Integrated Annual Report **2019**
Digi.Com Berhad

Connecting You To What Matters Most

Our Heroes Keeping Customers
Connected At All Times

digi

LET'S INSPIRE
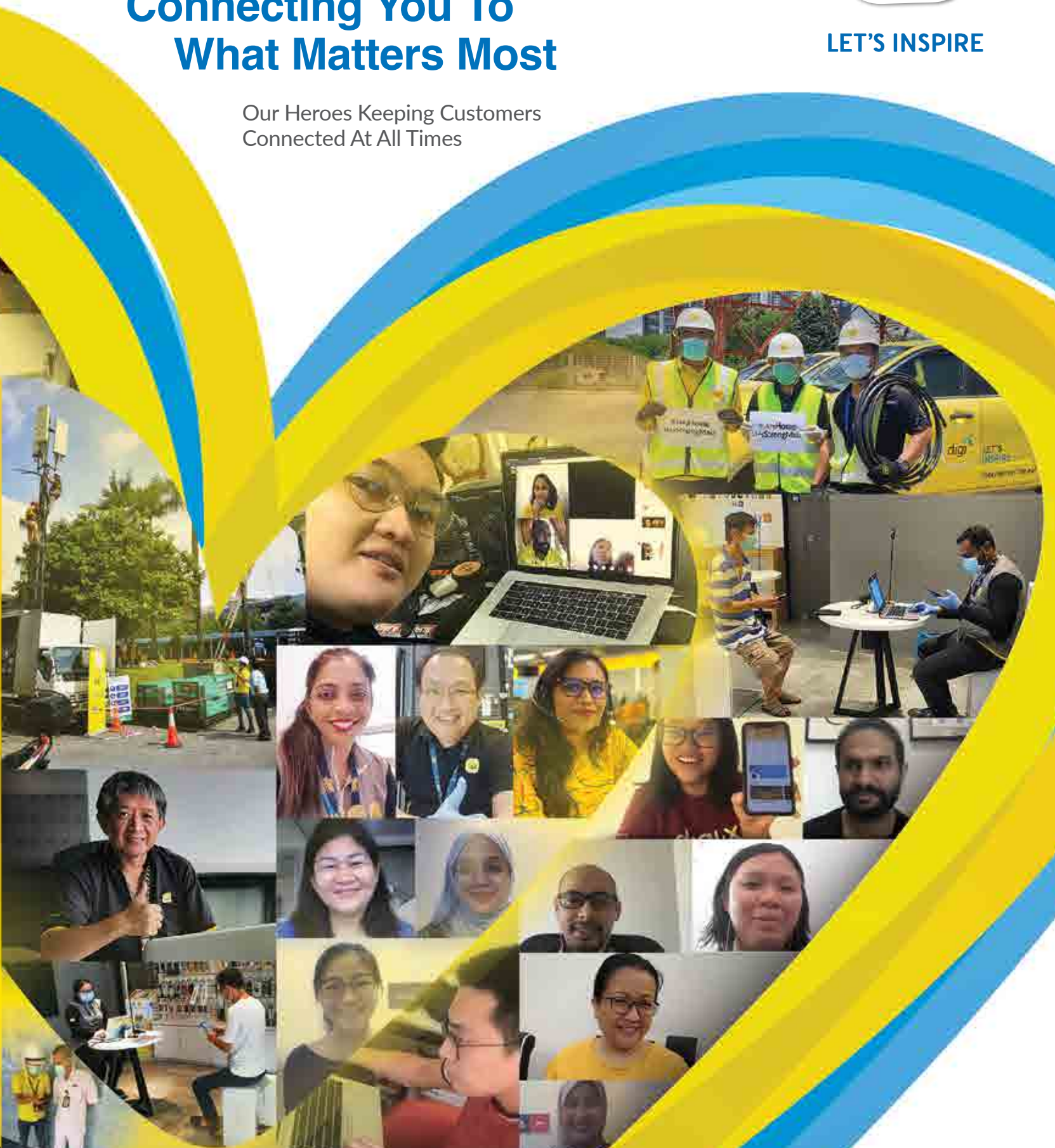
OUR COVER

This report was produced over the course of the Movement Control Order, with full adherence to safety measures and our business continuity plan guidelines. Our cover is a salute to all dedicated Digizens who continue to serve and connect customers when it matters most, as the nation and world combat the Covid-19 pandemic.

WHAT'S INSIDE

ONLINE VERSION

www.digi.com.my/annualreport

ABOUT THIS REPORT

REPORTING SUITE

Our Reporting Suite comprises the Integrated Annual Report 2019, the supplementary Sustainability Data Book 2019 and Corporate Governance Report 2019.

Integrated Annual Report (IAR) 2019 – Our IAR 2019 serves to communicate to our stakeholders information that is critical to our business. This includes our key financial and non-financial performance in relation to our strategy, and corporate governance commitments. This IAR 2019 also presents stakeholders with the Financial Statement for the year ended 31 December 2019.

Sustainability Data Book 2019 – Our Sustainability Data Book 2019 reports our annual performance in managing economic, environmental, social and governance related matters. It showcases programmes and initiatives implemented to create shared value and positive impact in our ecosystem.

Corporate Governance Report 2019 – Our Corporate Governance Report presents a set of practices implemented during the year as part of our commitment to meet and strengthen our high corporate governance standards.

NAVIGATION ICONS

Our Capitals

- Financial Capital
- Intellectual Capital
- Manufactured Capital
- Social and Relationship Capital
- Natural Capital
- Human Capital

Our Stakeholder Groups

- Government and Regulators
- Customers
- Employees
- Shareholders, Analysts and Investors
- Suppliers and Business Partners
- Media
- Communities, Sustainability Partners and NGOs

Our Strategic Priorities

- Growth
- Efficiency & Simplification
- Winning Team
- Responsible Business

This is Digi.Com Berhad's inaugural Integrated Annual Report (IAR) 2019, prepared in accordance with the principles prescribed by the International Integrated Reporting Council (IIRC). Embarking on the integrated reporting (IR) journey is an important step for us, in terms of setting our approach towards value creation and management. This report is a credible medium to disseminate information critical to our business and growth, and to communicate with our stakeholders with integrity and transparency.

Reporting Period

The report covers our financial and non-financial performance from 1 January 2019 to 31 December 2019, unless stated otherwise.

Scope and Reporting Boundaries

This IAR 2019 covers the activities of our wholly owned subsidiary, Digi Telecommunications Sdn Bhd, which is the core of our business operations, unless stated otherwise.

Integrated Reporting Approach

The reporting approach and framework adopted by Digi for IAR 2019 is primarily based on the Integrated Reporting Framework by IIRC, Main Market Listing Requirements (MMLR) on Corporate Reporting and Sustainability Reporting by Bursa Malaysia Securities Berhad, the Malaysian Code on Corporate Governance (MCCG) by the Securities Commission Malaysia and the Companies Act 2016.

Our financial statement is prepared and assured in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the Companies Act 2016.

We have also engaged an external auditor to provide a limited external assurance of selected non-financial indicators. The independent limited assurance statement can be found on pages 157 to 158 of this Integrated Annual Report.

Forward-looking Statements

This report may contain forward-looking statements regarding Digi's future performance and prospects. While these statements represent our judgements and future expectations at the time of preparing this report, a number of emerging risks, uncertainties and other important factors could cause actual results to differ materially from our expectations. These include factors that could adversely affect our business and financial performance.

ABOUT DIGI

WHO WE ARE

Digi is a company focused on growth and creating value for the long-term, delivered through a well-defined strategy to connect customers to what matters most.

In connecting Malaysians and businesses for the last 25 years, we have built strong capabilities and expertise in future-ready networks, digitalisation, customer experience, workplace and people development, and responsible business practices – shaped by a culture of innovation.

Our focus on remaining agile and innovating our business to capture growth opportunities presented by the digital revolution has transformed us into the trusted digital company we are today, empowering 11.3 million customers on our advanced 4G LTE network.

Being customer-obsessed, we are driven to continuously innovate and deliver personalised, engaging and safe digital products and services to enhance Malaysians' digital lifestyles. We believe connectivity empowers everyone to improve their lives, builds societies and secures a better future for all.

Building on these strong fundamentals, we believe we are well positioned for the future to unlock the full benefits of advanced connectivity technologies such as 5G, AI and IoT for all Malaysians.

OUR VALUES

Always Explore
We believe growth comes from learning every day. We're curious and we dare to challenge, test, fail fast and pivot.

Create Together
We believe diverse teams find better solutions. We seek different perspectives, share, involve, and help each other succeed.

Keep Promises
We believe that trust is key in all our relationships. We take ownership and pride in delivering with precision and integrity.

Be Respectful
We believe in the unique human ability to understand what matters for people. We meet everyone at eye level, listen and show that we care.

WAY OF WORK

Customer Obsessed
Putting our customers at the heart of everything we do.

Innovation 360
Exploring ways to do things differently and to do different things that serve to improve the lives of our customers.

