash floods and soil erosion. Increased precipitation will also increase the economic damage to buildings and infrastructure, and increased costs for maintenance and repair of Digi's equipment.</p>	Increased Expenses & Reduced Revenue	<p>The plans combine proactive resilience measures such as elevating, protecting or hardening towers, network equipment, power lines and network connectivity to each tower, catering for power outages using battery backups, ensuring access to spare parts, relevant insurance schemes where available, as well as managing a Fast Recovery Centre to monitor and trigger response and recovery plans to restore connectivity and reduce downtime after events.</p>
	<p>PR4: Increased temperature The frequency and intensity of heat waves experienced in Malaysia is projected to increase significantly due to a warming climate. With increased temperature as a chronic climate risk, comes the increased risk, frequency, and severity of dangerous heatwaves resulting in rising cost due to the increased need for cooling of electronics such as data centres and base station sites.</p>		

(Reference: Appendix 1)

Building climate resilience into our business strategy for long term sustainability

OPPORTUNITIES	Primary Anticipated Financial Impacts	Response
Description		

PRODUCTS & SERVICES

O1: Increased demand for development of new services

The telco industry may serve a positive role in enabling GHG emission reductions in other sectors. Examples are IoT technology and using systems of sensors to optimise external value chains (e.g. agriculture & transportation). The main opportunity is expected to come from the rollout of 5G , AI and IoT-related revenues as digitisation of society and enterprises increases and enables emission reduction across sectors.

RESILIENCE

O2: Evaluation as a climate resilient and prepared company

Digi may see increased market valuation through resilience planning and adoption of energy efficiency and renewable energy. Investors will increasingly seek companies that have sound plans for climate change mitigation and adaptation. Customers may prefer Digi due to its strong reputation in this area, compared to others. Prospective employees will increasingly prefer employers that take climate responsibility. Finally, Digi may have access to more green bond financing and lower risk premiums on insurance, due to emission reduction performance and as a climate resilient and prepared company.

Increased Revenues & Reduced Expenses

Digi is well positioned to pursue this opportunity as a leading digital communications provider in Malaysia and has first mover advantage as a climate thought leader.

Yellow Heart is Digi's Sustainability commitment to create brand preference with customers as a responsible digital service provider.

EFFICIENCY

O3: Use of more efficient production and distribution processes

Digi's Climate Roadmap focuses on driving energy efficiency in network electricity usage, as this represents the dominant share of electricity consumption and electricity costs. Energy efficiency is one of the strategic focus areas in Digi and it spans across: network equipment modernization, converting generator to grid, renewable energy adoption, AI-solutions for sites and battery prediction, collaboration with the equipment manufacturers and partners to develop energy efficient features, minimizing non-value adding electric loads, and the impact of 5G technology and joint innovation with relevant equipment vendors.

(Reference: Appendix 1)

Measuring and managing our climate impact

Realising our climate ambitions requires setting targets, measuring and improving related climate-related metrics. Our disclosure of material climate-related data is guided by the TCFD framework. We disclose a range of metrics to give our stakeholders a better understanding of our efforts and progress in managing our key climate-related risks and opportunities.

Risk Metrics

We disclose our scope 1, 2 and 3 GHG emissions in this report. Scope 1 and 2 related metrics include: energy consumption and cost, GHG emissions, share of renewable electricity, fuel consumptions for generators at base stations and GHG emissions intensity for network data traffic. Scope 3 related metrics primarily address the most material upstream emissions from suppliers, but also downstream emissions related to sold products.

GHG Emissions

Formal Scope 1, Scope 2, and Scope 3 emissions are covered in Digi's Integrated Annual Report and in Telenor Group's annual CDP reporting at Business Unit levels, as well as per energy source.

Climate Targets

Digi is currently operationally tracking metrics related to climate mitigation and transition across scopes 1, 2 and 3 in line with the GHG protocol and we plan to have science-based targets validated by the Science Based Targets initiative (SBTi) in the near future, defining our emissions reductions in line with a 1.5°C pathway.

