



15 May 2021

Minority Shareholder Watchdog Group (MSWG)

11th Floor, Bangunan KWSP
No.3, Changkat Raja Chulan
Off, Jalan Raja Chulan, 50200 Kuala Lumpur

ATTN: Mr Devanesan Evanson, Chief Executive Officer

Dear Mr Devanesan,

RE: Reply to the MSWG questions for the 24th Annual General Meeting of Digi.Com Berhad

Firstly, we hope you are well and staying safe. With reference to your letter dated 5 May 2021. We append below the response to your queries as highlighted in your letter.

Operational and Financial Matters

- To achieve its targets which are aligned with its long-term strategic ambitions, Digi uses financial and non-financial indicators to measure the achievements as highlighted below:
 - Positive service revenue growth
 - Positive subscriber growth for B2B and Fibre-to-the-home (FTTH)
 - Improve 4G capacity (Page 19 of Integrated Annual Report - IAR)

What are the respective achievements and targets for FYE2020 for each of the indicators? What are the targets for FYE2021?

Digi's Response

Digi delivered FY2020 service revenue of RM5.43 billion and EBITDA of RM3.08 billion in line with our 2020 revised guidance in a challenging operating environment, driven by our efficient operations and transformation initiatives. The FY2020 achievements against our revised 2020 guidance were summarised below:

	2020 Guidance	2020 Performance	Commentary
Service revenue	Low-to-medium single digit decline	-3.8%	<ul style="list-style-type: none"> Continuing revenue growth in targeted areas of Internet, Digital and B2B revenues, alongside enlarged Malaysian active data base to offset, Effects from border closures impacted roaming and migrant contributions
EBITDA	Medium-to-high single digit decline	-6.8%	<ul style="list-style-type: none"> Flowthrough from revenue decline and mix change Disciplined cost control efforts led by optimisation and transformation agendas
Capex-to-total revenue ratio	Similar to 2019 level	RM753mil	<ul style="list-style-type: none"> Prioritisation of CAPEX and investments to drive superior network experience

In the months ahead in 2021, Digi is cognisant of the ongoing challenges and unpredictability of domestic market recovery amid rising Covid-19 cases and potential fourth wave of infection. We remain committed in delivering business priorities, maintaining a balance of operational efficiencies with strategic investments in growth areas, as well as continuing our support in the society's recovery while keeping our employees safe.

Digi has announced FY2021 guidance of low single digit decline for service revenue, medium single digit decline for EBITDA and capex-to-total revenue ratio of 14% to 15%.

2. Digi's response to competition included:

- Focusing on high-speed prepaid internet plans with easy entry starting at RM15, and monetisation of high-speed data
- Expanding presence in fixed connectivity by bundling postpaid plans with fibre-to-the-home via More@Home position
- Introducing best-in-value Go Digital Bundles to boost recovery and growth for SMEs as part of PENJANA (Page 26 of IAR)

What is the status and achievements for each of the aforesaid initiatives?

Digi's Response

- Prepaid: Since June 2020, the industry competition has heightened with speed-tiered unlimited data plans being introduced in the market. Digi is the only telco focusing on high-speed proposition, which had resulted in enlarged active Malaysian data base of +2.1% Q-Q and +6.3% Y-Y in 1QFY2021, alongside uplifted prepaid ARPU of RM1 Q-Q and RM2 Y-Y to RM33.
 - Fibre broadband: Digi expanded ultra-fast and unlimited fibre-to-the-home services as part of bundled product proposition for a seamless in and out of home service experience. The service was also further extended to SMEs and large enterprises through the affordable digital bundle plans. We are increasing cross selling opportunities to the existing subscriber base through bundle offerings.
 - Go Digital bundles for B2B: Digi registered strong digital uptick and take-up in Go Digital and PENJANA bundles, by supporting over 2,500 micro & small businesses with Penjana SME Digitalisation Grants. This reflected the growth of B2B subs and B2B revenue excluding roaming by 7.0% Y-Y and 3.3% Y-Y, respectively in 1QFY2021. We remain focused on providing greater savings and productivity through mobile bundling plans while actively raising awareness and digital adoption by supporting government initiatives. Digi is gaining industry market share to achieve double digit growth aspiration in FY2021.
3. For 2021 outlook, one of the initiatives is to prioritise capex and investment to support exponential data growth and upcoming 5G infrastructure rollout. (Page 27 of IAR)

What are the major tasks undertaken to face the 5G rollout? How ready is the Company in countering the competition?

Digi's Response

Our capex guidance in FY2021 of 14% to 15% of our total revenue is prioritised on driving network modernisation and digitalisation of internal processes in line with our commitment to provide the most consistent network quality and best customer experience.

Over the past two years, Digi has been building readiness for 5G by modernising our network and IT platforms with 5G-ready features while improving capabilities of self-serve and digital channels to deliver seamless customer journeys. In addition, we have also embarked on several partnerships with industry vertical partners and selected corporate customers to conduct 5G demonstration projects and 5G trials such as virtual tourism and real-time medical data transfer.

The government has announced the establishment of Digital Nasional Berhad as the national 5G special purpose vehicle (SPV), and will be given the relevant spectrum to own, execute, and manage 5G infrastructure. Digi, as one of the licensed telecommunications companies will be provided with equal access to 5G infrastructure via fair wholesale arrangement. We will be leveraging on 5G technologies with our partners via our efficient distribution and sales network to capture new growth opportunities and deliver greater customer experiences via innovative 5G solutions.