CORPORATE STRUCTURE
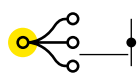
Digi.Com Berhad
[Registration No. 199701009694 (425190-X)]

100%

Digi Telecommunications Sdn Bhd
[Registration No. 199001009711 (201283-M)]

100%

Y3llownation Sdn Bhd
[Registration No. 200901003326 (846253-D)]

100%

Y3llowlabs Sdn Bhd
[Registration No. 200001032596 (535203-H)]

100%

Digi Services Sdn Bhd
[Registration No. 199201012386 (243889-T)]

ABOUT DIGI

OUR PURPOSE

Connecting you to what matters most

Our number one priority is to deliver connectivity in a safe, reliable and efficient way to as many Malaysians across the country, which is what our customers have come to expect of us.

To do this requires a dedicated focus on transforming and modernising our organisation to enable growth and create efficiencies, while innovating on our core services and customer experiences, and delivering them in a responsible manner. This is how we aim to create value for our customers and stakeholders for the long-term.

OUR STRATEGY

Winning Team

Growth

digi
Connecting you to what matters most

Responsible Business

Efficiency & Simplification

To remain a leader in enabling reliable connectivity for all Malaysians, our strategy focuses on:

- Delivering growth through relevant customer offerings that fuel the continuous need for connectivity and digital services.
- Being a leader in digitalisation and modernisation, from the way we run our network, engage customers across touchpoints and instill a culture of innovation and agility.
- Raising responsible business standards across our operations, in the way we manage our value chain, treat customer data, environmental impact and advocate safe internet usage and digital inclusion.

OUR PROMISE TO CUSTOMERS

We believe trust in our brand is essential to build deeper and longer relationships with customers, and work hard to deliver a Digi experience that puts our customers first, ensuring easy access to quality, consistent, safe and secure services. These priorities hold fast in the way we deliver our postpaid, prepaid and home fibre offerings, when helping corporate and small business customers through their digital transformation, or enabling opportunities for communities.

BEST IN VALUE

Deliver value to customers through innovative, personalised and relevant products and services.

BEST FOR INTERNET EXPERIENCE

Deliver a quality, reliable and secure 4G LTE connectivity for a seamless internet experience.

DIGITAL EXPERIENCE CHAMPION

Create innovative digital services and relevant self-serve platforms to enhance customers' digital lifestyles.

YELLOW HEART

Create equal opportunities for people, businesses and societies to benefit from connectivity, in a safe and responsible way.

Connectivity will always be a fundamental need for modern societies. Our role remains to enable opportunities for people and advance communities through our services. That's what matters most to us and continues to drive us forward.

KEY HIGHLIGHTS

2019 AT A GLANCE

Connecting customers to what matters most with a wide range of connectivity and digital services, while being a responsible, people-first company

5.64 billion
Service Revenue (RM)

1.50 billion
Profit After Taxes (RM)

18.2 sen
Dividend Per Share

46%
EBITDA Margin

11.3 million
Customers

91%
4G LTE footprint

72%
4G LTE-A footprint

13.8 GB
Average monthly data usage by customers

9.4 million
Internet customers

9,610 km
Fibre network

+3pp
Network Net Promoter Score

85.0%
Smartphone adoption

8.9 million
4G LTE customers

Malaysia's first
5G OpenLab
Hosted in Cyberjaya

Active
5G trial projects
in Cyberjaya & Langkawi

+48%
Total data traffic growth

3.8 million
Active MyDigi users

1,535
Number of employees

51%
Male

49%
Female

46%
Women in leadership positions

76.7 million
Upsell transactions on MyDigi

78,568 hours
Total online learning hours by Digizens

51.3 hours
Average online learning hours by each Digizen

Employee Engagement & Enablement Survey

80%
Engagement

79%
Enablement

15.3 million
Digital bill payments

Yellow Heart
A Digi Initiative

Best value offers for
>24,000
Senior citizens

>1,500
Persons with disabilities

158,958
Students engaged on online safety

2,594 hours
Supply chain training hours

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Building the future together with 5G

We believe broad collaboration is key to fully realising the significant benefits of 5G for Malaysia. We are focused on building 5G the right way to help people, businesses and society redefine what's possible for the future.

CHAIR OF THE BOARD'S STATEMENT

DEAR SHAREHOLDERS,

At a time of rapid technology innovation and disruption, open exchanges of data are increasingly prevalent, accentuating the need for leading organisations around the world to place more focus on building trust and business integrity in the way we serve customers and manage data.

Network operators like us, as key enablers of today's data-centric, digitally-fuelled market, sit at the crux of the trust economy. We believe that trust is key in all our relationships and have worked hard to lay a strong foundation for a sustainable, responsible business built on the tenets of good corporate governance and trustworthiness. This approach enables us to deliver services to 11.3 million customers on our network and partner with various stakeholders with precision and integrity. This has been the key priority for the Board.

MAINTAINING FINANCIAL STRENGTH TO DELIVER HEALTHY SHAREHOLDER RETURNS

In spite of operating in a competitive market environment, our focused execution on business and prudent balance sheet management has led the Board to declare a net dividend per share of 18.2 sen, returning a total of RM1.42 billion to shareholders, equivalent to a 99% dividend payout ratio for 2019. Year on year, we continue to exceed the company's dividend policy of distributing a minimum 80% net profits, keeping to our commitment to deliver strong and sustainable returns to our shareholders.

LEADING IN RESPONSIBLE BUSINESS PRACTICES

The Board places equal importance on steering the Company to achieve its financial targets and continue our leadership in responsible business practices. Guided by the principle of doing good by doing right, these practices have remained a strategic business priority. Our focus has been to maintain high standards of ethics and integrity in our business conduct, develop a future-ready workforce, protect the safety and privacy of our customers while reducing inequalities for society.

Read more about our responsible business and corporate governance approach in Section 4 and 5 of this report.

ADOPTING INTEGRATED REPORTING FOR IMPROVED CORPORATE GOVERNANCE

We continuously benchmark our governance approach against the latest in industry best practices and take proactive measures to enhance the way we engage stakeholders. With this, we are pleased to introduce our first Integrated Annual Report for 2019. The Board fully supports the principles underlying the Integrated Reporting (IR) framework – that we must be strategic, future-oriented and transparent on how the Company draws on its capitals to create long-term value for our stakeholders. This is our first step towards IR, and we aim to continue maturing this approach of communicating value in the years to come.

READY TO MEET FUTURE CHALLENGES

The first few months of 2020 have been challenging on numerous fronts, particularly with the escalating Covid-19 global pandemic. We have become more important in helping people in their daily lives at this time and have quickly implemented a wide range of initiatives to help our fellow Malaysians. The assistance comes in the form of free data, business continuity boosters, 24x7 customer support services and the delivery of a reliable, secure network for customers and authorities at the frontlines of combating this crisis to remain connected.

In the face of these challenges, we are confident in our ability to continue creating value for our stakeholders. Our strategic focus on growth, efficiency and digital transformation has delivered consistent results over the past three years and has laid a strong foundation for us to manage these future developments. The Company's organisational agility will enable us to quickly trial or discontinue new business models as we have done previously, with our digital media and mobile wallet businesses, pivoting as needed in this period of uncertainty.

Read more about our Operating Landscape and Strategies to Create Value in Section 3 of this report.

WELL POSITIONED TO WIN IN THE DIGITAL ECONOMY AND CREATE LONG-TERM VALUE

Given the growing focus on the digital economy, the telecommunications sector will continue to evolve rapidly, with significant new opportunities enabled through 5G, AI and IoT. Drawing on our expertise and assets, we remain steadfast to seize these opportunities and pursue what is sustainable for our business. We will deliver on our strategy while being equally resolute to behaving with the highest standards of integrity and staying focused on people development. These matters remain high on the Board's priorities in 2020.

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" We will deliver on our strategy while being equally resolute to behaving with the highest standards of integrity and staying focused on people development. "

The Board is confident we have the appropriate balance of knowledge, skills, experience, diversity and independence to drive the company agenda and govern effectively. The recent appointment of Lars Erik Tellmann as a Non-Independent Non-Executive Director has further strengthened the Board. The Board and I welcome his support moving forward and would also like to thank Tone Ripel for her valued contribution in her time with the Board.

I also wish to express my appreciation to the Management team and all Digizens for their collective contribution to Digi's continuing strong performance. I would also like to thank our business partners, shareholders and stakeholders for their ongoing engagement and support.

In view of Covid-19, we look to set a new way of shareholder engagement this year that will allow us to prioritise your safety and continue engaging with you. Please see details outlined in our Notice to AGM. We look forward to sharing more on our business at our Annual General Meeting in June.

Haakon Bruaset Kjoel
Chair of the Board

CHIEF EXECUTIVE OFFICER'S STATEMENT

DEAR SHAREHOLDERS,

The performance we see today results from a series of strategic decisions made over the past four years to transform our business in view of the challenges that continue to pressure the telecommunications sector. Our sharp focus on executing our growth, efficiency and digital transformation agenda has kept us on track. We closed 2019 with good momentum in line with industry performance, while establishing leadership on innovation, customer-obsession, workforce development and responsible business practices.

STEADY 2019 PERFORMANCE

- Strategic focus on digitalisation, deeper customer engagements and solid cost management underscores that our strategy is effective to deliver healthy growth, earnings and returns to shareholders.
- Posted service revenue of RM5.64 billion, driven by postpaid, internet and digital growth.
- Healthy EBITDA of RM2.91 billion or 46% margin, with flat OPEX and operational cash flow of RM2.16 billion.