Scope 1 and 2 targets:

Digi's emissions reduction target is to work towards achieving Net Zero in 2050, focusing on network modernisation, substituting diesel generators with solar solutions at base stations and exploring and adopting other pragmatic climate solutions to achieve the target.

Scope 3 target:

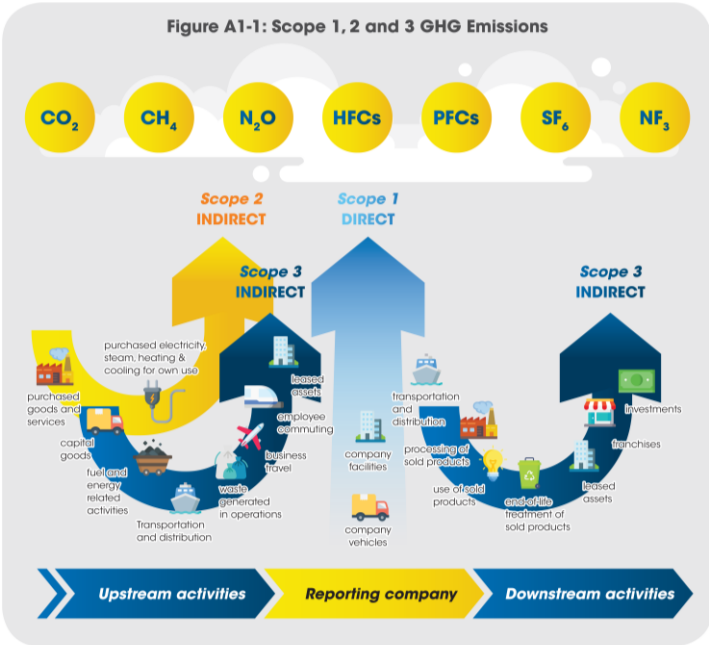
Digi plans to work with our procurement group to collaborate with suppliers to reduce their own emissions and to set science-based targets in line to our mid-term roadmap.

Measuring and managing our climate impact

Digi monitors and reports Scope 1 and 2 GHG emissions covering all its assets - both owned and leased, that includes offices and buildings (headquarters and regional), retail touchpoints, technology centres, network sites and vehicles within its operational control.

Under Scope 3, only GHG emissions related to employee business travels are accounted for and does not include other aspects under the company’s operational value chain.

As part of our climate action roadmap, we will conduct a comprehensive screening over the company’s GHG emissions impacts across the 15 categories under Scope 3 (Refer to Figure A1-2)



(Reference: GHG Protocol, Corporate Value Chain (Scope 3) Accounting and Reporting Standard, 2011)