4. Rising global concerns over climate change has compelled mobile operators to adopt climate friendly and energy-efficient solutions amidst expansive roll-out of mobile networks to meet the exponential demands for connectivity. (Page 28 of IAR)

What specific green-tech innovative solutions have been adopted? What is the efficient resource consumption deployed to address such concerns? How successful have these been?

Digi's Response

In actively managing our own exposure to natural capital risks, we have been driving utilisation of more efficient technologies to drive better energy management. These initiatives include:

- a) Leveraging on partners' expertise to adopt Artificial Intelligence/Machine-Learnings-based system to manage our Radio Access Network (RAN) energy consumption including automated power savings during low-peak usage
- b) Investing to expand fibre-based backhaul and last mile solutions in our network and service offerings (fibre networks use less energy to power the signal, resulting in less heat being generated, and therefore less cooling required)
- c) Converting indoor sites from air-conditioning to fan/filter free cooling systems
- d) Converting fuel powered off-grid sites to grid power
- e) Reviewing more remote off-grid sites for feasibility to use PV solar and hybrid solutions as power source

In 2020, our carbon emission has decreased by 5%, attributed to these on-going network modernisation and operational efficiency initiatives. Our Carbon Intensity per Data Usage also improved by 31%. This means that though the average customer is using more data, we have achieved a lower carbon footprint per unit of data consumed. Moving forward, we are committed in our strategic short-term and long-term energy optimisation and decarbonisation initiatives geared towards building a future-ready network architecture.

5. One of the emerging opportunities is to accelerate digitalization of SMEs through development and provision of digital solutions beyond Digi's core connectivity business. (Page 41 of IAR)

How successful has Digi been in seizing this opportunity? What was the growth rate in capturing the SMEs business in FYE2020 compared to FYE2019?

Digi's Response

Our development in the SME segment has been encouraging as we advance as a trusted digital business solutions provider to digitise businesses and promote new ways of work. Digi is also a certified technology solution provider to support SMEs in digital adoption under the SME business digitalisation grant. For the past year, our initiatives to deliver growth in this segment include:

- Acted as a one-stop digitalisation hub for SMEs by providing a suite of relevant digital solutions such as OMNI, alt-HR, Avana, Microsoft 365 and simplifying grant application by managing the end-to-end process
- Tailored solutions to help businesses maneuver during lockdown periods such as Go Digital Bundles, extra quota for internet plans and shorter 6-months contract for Digi Business plans
- Launched Digi's Business Continuity Digitalisation (BCD) Programme in partnership with MDEC, featuring a series of free webinars and online clinics to provide the necessary digital tools and support

In 1QFY2021, we have recorded great take-ups in our digital solutions and customised offerings reflecting our sharp execution. These included our record of over 200% Y-Y revenue growth in Omni, SIP and PABX solutions as well as over 500% Y-Y account growth in alt-HR as we accelerated companies' digital human resource management.

Digi is hopeful that our sharp execution to deliver priorities in this segment will enable us to achieve our double-digit growth aspiration in FY2021.

6. Digi targeted that in 2023 the Company will have 20% growth in Postpaid and Fixed subscribers (vs. 2020 baseline) and 33% growth in B2B revenue (vs. 2020 baseline). (Page 42 of IAR)

What were the growth rates in these two areas in 2020 compared to 2019? What are the expected growth rates in 2021 vs 2020?

Digi's Response

- Despite store closures and macro-related pressures, postpaid and fixed subscribers registered net adds of 12k Y-Y to close FY2020 with 3.04 million of subs, underpinned by our efforts to grow active Malaysian base via affordable and flexible bundles. Moving forward in 2021, we continue to drive focused acquisition and build contracted base through our newly launched Digi Postpaid portfolio to further capture customer loyalty, retain long-tenure subs, as well as creating new revenue opportunities.
- Our efforts to accelerate digital adoption for SMEs and large enterprises which have escalated the B2B revenue growth by 4.0% Y-Y. For the months ahead in 2021, we continue to provide relevant product offerings addressing current business needs, while growing traction in the large

enterprise segment across various industries e.g., ports, O&G & banks as well as progressively raising Digi Business brand through strategic partnerships.

Corporate Governance Matters

1. Practice 1.4 of Malaysian Code on Corporate Governance (as of 28 April 2021) stipulates that the Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee.

Guidance G1.4 states:

Having the same person assume the positions of Chairman of the board, and Chairman of the Audit Committee, Nomination Committee or Remuneration Committee gives rise to the risk of self-review and may impair the objectivity of the Chairman and the board when deliberating on the observations and recommendations put forth by the board committees. Thus, the Chairman of the board should not be involved in these committees to ensure there is check and balance as well as objective review by the board.

Please take note.

Digi's Response

The revised Malaysian Code on Corporate Governance as of 28 April 2021 ("Revised MCCG 2021") was issued after the Company has finalised and released its Integrated Annual Report 2020 and Corporate Governance Report on 15 April 2021.

Nonetheless, Digi will conduct a thorough review to the content of the Revised MCCG 2021 to comprehend the intention behind each Principle and each Practice, and to adopt the new best practices, where relevant in order to achieve the intended outcomes of having a strong corporate governance culture in Digi.

We value your questions and trust that the above response provides clarity to the queries raised. Please do not hesitate to contact us further, should you have any further clarifications.

Thank you.

Yours sincerely,

Christine Lau

Christine Lau
Head of Investor Relations
for **Digi.Com Berhad**