Refer to pages 29 to 34 of Financial Review

CUSTOMER-OBSESSION DELIVERING VALUE AND GROWTH

- Deepening customer engagements through a streamlined omni-channel experience, delivered by a combination of people and digital resources: new EasyAdd feature on MyDigi, MyDigi for businesses, AI virtual assistants across all digital platforms, Digi Kiosks in high traffic areas, eQMS and more.
- 9.4 million internet customers enjoying an average 13.8GB data monthly, a significant 48% total usage growth contributing to an 11% year-on-year increase in internet and digital revenue.
- Net Promoter Score (NPS) continued to guide our delivery of quality network and customer experience.

Refer to pages 39 to 51 of Operational Review

TRANSFORMING INNOVATION INTO OPPORTUNITIES

- New innovation 360 platforms unlocked more value from employee and business model innovation: Agile Tribes, Common Delivery Centre (CDC) set-up, Digital Frontrunners programme, Digital Day, 40-Hour Learning, and more.
- Data science driving innovation in offerings to deliver more relevant, personalised services enjoyed by 11.3 million customers, alongside sharing best practices to enable businesses through their respective digital transformations.
- Investing in leading network solutions to enable future technologies such as 5G, AI and IoT, while maintaining standards of excellence of core network and IT services, providing customers the best connectivity experience.

Refer to pages 39 to 51 of Operational Review

PARTNERING RESPONSIBLY TO BUILD A BETTER TOMORROW

- Built on partnerships with global, government, social and industry organisations for more collaborative and effective action towards solving issues related to reducing inequalities and impact of digital technology on society.
- Established industry standards in managing business risks and building trust associated to human rights, ethics and compliance, data protection, cybersecurity, supply chain, quality of service, people, and environmental impact.

Refer to pages 20 to 25 of Strategies to Create Value
Refer to pages 45 to 51 of Operational Review

> **66 The strength of our organisation, leverage from past strategic investments, alongside a clear, practical view of our business gives me assurance that we can move forward confidently. 99**

As you read this, our nation and the world combat a new, unprecedented health crisis with Covid-19. This global pandemic has forced a 'new normal' way of work, life and social connection for all of us, leaving many questions about our shared future. While it is early days yet to gauge its full impact on the economy and our business, I would like to assure you that we have taken every measure necessary to protect our people, ecosystem partners and business continuity as we fulfil our crucial responsibility to keep our fellow Malaysians connected during this time.

As we continue providing essential connectivity services, I would like to thank our dedicated Digizens who are working tirelessly 24x7 every day to deliver reliable network and customer support services for all. To the Board and Management team for their leadership in making the right decisions to prioritise our people in this time of crisis. A deep appreciation also to Malaysia's first responders, enforcement agencies and government authorities working determinedly to stem this pandemic.

I am thankful to the Board, Management team and Digizens for all we achieved in 2019, and for their perseverance as we steward through this challenging season together. It is the strength of our organisation, leverage from past strategic investments, alongside a clear, practical view of our business that gives me assurance we can move forward confidently. We are fit to continue providing the standard of excellence and ability to create value that both our customers and shareholders have come to expect of us, and to meet future developments.

Albern Murty
Chief Executive Officer

Empowering businesses to go digital

We believe innovation is essential to grow a business. Drawing on our dual focus as a connectivity and digital solutions provider, we bring together a range of relevant expertise necessary to support Malaysian businesses through their own digital transformation.

OUR VALUE CREATION MODEL

Our value creation model takes into consideration our operating landscape, reflects our commitment to responsible business and indicates the value created for the business and our stakeholders. Further details of each component in the model and how it impacts our capitals are available in the subsequent pages of this section.

OUR OPERATING CONTEXT → **OUR CAPITALS** → **SUSTAINABLE VALUE CREATION**

Macroeconomic

Regulatory

Technology

Social and Environment

FINANCIAL CAPITAL
- Consistent profitability and efficient operating cost management

INTELLECTUAL CAPITAL
- Digital services (MyDigi 3.0, RepublicGG, EasyAdd, Omni, iFleet, altHR)
- New operating model with IT partners
- Solid track record and brand goodwill since 1995

MANUFACTURED CAPITAL
- Robust network infrastructure (9,610 km of fibre)
- 10,200 network sites, of which 4,500 sites are owned
- More than 10,000 retail touchpoints across Malaysia

SOCIAL AND RELATIONSHIP CAPITAL
- Strategic partnerships with key stakeholders to drive societal impact
- Yellow Heart commitment to empower societies

NATURAL CAPITAL
- Initiatives to drive operational efficiencies to achieve a net-positive ratio between our operational footprint and carbon reductions

HUMAN CAPITAL
- Diverse and skilled workforce comprising 1,535 employees
- Highly experienced leadership team

OUR PURPOSE
Connecting you to what matters most

OUR WAY OF WORK
Customer Obsessed Innovation 360

ANCHORED BY GOVERNANCE & RISK MANAGEMENT PRACTICES

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VALUES CREATED IN FY2019

OUR STRATEGY

digi

Connecting you to what matters most

- Winning Team
- Growth
- Efficiency & Simplification
- Responsible Business

FINANCIAL CAPITAL

- 99% dividend payout ratio
- 46% EBITDA margin
- Best Islamic Finance Deal in Southeast Asia 2019 Award – RM900 million Sukuk Murabahah issued in September 2019

(Refer to pages 29 to 34 of Financial Review)

INTELLECTUAL CAPITAL

- Efficient Common Delivery Centres (CDC) managed by strategic partners
- Employee innovation programmes
- Digital services and 5G OpenLab

(Refer to pages 39 to 44 of Operational Review)

MANUFACTURED CAPITAL

- 91% 4G LTE and 72% 4G LTE-A population coverage
- 11.3 million customers
- 13.8GB monthly data usage per customer

(Refer to pages 39 to 44 of Operational Review)

SOCIAL AND RELATIONSHIP CAPITAL

- Global partnership with UNICEF on training next generation in digital competencies
- >1000 SMEs equipped with tools and skills to digitalise their business
- 158,958 individuals engaged in Digi's digital resilience and inclusion programmes

(Refer to pages 45 to 51 of Operational Review)

NATURAL CAPITAL

- Carbon intensity of 0.13 per data usage (tCO_2e)
- Addressing climate risk via Environmental Management System and policies

(Refer to page 49 to 50 of Operational Review)

HUMAN CAPITAL

- 78,568 total hours of online learning by employees, averaging at 51.3 hours per employee
- Achieved zero Lost Time Injury Frequency (LTIF) in 2019
- Employee Engagement & Enablement Survey (EES) score – 65% of employees are Most Effective (highly engaged and highly enabled)

(Refer to pages 45 to 51 of Operational Review)

OUR OPERATING LANDSCAPE

As a leading mobile connectivity and digital services provider, Digi finds itself at the heart of major macroeconomic, regulatory, technological, social and environmental challenges that are shaping the future. Drawing on our expertise, we possess the ability to meet these potential challenges and seize new opportunities to continue creating value for our stakeholders and driving our business forward.

Macroeconomic

2019 Developments
- Less predictable economic growth rates due to volatility in commodity prices and a cooling of the global trade war
- Malaysia's gross domestic product (GDP) stood at 4.3%, the weakest pace in this decade despite increased private consumption

Material Implications to Digi and the Industry
- Higher private spending from growing affluent population can lead to smarter consumption of digital products and services
- Efficient cost management and optimum capital allocation is required to enable long-term sustainable growth

Digi's Response
- Deploy efficient network strategies to improve overall service coverage, reliability and quality
- Develop segmented propositions for different wallet sizes
- Identify potential collaborations and partnerships across the value chains to maintain strong efficiency drive
- Ensure supply chain continuity and maintain inventory to mitigate effects of trade war

2020 Outlook
- Increase in internet adoption and data usage given the growing focus on the digital economy and adoption of future techologies
- Heightened competition in the mobile and fixed broadband market with improved consumer choices and affordability
- Anticipate short-term market correction followed by a recovery in mid-2020, alongside a surge in demand for secure and reliable network and coverage
- Companies and consumers are forced to adapt to a new normal during the Covid-19 global pandemic, leading to a change in consumer behaviour
- Increased focus on quality of service (QoS) by the Malaysian Communications and Multimedia Commission (MCMC) during this unprecedented Covid-19 crisis

Regulatory

2019 Developments
- Increased regulatory intervention to strengthen personal data protection, expanded existing compliance mechanism and address enforcement issues surrounding data security
- Supported the government's ambition to promote digital inclusion across the nation and to uplift network quality and coverage
- MCMC decided to allocate 5G spectrum to a single consortium

Material Implications to Digi and the Industry
- Continuing regulatory oversight on data security and privacy pushes in-depth engagements with policy makers and regulators
- Provide the widest availability of affordable, high quality connectivity to meet National Fiberisation and Connectivity Plan (NFCP) ambitions
- Enhance technology capabilities to meet customers' demand for innovative solutions