Figure A1-2: 15 categories of Scope 3 emissions

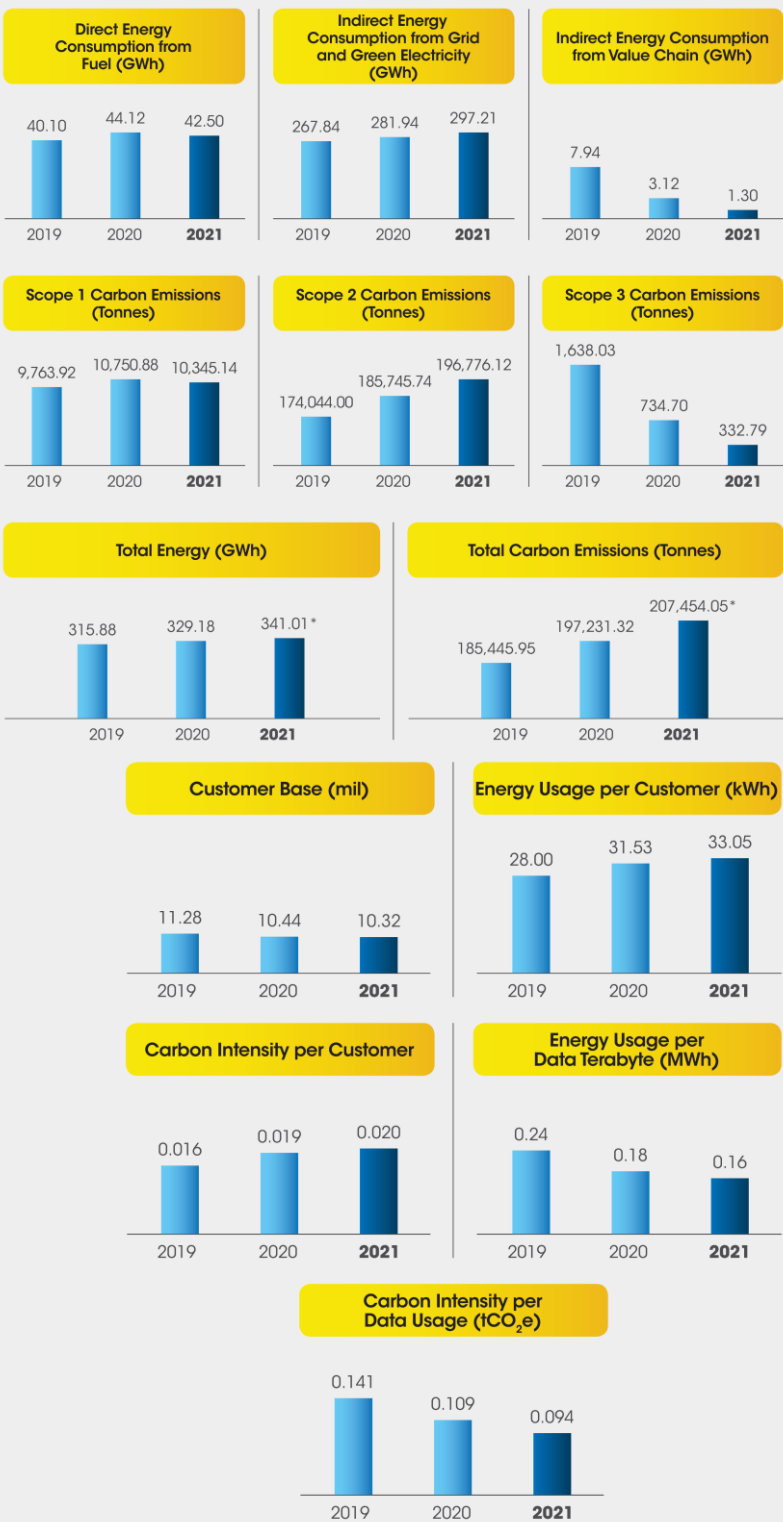
Upstream or Downstream	Scope 3 Category
Upstream scope 3 emissions	<div>1. Purchased good and services</div> <div>2. Capital goods</div> <div>3. Fuel and energy-related activities (not included in scope 1 or scope 2)</div> <div>4. Upstream transportation and distribution</div> <div>5. Waste generated in operations</div> <div>6. Business travel</div> <div>7. Employee commuting</div> <div>8. Upstream leased assets</div>
Downstream scope 3 emissions	<div>9. Downstream transportation and distribution</div> <div>10. Processing of sold products</div> <div>11. Use of sold products</div> <div>12. End-of-life treatment of sold products</div> <div>13. Downstream leased assets</div> <div>14. Franchises</div> <div>15. Investments</div>

Our Emissions Report FY2021

During the year under review, to meet rising consumer demands, our carbon emission increased by 5%, attributed to data growth and network expansion. However, we have improved on our Carbon Intensity per Data Usage by 13.7% YoY.