Digi's Response
- Redefine cyber security, data protection and privacy policies to build customer trust and reinforce network integrity
- Provide connectivity for all by enhancing suburban coverage via strategic industry partnerships

2020 Outlook
- Expect stronger push for regulations from government and customers on issues related to data privacy and security, and initiatives to promote digital inclusion

Technology

2019 Developments
- Cloud, data and analytics, artificial intelligence, and network technologies continue to reshape the telco industry
- National focus on 5G with RM50 million grants allocated to build 5G ecosystem, and 5G spectrum expected to be allocated in 2020
- Readiness for 5G deployment and nurturing tech talent in parallel to advancement of technology trends

Material Implications to Digi and the Industry
- More informed, digital-savvy customers and changing consumer behaviour require tailored services to meet their needs
- Crucial to proactively leverage and analyse data to redefine value chains
- Necessity to focus on safeguarding data assets

Digi's Response
- Utilise Data Analytics to develop strategic data assets and create focused offerings
- Leverage consumer behaviour data to redefine value chain
- Develop innovative digital services to enhance customer engagement
- Ensure business readiness and smooth 5G rollout via learnings from Digi's 5G use cases and trials conducted across Malaysia
- Nurture tech talents via agile way of work and Innovation 360 culture

2020 Outlook
- Develop critical digital competencies in Digi and implement agile way of work while continuing to drive customer obsessed and innovation culture
- Reliable network connectivity, personalised offerings, and affordable data to drive customer demand
- 5G, with IoT and AI, expected to transform and accelerate digitalisation of businesses and industries

Social and Environment

2019 Developments
- Heightened emphasis on building tech talent pipeline, resulting in greater investments to bridge talent gaps in the country
- Increased awareness of mobile technology impact on society and climate change

Material Implications to Digi and the Industry
- Required to prioritise investments to boost talent competencies and competitiveness
- Operators expected to continue network expansion and improve network quality while reducing environmental impact

Digi's Response
- Deliver on Yellow Heart responsible business commitments to:
  - Equip youths in underserved segments with digital skills to provide equal opportunities and build future talent pipeline
  - Build youth's resilience to cyber safety risks for a kinder, safer internet future
- Reduce environmental impact via streamlined operations and close monitoring of climate targets
- Develop future-ready talent through initiatives like CXO Apprentice, digital learning and employer branding

2020 Outlook
- Expectation to strengthen talent pipeline and capacity of the workforce in line with country's socio-economic priorities
- Greater emphasis on sustainability commitments contributing to sustainable social, economic and environmental development

OUR EMERGING OPPORTUNITIES

As technology reshapes our industry and consumer behaviour, we continue to be mindful of the emerging opportunities present for our business, and how we can utilise our available assets to drive sustainable performance in the year ahead.

Emerging Opportunities	Descriptions	Action Plans by Digi	Impact to Capital
Deploy and monetise 5G	5G is a new growth area to drive revenue upside from 5G consumers and businesses	• Prepare Digi's network for 5G deployment • Identify consumer and business 5G use cases at 5G OpenLab in Cyberjaya • Drive collaboration with potential industry and solution partners, and Telenor	
Develop digital solutions for corporates, small and medium enterprises (SMEs) and mass consumers	Accelerate digitalisation of SMEs through development and provision of SME-related digital solutions beyond Digi's core connectivity business Develop new digital services for consumers in Malaysia	• Organised annual MY Digital SME workshop • Launched iFleet, Omni and altHR to enable SMEs' digital transformation • Launched MyDigi 3.0 to enhance value to customers and drive retention • Build ecosystem for partnerships on our platform for scalability	
Introduce Fibre-to-the-Home (FTTH) solution	Scale up Digi Home Fibre branding as part of end-to-end product portfolio to support Postpaid growth	• Launched FTTH service in Q42019 and signed agreements with major internet service providers • Provide customers with a bundled product proposition for a seamless in and out of home service experience	
Address societal issues such as online child safety	Increase in technology usage among children has brought new risks and complex challenges related to safety	• Provide safe internet training for educators and schools • Produce national survey findings on internet safety among students	
Build sustainable talent pipeline	Rapid technology innovation and transformation are changing the workforce and skills landscape	• Empower underserved communities with future skills training • Global partnership with UNICEF to prepare Malaysia's future workforce	
Responsible climate change and environmental management	Climate change risks poses an urgent threat to economic progress and business continuity	• Establish responsible Environmental Management policies and systems • Deploy energy efficient network • Innovate digital solutions for customers to reduce shared carbon footprint	
Commitment to respect human rights	Companies have a responsibility to respect human rights across their operations in compliance with laws and guiding principles	• Identify and mitigate human rights issues • Establish policy and manuals on freedom of expression and privacy	

OUR STRATEGY FRAMEWORK

Our purpose is to connect our customers to what matters most. This is achieved through our commitment to modernise and operate our business responsibly to enable growth and create efficiencies, anchored by a strong people, customer and innovation focused culture. We believe this gives us a competitive advantage to deliver sustainable growth and long-term value creation.

PURPOSE

CONNECTING CUSTOMERS TO WHAT MATTERS MOST

Pillars	Strategic Goals	2020 Priorities	Performance Metrics
Growth Driving profitable growth ahead of the industry by optimising our core business through differentiated segment offerings, enriching value for our current customer base, and accelerating growth from our digital business. This is supported by our determination to provide a consistent network experience, and relevant products and services to customers.	**Leader in industry postpaid and internet growth** • Trusted partner for SMEs' digital transformation and preferred digital partner for enterprises • Offer differentiated services through personalisation and digital solutions • Provide best internet experience on Malaysia's largest network, ready for 5G	1. Capture new growth from consumer and B2B business 2. Derive more value from existing customer base 3. Invest in competitive network	• Service revenue development • Capital expenditure (capex) investment
Efficiency and Simplification We remain focused and purposeful to drive structural operational efficiencies for our business to remain competitive.	**Leader in modernising operations** • Improve and innovate on core business • Simplify systems and processes to be more effective and efficient • Modernise network and IT platforms to unlock potential of 5G, IoT and AI • Digitalise customer interactions across channels with MyDigi as central hub for telco and digital lifestyle services	1. Continue organisation-wide digital transformation 2. Drive multi-year, structural operational efficiency initiatives to ensure profitable business	• Free cash flow • Improvement in Network Net Promoter Score • Increase in MyDigi's monthly active users
Winning Team People are our most valuable asset. We aim to continuously build a conducive, modern workplace for our people that promotes inclusion, collaboration, agility, health and safety, and the freedom to learn, innovate, engage and grow as they deliver on our purpose and drive the business.	**Leader in modernising the organisation** • Empower employees with freedom to engage, learn, grow and innovate to inspire the next for Malaysia • Build a future ready workforce, with critical digital competencies • Implement agile way of work, while driving a Customer Obsessed and Innovation 360 culture • Nurture a diverse and inclusive workforce reflective of customer base • Improve workplace health, safety and environment for employees	1. Strengthen inclusivity at workplace, driven by agile mindset that inspires everyday innovation and customer obsession 2. Upskill organisational capabilities and build critical digital competencies to strengthen future talent pipeline	• Number of online learning hours per employee • Improvement in Diversity and Inclusion targets • Zero Lost Time Injury Frequency (LTIF) rate • Employee Engagement and Enablement Survey (EES)
Responsible Business We are committed to operate our business responsibly, holding to high standards in managing material business environment risks, and effective action to solve issues related to safe and inclusive connectivity for all.	**Leader in responsible and sustainable business practices** • Responsible in securing and protecting customer data • Prioritise secure and defendable network • Make digital skills inclusive and internet safety an imperative for all youths • Maintain high governance standards across our supply chain • Committed to managing environmental footprint and impact	1. Ensure secure and sustainable business conduct, adhering to high governance standards 2. Continued focus on improving economic, environmental, and social priorities	• Number of children engaged in internet safety • Number of site inspections and audits • Reduction of fuel energy dependency

OUR KEY RELATIONSHIPS

BUILDING TRUST OF STAKEHOLDERS THROUGH STRUCTURED ENGAGEMENT AND ACCOUNTABLE ACTIONS

We engage our stakeholders to understand their concerns and emerging priorities. Through the close working relationship we have established with them, we are able to better identify and address issues, pulling together diverse groups of expertise and expectations, in collectively achieving far greater positive impact for all six capitals.

Stakeholder Groups	Engagement Channel	Key Expectations	Digi's Response
Government and Regulators Provide access to spectrum and operating licenses, set regulatory measures with financial implications ★ ★ ★	• Participation in industry meetings with regulators and industry consultative bodies • Partnering on social programmes • Host workshops to improve sector understanding	• Improve widespread digital adoption via high quality and affordable digital connectivity • Support NFCP initiatives • Equip youth with a digital ecosystem to groom future tech talent	• Strengthened quality of network infrastructure and improved nationwide coverage of 4G LTE and LTE-A network coverage to 91% and 72% of population respectively • 5G OpenLab in Cyberjaya and 5G demonstration projects in Langkawi • Nurture skills for digital future via online learning platforms and entrepreneurial programmes conducted at our Pusat Internet
Customers Use our products and services, providing the basis of our revenue growth ★ ★ ★	• Retail outlets, online and call centre • MyDigi app • Net promoter score survey	• Expect high quality services, encompassing network and retail experience • Better value offerings	• Enhanced personalised offerings to tailor-suit customers' profile and usage pattern such as Internet Cili Padi and Box of Surprise • Improved functionalities and introduced more self-service options on MyDigi • Driving a customer-obsessed mindset
Employees Play a defining role in strategy and operations to drive execution of our growth agenda ★ ★ ★	• Internal engagement platforms • Leadership forums • Townhalls	• Opportunities for personal and career development • Competitive remuneration • Deepening digital skills	• Maintain constructive partnership with Digi Telecommunications Sdn Bhd Employee Union, and Best on People Council • Internalise innovation via design sprints, bootcamps and intrapreneur programmes • Improved score in annual Employee Engagement & Enablement Survey

Our assessment on the quality of our relationship

★ An established relationship that needed stronger enhancement

★ ★ A good relationship with constant engagements

★ ★ ★ A strong relationship based on mutual trust and shared benefit

Stakeholder Groups	Engagement Channel	Key Expectations	Digi's Response
Shareholder, Analysts and Investors Contribute to our financial capital for sustainable growth ★ ★ ★	• Periodic and on-demand investor meetings during conferences, non-deal roadshows and at offices • Quarterly conference calls • Website • AGM and EGM • Annual report and Sustainability Data Book	• Resilient revenue growth and efficient cost management • Responsible allocation of capitals to ensure sustained financial growth • Sustainable shareholder returns • High standards of governance and integrity	• Facilitate discussions on company's developments and strategies • Maintain corporate credibility and instill investor confidence
Suppliers and Business Partners Impact our ability to create value and deliver quality services ★ ★ ★	• Annual self-assessment questionnaires • Site inspections and audits • Supplier training • Product presentations	• High standards of Health and Safety in Digi's sourcing activities • Timely payments and fair terms • High integrity in due diligence and governance process	• Provide training sessions to contractors and sub-contractors, ranging from health and safety to anti-corruption matters • Enhance enforcements in line with industry standards
Media Deliver consumer awareness of products and services ★ ★ ★	• Media interviews and events • Formal and informal briefings • On-demand requests	• Informed of key product and service offerings, and business developments • Fair and transparent reporting of business performance	• Conduct regular media engagements to provide updates on business performance and developments • Address customer concerns
Community, Sustainability Partners and NGO Strengthen our role in the socioeconomic context ★ ★ ★	• Yellow Heart initiatives • Community interaction on digital inclusion and digital resilience across Malaysia	• Leveraging mobile technologies and future skills content to empower local communities • Safe internet use by young children	• Conduct digital resilience and digital inclusion programmes in partnership with NGOs and communities

OUR MATERIALITY ASSESSMENT

WHAT MATTERS TO OUR STAKEHOLDERS IS WHAT MATTERS TO DIGI

Constant engagement with our wide range of stakeholders forms a key understanding in evaluating and shaping our materiality matrix. We conduct a biennial assessment with external stakeholders and an annual assessment involving Digi's key functional leads within the organisation. Subsequently, these findings are mapped against Digi's strategic priorities and its business environment.

Approach to Materiality in FY2019

Identification

We took into account enterprise risks with reference to the Global Reporting Initiative Standards and the 2nd Edition of the Bursa Malaysia Sustainability Reporting Guide (2018).

Prioritisation

During the year, we have reviewed the relevance of our material issues. We have recategorised these 11 material matters to align with our Strategy Pillars. These matters may have material bearing on our ability to create value or influence the decisions of our stakeholders. These material matters are then mapped across our value chain, as shown below.

Validation

Finally, evaluation and discussions at Management and Board were carried out to determine the scope and boundary of each matter to our core business and stakeholder groups.

Materiality Matrix

Digi's material matters by prioritisation and mapped to our strategic pillars. This matrix provides guidance on our future initiatives and sustainability planning.

Mapped to Strategic Pillars
- ● Growth
- ● Efficiency and Simplification
- ○ Winning Team
- ● Responsible Business
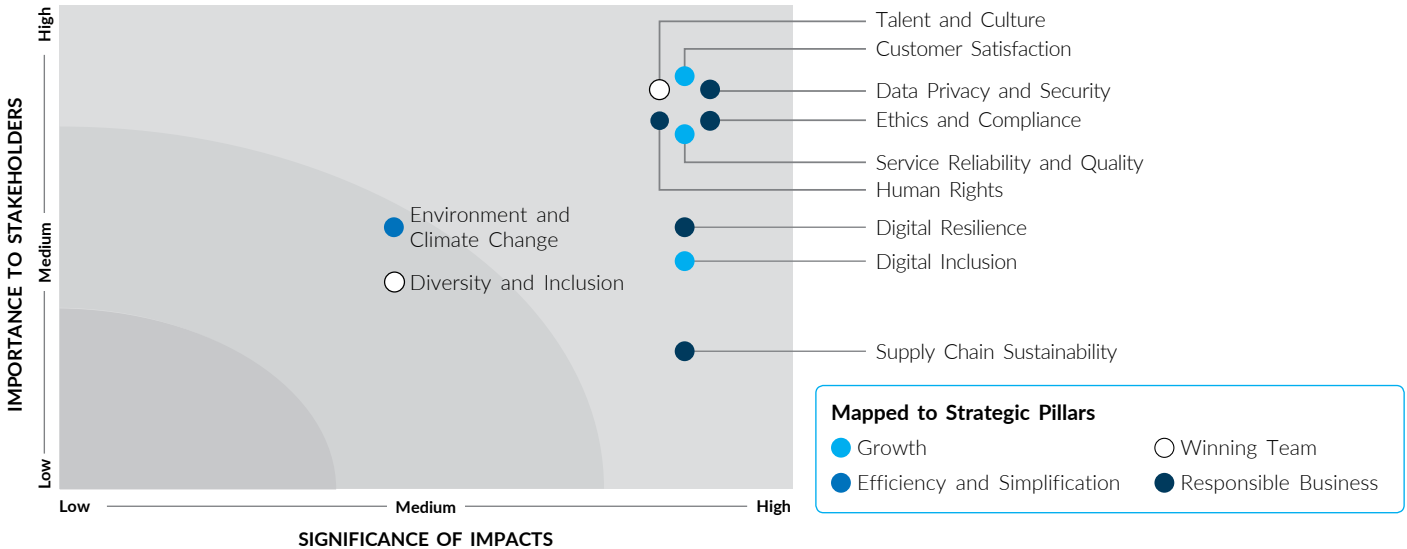
Materiality issues mapped to our value chain

Material Issues	Strategic Planning and Innovation	Sourcing and Service Development	Sales and Distribution	Network and IT Service	Billing and Customer Service	Customer Service and Data Insight
Ethics and Compliance	•	•	•			
Data Privacy and Security			•		•	•
Customer Satisfaction			•	•	•	•
Talent and Culture	•	•				
Human Rights	•	•				
Service Reliability and Quality				•	•	
Digital Resilience (safe)	•			•		
Digital Inclusion (access)	•			•		•
Environment and Climate Change	•			•		
Diversity and Inclusion		•			•	
Supply Chain Sustainability			•	•		

The table below outlines the top material matters identified during the materiality assessment process. For more information on Digi's response to each material matter, please refer to the supplementary Sustainability Data Book, which is available on our website.

Material Issues	Digi's Response	Stakeholder Group With Interests	Impact to Capital
Ethics and Compliance	• Compulsory for all employees and suppliers to adhere to Digi's Code of Business Conduct • Remain cognisant to all changes in industrial regulations and compliance	• Regulator • Shareholder • Investors • Media • Regulators	
Data Privacy and Security	• Digi has a clear privacy position to safeguard personal data • Constantly review our processes for privacy, authority requests and information management	• Customers • Regulators • Suppliers	
Customer Satisfaction	• Efficient deployment of network and customer service is our top priority anchored on our business agility	• Customers	
Talent and Culture	• Hold regular dialogues with employees or employee representatives via established platforms such as labour union and Best on People Council • Encourage a learning culture through education and upskilling platforms	• Employees • Regulators • Suppliers	
Human Rights	• Adhere to Digi's Code of Conduct, Policies, Supplier Conduct Principles and Values which form a common approach on our way of work		
Service Reliability and Quality	• Maintain network availability and improve customer experiences underpinned by strategic expansion of network footprint while ensuring network service recovery and readiness	• Customers • Regulators	
Digital Resilience Digital Inclusion	• Bridge digital divide by increasing accessibility and service reliability • Drive digital adoption in rural areas and responsible internet usage to spur socio-economic improvements • Invest in communities and build partnerships for the nation's growth	• Communities • Investors • Regulators • SMEs and Corporates	
Environment and Climate Change	• Establish manuals for Environment Management and Environmental Management System • Develop green data centre and energy efficient sites • Obtain green building certification	• Suppliers • Employees • Investors	
Diversity and Inclusion	• Focus on equal opportunities • Ensure safe and healthy working conditions • Comply to the local Employment Act and industrial regulations	• Employees • Regulatory	
Supply Chain Sustainability	• Legally oblige suppliers to uphold responsible business practices according to our Supply Chain Principles (SCP) and related policies	• Employees • Suppliers	

OUR IDENTIFIED KEY RISKS

We have in place a structure and system to detect, monitor and take targeted measures to prevent and mitigate both financial and non-financial risks. Quarterly dialogues are held where Management and Board deliberate on existing and emerging risks, followed by a risk mitigation review to ensure we manage risks well to support our business' continued sustainable performance.