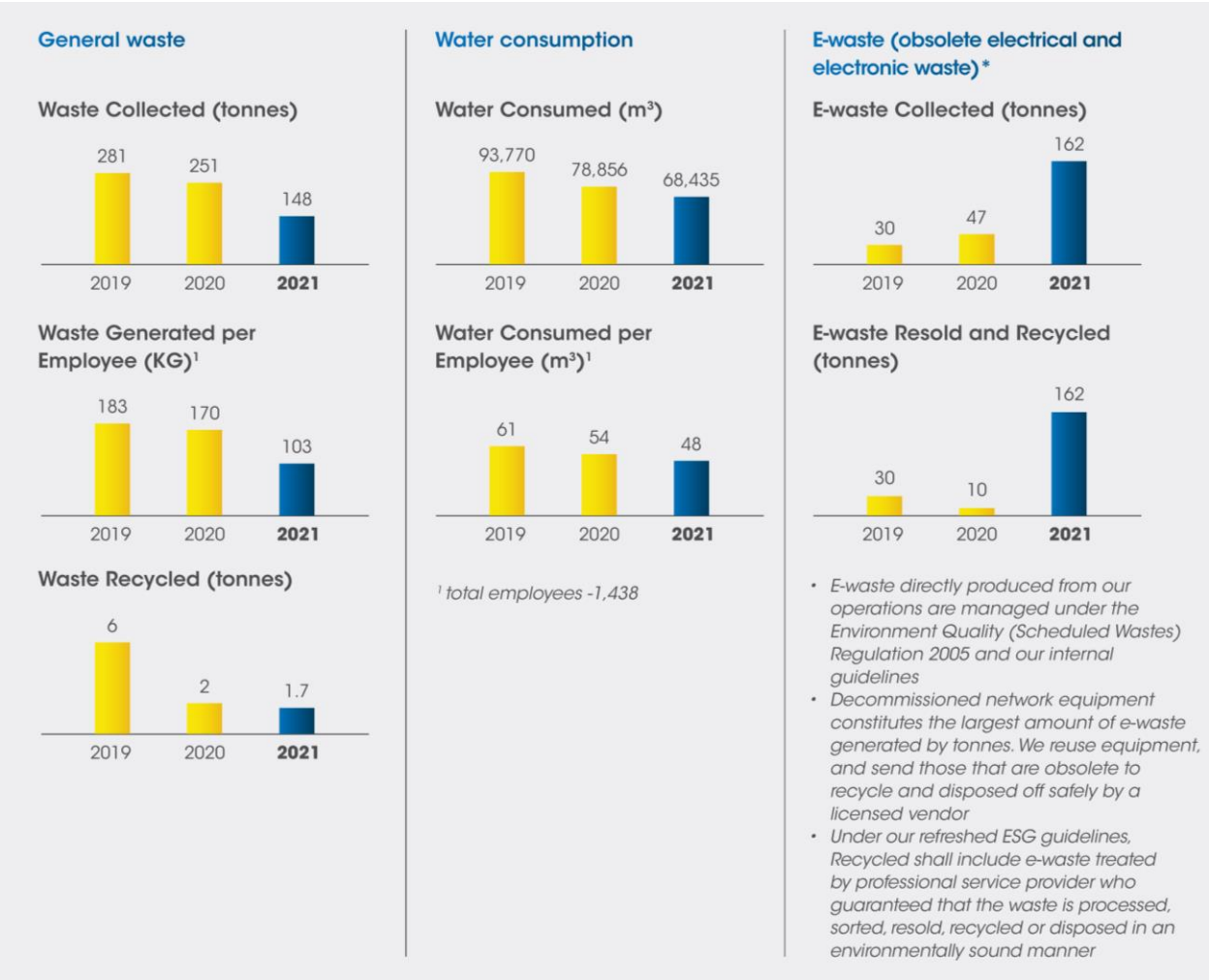
Overall, we have achieved a lower carbon footprint per unit of data consumed, although the average customers are using more data. Our carbon intensity is measured by tonnes of CO₂ (tCO₂e) per terabyte of data.

Our annual greenhouse gas (GHG) emissions inventory FY2021 in accordance to the GHG Protocol Corporate Standard are as follows:



Our Emissions Report FY2021

Digi practices responsible waste, e-waste and water management in a systematic manner in accordance with our Environmental Management System (ISO 14001:2015).