Competitive Threats and Market Pressure Risk

Key Risk and its Potential Impact to Digi

As competition intensifies among industry players, digital service providers and new entrants, price and market erosion may impact both revenues and margin

Mitigating Actions
- Monetise data by providing customers with a balanced network experience and pricing proposition
- Increase market share through personalised offerings
- Expand business solution capabilities to grow B2B segment

Impact to Capital:

Sustainability Matters
- Customer Satisfaction
- Service Reliability and Quality

Digital Transformation to Deliver Differentiated Services Risk

Key Risk and its Potential Impact to Digi

As consumer demand and expectations for mobile data and connectivity evolve, we could be impacted if we are unable to shift and scale our services

We need to keep pace with new technologies to compete while maintaining excellent customer experience

Mitigating Actions
- Explore and expand to more cost-efficient digital channels and platforms
- Innovate product offerings to ensure seamless customer journeys and differentiated digital experiences

Impact to Capital:

Sustainability Matters
- Customer Satisfaction
- Service Reliability and Quality
- Digital Inclusion

Capital Allocation and Operational Efficiency Risk

Key Risk and its Potential Impact to Digi

Failure to maximise profitability for shareholders' return if we are not robust in capital allocation, operational efficiencies and free cash flow management

Mitigating Actions
- Drive execution of operational efficiences, prioritise network investment to ensure reliable and high-quality customer experience

Impact to Capital:

Sustainability Matters
- Service Reliability and Quality

Regulatory, Legal and Compliance Risk

Key Risk and its Potential Impact to Digi

Non-compliance to changes in laws, policies or requirements on spectrum, licenses, access, registration, business ethics or tax laws could result in reputational damage, financial penalties or suspension of license

Mitigating Actions
- Robust policy compliance frameworks to govern underlying functional compliance programmes
- Provide training and awareness programmes to improve competencies and knowledge on governance, ethics and integrity

Impact to Capital:

Sustainability Matters
- Ethics and Compliance

Data Protection and Management Risk

Key Risk and its Potential Impact to Digi

Effective data governance is critical to fulfil increasing customer expectations

Failure to process and manage data in compliance with requirements could result in customers distrust, financial penalty, adverse impact on reputation and NPS

Mitigating Actions
- Implement data privacy programme and framework to govern data protection
- Establish dedicated Privacy and Security teams to ensure data is handled and stored in accordance to applicable laws and requirements

Impact to Capital:

Sustainability Matters
- Data, Privacy and Security

Cyber Threats and Security Risk

Key Risk and its Potential Impact to Digi

Telecommunication service providers could be more susceptible to external security attacks, insider threats or network vulnerabilities

Loss of critical data and service interruptions could affect credibility and customer experience

Mitigating Actions
- A dedicated security monitoring team to detect potential threats
- Enhance our security architecture to be more resilient to malicious cyber attacks

Impact to Capital:

Sustainability Matters
- Data, Privacy and Security

Financial Capital

Manufactured Capital

Natural Capital

Intellectual Capital

Social and Relationship Capital

Human Capital

Supply Chain Management to Prevent Service Disruptions Risk

Key Risk and its Potential Impact to Digi

International trade war tensions and sanctions will impede supply of system or network equipment

We could be impacted if we do not have an effective supply chain management process

Mitigating Actions
- Put in place a dynamic sourcing and supply chain management process to ensure adequate and sustainable supply of system or network equipment
- Implement a multi-vendor strategy to diversify and minimise dependancy on a single vendor

Impact to Capital:

Sustainability Matters
- Supply Chain Sustainability
- Human Rights

Technology Resiliency and Recovery Management Risk

Key Risk and its Potential Impact to Digi

Prolonged service unavailability in the event of technology site loss caused by disaster or extreme technology failure may affect customer experience and profitability

Mitigating Actions
- Close monitoring on system development life cycle
- Conduct impact assessment of critical IT systems as part of system modernisation journey to improve system resilience
- To implement business continuity plans (BCP) to ensure minimal impact to customers

Impact to Capital:

Sustainability Matters
- Service Reliability and Quality

Talent and Succession Management Risk

Key Risk and its Potential Impact to Digi

Inability to effectively manage succession planning risk, attract new talent and retain top talent amidst stiff market competition from start ups will impact overall workforce effectiveness

Mitigating Actions
- Strengthen our employer brand via targeted retention strategies to retain talents
- Proactive succession and workforce planning to identify skill gaps and talent development needs

Impact to Capital:

Sustainability Matters
- Talent and Culture
- Digital and Inclusion
- Human Rights

Responsible Business Commitment Risk

Key Risk and its Potential Impact to Digi

There is growing expectation on corporate responsibility to address environmental concerns such as climate change and social concerns surrounding internet safety and equality

Mitigating Actions
- Implement Sustainability Framework to drive our commitment in responsible business conduct
- Digi is a constituent on FTSE4Good Bursa Malaysia Index, reflecting our strong ESG risk management practice
- Execute Yellow Heart programmes

Impact to Capital:

Sustainability Matters
- Digital Resilience (Safe)
- Digital Inclusion (Access)
- Environment and Climate Change

Staying connected beyond borders

We take our purpose to connect you with what matters most very seriously. Whether you are travelling the globe or reaching out to family and friends abroad, we have made staying connected simple, seamless and borderless.

THE YEAR IN REVIEW

Digi is at a key point of strengthening its leadership position on growth, and operating an efficient, modernised and responsible business. We have delivered on our 2019 priorities, as communicated in last year's Annual Report, by being disciplined to execute on our strategic focus areas of Growth, Efficiency and Simplification, Responsible Business and Winning Team.

In this section, we have outlined our financial and operational performances that commensurate with the priorities we have set at the beginning of the year. Our non-financial initiatives which focus on empowering communities and fortifying our tech talent pipeline are available in the Operational Review segment of the IAR 2019.

2019 Priorities

Growth	Efficiency and Simplification	Winning Team	Responsible Business
• Capture growth from existing customers • Continue to drive postpaid growth and Small and Medium Enterprises (SMEs) opportunities • Deploy network for best internet experience	• Continue focus and execution of Operational Excellence (OE) initiatives	• Build Customer Obsessed and Innovation 360 culture, cultivate growth, efficiency and agile mindset	• Maintain high standards of ethics and integrity in business conduct • Protect the safety and privacy of customers • Reducing inequalities in society by improving internet and digital skills access

STRENGTHENED SUSTAINABLE REVENUE MIX ALONGSIDE EFFICIENT OPERATIONS AND INVESTMENTS FOR FUTURE GROWTH

2019 has been a relatively resilient year for Digi with solid execution and delivery of our strategic focus areas. This has strengthened our revenue and subscriber mix to pave the way for sustainable growth opportunities, with stronger internet and postpaid revenue, significant improvement in our 4G Plus network quality and coverage nationwide. We maintained our discipline on efficient operations to deliver a resilient underlying performance and healthy shareholder returns with 18.2 sen dividend per share for the year.

This was achieved despite being challenged by weaker macroeconomy development as Malaysia's Gross Domestic Product (GDP) trimmed to 4.3% (2018: 4.7%), intense competition within the telecommunications industry across the postpaid and prepaid segments as well as a downward revision to the regulated mobile termination rates. These factors have also adversely trimmed the industry's revenue growth.

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Delivered 2019 As Guided

Service Revenue:
Low single digit decline

-2.5%   -1.4%[1]   -0.4%[1&2]

EBITDA:
Low single digit decline

-4.0%

Capex-to-Service Revenue:
12% – 13%

13.3%

* All analysis and comparisons are made based on pre-MFRS 16 accounting principles unless otherwise stated

STRONG EXECUTION ON A CONSISTENT STRATEGY

GROWTH

+11.0%
Internet and digital revenue

+11.9%
Postpaid revenue[1]

#2
Postpaid operator with over 3.0 million subscribers

+6.0%
B2B Revenue

EFFICIENCY

Flat
OPEX or RM1.97 billion

46%
EBITDA Margin

RM753 million
CAPEX

DIGITAL TRANSFORMATION

+24%
Monthly active MyDigi users

IT Common Delivery Centre
Operating model innovation

Digi Home Fibre

Malaysia's first 5G
OpenLab & Pilots

[1] *Excluding contract assets amortisation*
[2] *Excluding interconnect*

FINANCIAL REVIEW

Service Revenue

Sustainable growth driven by postpaid, prepaid internet and digital revenue uplift

Over the last few years, we have sharpened our focus to drive sustainable growth from postpaid, prepaid internet and digital portfolios while pursuing opportunities in SMEs, B2B and home fibre network solutions.

The strategic shifts undertaken to reduce reliance on traditional prepaid voice significantly changed our revenue and subscriber mix to be more internet centric when compared to a year ago.