Our summarised disclosure of material climate-related data in this report is derived from our [Integrated Annual Report 2021](#) and [Sustainability performance](#) as the main source of information.

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2022 TCFD REPORT

Digi's climate-related
disclosures



Quantification of risks and opportunities

Description on the rationale behind how the financial impacts of risks and opportunities in this TCFD report have been calculated.

Risk (Transition)

Description of Primary Anticipated Financial Impacts

TR1: Increased pricing of GHG emissions, and consequent cost increases

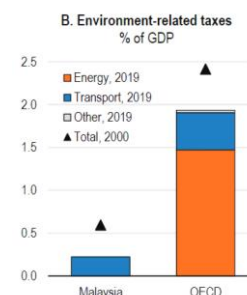
Based on an analysis from the following sources

1. [OECD Economic Surveys: Malaysia 2021](#) (Aug 2021)
2. [World Bank - Malaysia Economic Monitor](#) (June 2022)
3. [World Bank data – Carbon Pricing Dashboard](#)
4. National Institute of Economic & Social Research - [Carbon tax could temporarily raise inflation and lower GDP in most OECD economies](#) (Nov 2021)

TR1: Increased pricing of GHG emissions, and consequent cost increases

We assume the following:

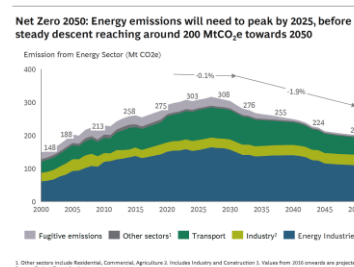
- Malaysia's trajectory for implementation of carbon tax at a rate equivalent in view of other ASEAN economies achieve Net Zero by 2050
- The carbon tax for Singapore is set at a rate of USD 3.69 (April 2022) per tonne of GHG emissions (tCO₂e) from 2019 to 2023. Indonesia's carbon tax rate of USD 2.11 (July 2022) per tonne is the bare minimum, but the Tax Bill states that the price would be equivalent to the market price of carbon.
- The likely scenario of a sustainable carbon tax of ~USD 2-3 per tonne of GHG emissions (tCO₂e) will result in an additional annual cost risk of ~MYR 1.5-2.5 million in total for all of Digi's current operations at ~200k tonnes of CO₂ (2021).



Based on the [WWF-Malaysia and BCG Launch Securing Our Future: Net Zero Pathways for Malaysia Report](#) (Dec 2021), there is Significant potential to increase the level of penetration of renewables, supported with energy storage.

However, the decarbonisation pathway for the power mix is projected after the emission peak by 2025 before a steady decline.

The power mix will need to shift significantly from current plans to achieve national Net Zero.



TR3: Cost increase and lack of availability of renewable electricity

On the availability of renewable energy as of Apr 2022:

1. Offsetting through carbon credits from RE source not currently available as Voluntary Carbon Market (VCM) is in development.
2. Purchase of unbundled energy attribute certificates available in limited suppliers. Estimated at an additional payment of MYR3.8 cents/kWh for Renewable Energy Certificate (mREC) certified by internationally accredited registries.
3. Setup of power purchase agreement not available due to current regulatory structure in the power sector
4. Direct investments into green power as investor/operator is available as widely adopted (e.g. rooftop solar) but limited by physical space.

Quantification of risks and opportunities

Description on the rationale behind how the financial impacts of risks and opportunities in this TCFD report have been calculated.

Risk (Transition)

Description of Primary Anticipated Financial Impacts

To quantify the costs for Malaysia in relation to physical risk, we have based our analysis from the following source:

1. [Telenor Group CDP Responses](#) (2022)
2. [Global Climate Risk Index 2021](#) (Jan 2021) by Germanwatch which analyses to what extent countries and regions have been affected by impacts of weather-related loss events (storms, floods, heat waves etc.). The most recent data available — for 2019 and from 2000 to 2019 were taken into account.