Internet subscriber base strengthened to 9.4 million, an increase of 235,000 from a year ago while data traffic volumes surged 48% year-on-year and monthly data usage amongst our subscribers increased from 9.9GB in 2018 to 13.8GB at end of 2019.

The higher data consumption is fueled by significant improvements in our 4G+ network coverage and quality. This is evident from the 3 percentage point improvement in our network Net Promoter Score (NPS) and increase in average 4G data download speeds as part of our efforts to deliver a consistent, best for internet experience to our customers.

We delivered 8.2% revenue growth from our postpaid, prepaid internet and digital portfolios to RM4.46 billion (2018: RM4.12 billion) which substantially mitigated decline from prepaid non-internet revenue and interconnect rates revision during the year.

Pursuant to the adoption of MFRS 15 accounting standard, headline service revenue moderated 2.5% to RM5.64 billion after accounting for higher contract assets amortisation as a flow through from prior year's accelerated postpaid contract acquisition.

Blended ARPU remained relatively resilient at RM40, comprised of stronger internet revenue mix. Postpaid and prepaid internet subscribers increased 222,000 to 9.7 million, representing 85.9% (2018: 81.2%) of our 11.3 million subscribers.

Sales of devices and other revenue for the year trimmed 11.4% to RM653 million as a result of lower volume of devices sold during the year. However, the lower volume on devices sold did not hamper postpaid growth during the year.

[Service Revenue]

	2015	2016	2017	2018	2019
Subscribers (million)	12.1	12.3	11.7	11.7	11.3
ARPU (RM)	45	42	41	41	40
Total	6.35	6.23	5.91	5.79	5.64
Prepaid non-Internet (RM billion)	3.26	2.92	2.29	1.80	1.38
Postpaid, prepaid internet and digital (RM billion)	3.09	3.31	3.63	4.12	4.46
Contract assets amortisation (RM billion)				-0.13	-0.20

■ Prepaid non-Internet (RM billion)
■ Postpaid, prepaid internet and digital (RM billion)
■ Contract assets amortisation (RM billion)
—●— ARPU (RM)   —●— Subscribers (million)

2018 and 2019 data are based on post MFRS-15

INTERNET SUBSCRIBERS	POSTPAID, PREPAID INTERNET AND DIGITAL REVENUE GROWTH	BLENDED ARPU
9.4 million | **235,000** increase	**8.2%**	**RM40**

Postpaid Revenue

Continued double digit growth driven by solid acquisition and retention momentum

During the year, we continued to register steady postpaid acquisitions, and prepaid to postpaid conversions fueled by affordable postpaid plans and easy device ownership in addition to our attractive Borderless Roaming and Family propositions.

Strong demand for our PhoneFreedom 365 (PF365) and Family Plans boosted plan upgrades and re-contracting among our existing subscribers and resulted in postpaid subscribers rising by 227,000 to more than 3.0 million. This places us firmly as Malaysia's #2 postpaid mobile operator.

This is a testament of Digi's solid channel execution and base management strategies in driving postpaid revenue growth of 11.9%[1] to RM2.82 billion[1] or RM2.62 billion after accounting for MFRS 15 contract assets amortisation. Meanwhile, Postpaid ARPU reduced slightly to RM71 on the back of stronger postpaid subscriber base with higher contributions from entry level postpaid plans.

[Postpaid Revenue]

Legend:
- Postpaid revenue (RM billion)
- Contract assets amortisation (RM billion)
- ARPU (RM)
- Subscribers (million)
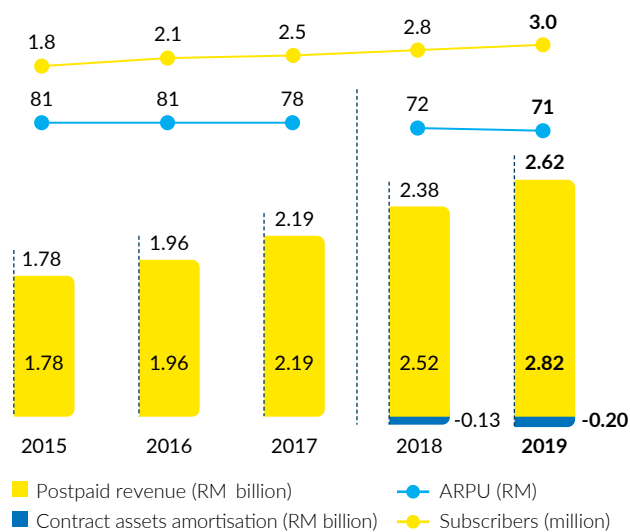
2018 and 2019 data are based on post MFRS-15

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[1] *Excluding contract assets amortisation*

Prepaid Revenue

Significant shift to more sustainable prepaid revenue and subscriber mix

Prepaid internet subscribers remained steady at 6.7 million (2018: 6.7 million) accounting for 80.7% of overall prepaid subscriber base and driving internet revenues up to 54% of prepaid revenue (2018: 47%) or RM1.61 billion for the year.

Our channel transformation strategy combined with our affordable, worry-free prepaid internet plans have provided greater accessibility for our subscribers to continue enjoying all the internet has to offer on our network. This disciplined focus on quality prepaid acquisitions and stronger internet adoption amongst our prepaid subscribers have effectively shifted our reliance on traditional voice to internet services, building a more sustainable runway for this segment of our business.

While we see encouraging internet usage growth over a larger prepaid internet subscriber base, the effects from moderating non-internet services, lower interconnect rates, prolonged intense market competition and active prepaid to postpaid conversions trimmed prepaid revenue by 12.0% to RM3.00 billion. In spite of that, Prepaid ARPU remained relatively resilient at RM30 underpinned by our solid work in building a sustainable revenue mix.

[Prepaid Revenue]

Legend:
- Prepaid revenue (RM billion)
- ARPU (RM)
- Subscribers (million)

2018 and 2019 data are based on post MFRS-15

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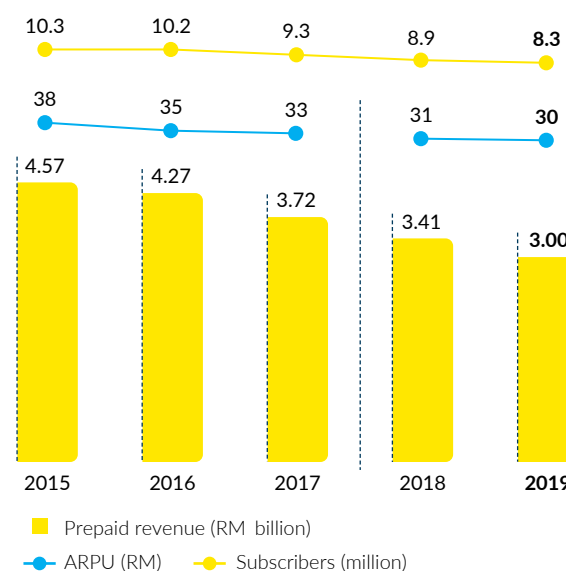
FINANCIAL REVIEW

Costs and EBITDA

Smart investments to drive customer value and better network experience

We registered a 3.1% reduction in total cost supported by our relentless focus on OE and business modernisation efforts, including digitalising our core operations, and operating model shifts across our business processes and value chain.
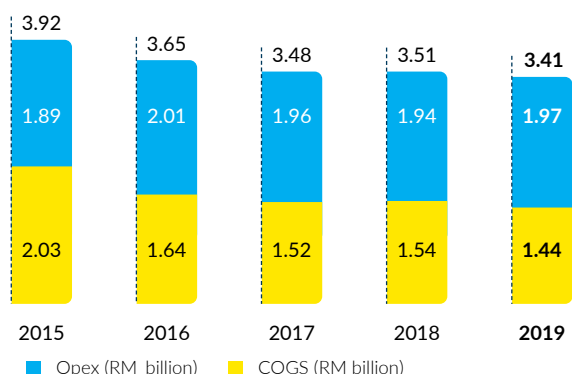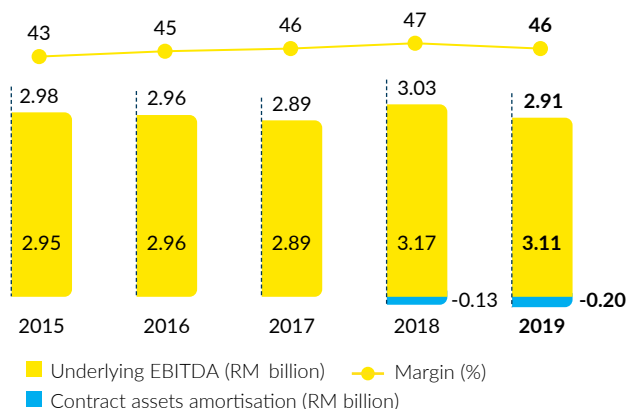
Cost of goods sold (COGS) improved 6.9% mainly due to reduction in regulated interconnect rates while efficiently managing rising costs from data traffic growth and sale of devices from postpaid expansion.

[Total Costs]

	2015	2016	2017	2018	2019
Total	3.92	3.65	3.48	3.51	3.41
Opex (RM billion)	1.89	2.01	1.96	1.94	1.97
COGS (RM billion)	2.03	1.64	1.52	1.54	1.44

Opex trimmed 0.2% to RM1.97 billion or 34.7% of service revenue while we continued investing in network coverage and capacity expansions nationwide, and marketing activities to drive stronger postpaid and internet subscriptions.