Country	CRI Score	Losses in USD (mil) PPP (Rank)	Losses per unit GDP in % (Rank)
Malaysia	87.33	74	118

PR1-4: Acute Physical Risk

- The estimated area vulnerable to flood disaster is approximately 29,800 km² or 9% of the total Malaysia area, and is affecting almost 4.82 million people which is around 22% of the total population of the country. (Source: [IFRC 2021](#))
- In Malaysia, there is a risk of acute damage to our electrical equipment in switches, base stations and other site buildings caused by cyclone winds and related floods. In total the assumption is that more than 10% of our infrastructure will need early renewal with a likelihood of more than once every 10 years. Digi proactively make its existing assets more weather resilient wherever possible including raising the height of the platforms above the local highest flood level. Further, most base stations have installed battery capacity as backup and also additional diesel generators are installed. With these measures already taken, we have reduced the risk significantly.
- Despite such precautions extreme weather events have been calculated to cause financial impact annually from:
 - Cost of response to restore network availability and repair damages
 - Negative revenue impact due to network unavailability and reduced network traffic
- This estimation of annual cost comes from an assessment of the likely number of extreme weather incidents, multiplied with specific cost numbers per incident based on actual experience, with the assumption of the same network availability level as of 2022 with a +/-25% range for uncertainty,.

Country	No of sites	Annual Cost (2021-2030) MYR
Malaysia	10-12k	5.51 mil

Quantification of risks and opportunities

Description on the rationale behind how the financial impacts of risks and opportunities in this TCFD report have been calculated.

Risk (Transition)	Description of Primary Anticipated Financial Impacts
O2 – Increased demand for new services	<p>Communication services are expected to play a key role in enabling climate emission reductions across industry and public sectors. The interval for revenues from such services, assumed to be 1-3% of total annual revenues (~MYR 6.3bil) until 2030, is wide due to the high uncertainty about the future role, take-up and scale of IoT-related products and services.</p> <p>Industry research by CISCO forecast 5G services rollout could boost Malaysian telecom operators' annual revenues as much as RM3.764 billion starting 2025, while a white-paper by Ericsson projects that 5G handsets will make up 60.6% of total handset shipments to Malaysia in 2025, which in turn will enable a rapid take-up rate of 5G services, and that by 2025 there will be 12.7 million 5G connections or roughly 22.4% of total subscribers as well as 43.1 million 4G LTE subscriptions in Malaysia or 76.2% of total subscriptions. According to the Malaysian Institute of Economic Research, 5G will contribute RM8.5 billion to Malaysia's GDP in 2025.</p>
O3 – Evaluation as a climate resilient and prepared company	<p>Other Research forecasts projects that mobile subscriptions will continue to grow in the 2021-26 period. Although the ratio of the telecommunications sector revenue to GDP is declining from a peak in 2010, sliding down every year since then, mobile subscribers numbers and revenue are growing strongly and the back of population growth and the market shift to postpaid. Research data forecasts 15.5m 5G subscribers by 2026 bringing new opportunities for digital services and revenue growth.</p> <p>Modernisation is a key strategy for Digi and our continued focus is on optimising financial capital management in an uncertain macro environment balancing efficiency and growth and driving responsible management of our ESG performance while accelerating internet adoption and digitalization. At a total borrowings of MYR 4.96 billion in 2021 and at a 4% conventional debt over total assets ratio below 33% threshold set by Securities Commission Malaysia (FY2020: 7%), we forecast a positive future scenario of which will benefit from Sustainability-Linked Bonds until 2030.</p>
O4 – Use of more efficient production and distribution processes	<p>Assumes that energy efficiency measures limit the underlying forecasted 7-8% energy consumption growth to 5%. According to current projections, Malaysia's electricity demand is expected to grow from 18,808MW in 2020 to 24,050MW by 2039. However, the Malaysian government has committed to not raising the base electricity tariff hike until end-2024. While Malaysia's electricity tariffs are set by the government and energy regulators, multiple schemes including Fit-in-tariffs, Net Energy Metering and Time of Use allows energy intensive sectors to implement renewable initiatives and self-regulate their electricity usage for cost avoidance and reduce utility costs.</p>