[EBITDA and Margin]

	2015	2016	2017	2018	2019
Margin (%)	43	45	46	47	46
Total	2.98	2.96	2.89	3.03	2.91
Underlying EBITDA (RM billion)	2.95	2.96	2.89	3.17	3.11
Contract assets amortisation (RM billion)				-0.13	-0.20

Our consistent focus in driving growth and efficiencies enabled us to sustain our industry-leading EBITDA margin at 46%, despite challenging market conditions and topline pressure.

Underlying EBITDA trimmed 1.6% to RM3.11 billion or RM2.91 billion after accounting or contract assets amortisation.

CAPEX and Operational Cash Flow

Strategic investments for sustainable growth

During the year, we invested RM753 million, equivalent to 13.3% of service revenue, to strengthen our network experience. These investments primarily focused on network quality optimisation, capacity upgrades, and mobile and fibre coverage expansion to 4G LTE: 91% and LTE-A: 72% of the population and 9,610km respectively.

The improved quality of our network delivered a consistent internet experience for our 11.3 million customers and earned us recognition as one of the top-ranking 4G networks in a recent speed test report in December 2019.

Operational (Ops) Cash Flow retraced to RM2.16 billion, equivalent to 34.1% margin.

[CAPEX and Operational Cash Flow]

	2015	2016	2017	2018	2019
Operational Cash Flow (RM billion)	2.08	2.18	2.14	2.27	2.16
Margin (%)	30	33	34	35	34
CAPEX (RM billion)	0.90	0.78	0.75	0.69	0.75

FINANCIAL REVIEW

Impact of MFRS 16 Adoption

Digi adopted MFRS 16: Leases using a modified retrospective approach with effect from 1 January 2019.

A summary of the accounting impact from MFRS 16 on 2019 income statement is as follows:

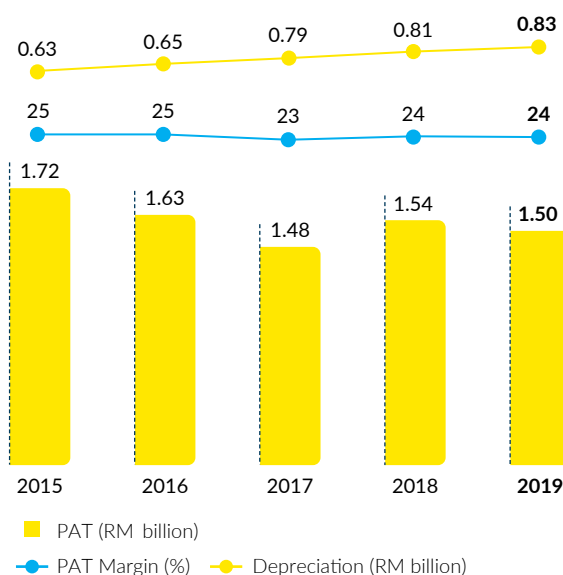| RM million	2019		Delta	%
	Pre MFRS 16	Post MFRS 16		
Revenue	6,297	6,297	–	0.0
COGS	1,438	1,435	(3)	-0.2
Opex	1,967	1,577	(390)	-19.9
EBITDA before other items (boi)	2,911	3,303	392	-13.5
EBITDA margin (%)	46.2	52.5	6.2	
Depreciation and amortisation	833	1,197	364	43.7
Net finance cost	95	205	110	108.9
Profit before taxes	1,973	1,892	(81)	-4.1
Profit after taxes	1,495	1,433	(62)	-4.1
Capex	753	753	–	0.0
Ops cash flow	2,158	2,550	392	18.2
Ops cash flow margin (%)	34.3	40.5	6.2	
EPS (sen)	19.2	18.4		
DPS (sen)		18.2		

Mobile termination rates revision

There will also be further revision to the mobile termination rates effective 1 January 2020 as prescribed in MCMC's Determination 1, 2017 of Mandatory Standard on Access Pricing made in 20 December 2017 as follows:

Sen	2019	2020
Local	1.96	0.99
National	1.96	0.99
Sub-marine	1.96	0.99

2020 Outlook and Financial Guidance

In the midst of the global Covid-19 pandemic, we are all navigating new ways of educating our children, running businesses, maintaining critical societal functions, all while trying to ensure the health and welfare of those around us.

Keeping you connected to what matters most is our purpose, and it has never been more relevant than in the situation we face today. Connectivity is critical for societies to continue functioning at this time. Globally, children are streaming sessions with their teachers, doctors are seeing patients online, businesses are running remotely, and many are simultaneously turning to the web for social interaction and entertainment while neighbourhood locales close their doors. That is why we remain dedicated to maintain the quality and reliability of services to support our customers, businesses and society during this time.

We are:
- Actively monitoring the situation, securing our networks and increasing our efforts to meet the needs of our customers
- Dedicating people and resources to an internal Covid-19 response and Business Continuity Planning team to ensure that we are in constant dialogue to manage the impact of Covid-19 on our employees, customers, value chain, connectivity services and business
- Leveraging our robust digital infrastructure to continue driving organisation-wide productivity while protecting employees with appropriate workforce planning, allowing only critical resources in the field to maintain service reliability, supported by all other employees working from home

Despite the current challenges, we remain committed to our long-term strategy, prospects and continued focus on innovation, taking a practical view on our earnings parameters.

In the months ahead in 2020, we will prioritise:
- Investments in strengthening network and IT infrastructure to support growing data demand
- Delivering on core and digital businesses via focused customer offerings
- Protecting cash flow through cost measures and financial flexibility

The solid groundwork we have set in the last three years by consistently executing our strategy, in particular digitalisation, has enabled us to quickly respond to the new virtual environment. As we continue delivering essential connectivity services for all at this time, we believe we are fit to manage through these future developments.

SUMMARISED STATEMENT OF FINANCIAL POSITION

ROBUST BALANCE SHEET WITH SOLID FINANCIAL CAPABILITY

Our balance sheet stayed healthy backed by solid financial strength to fund infrastructure and spectrum investments and 5G-ready capabilities with the aim to deliver best for internet network experience for our customers nationwide. Total Assets sustained at RM8.15 billion, an increase of 31.2% as compared to RM6.21 billion last year. This was largely underpinned by annual capex investments on network and IT capabilities, spectrum assets, recognition of Rights of Use (ROU) Assets under MFRS 16 and receivables device contracts.

[Composition of Total Assets]

- 77% Current Assets
- 23% Non-current Assets
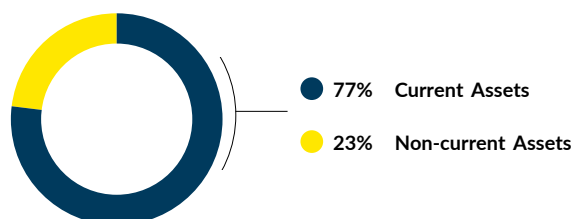
BORROWINGS PROFILE

Total borrowings amounted to RM5.15 billion, against RM2.69 billion in 2018 due to the recognition of lease liabilities of RM2.05 billion pursuant to the adoption of MFRS 16. This led to a Net Debt over EBITDA ratio of 1.6 times in 2019 (Pre-MFRS 16: 0.9 times) as compared to 0.7 times last year.

Total borrowings comprised Term Loans, Islamic Medium-Term Notes (IMTN) Programme and finance leases, of which 45% were Islamic debt. Conventional debt as a percentage of Total Assets stood at 10%, well below the 33% threshold set by the Securities Commission to meet the criteria of a Shariah-compliant counter on Bursa Malaysia.

[Composition of Total Borrowings]

- 45% Islamic
- 15% Conventional
- 40% Finance Leases
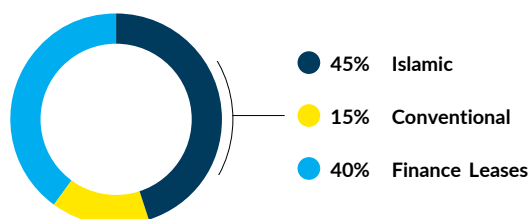
DEBT AND FUNDING STRATEGY

We place high priority on prudent capital management which includes strategic deployment of funding sources depending on the requirements and market conditions. This is to ensure that the company is equipped with flexibility either through borrowings provided by financial institutions or the issuance of Islamic paper in debt capital market. In Digi, the Treasury function is responsible for all debt and funding, cash management and corporate finance matters. The Head of Group Treasury reports directly to the Chief Financial Officer and is governed by Group Treasury Policy that sets out the principle framework for treasury risk management and liquidity reporting.

FINANCIAL FACILITIES

Digi issued the second series of Islamic Medium-Term Notes (IMTN) at RM900 million in September 2019. The issuance is part of its IMTN Programme of up to RM5.0 billion in nominal value and an Islamic Commercial Papers Programme with sub-limit of up to RM1.0 billion in nominal value, which have a combined limit of up to RM5.0 billion in nominal value (Sukuk Programmes).

The Sukuk Programmes were established in 2017 and have been accorded with AAA/Stable/P1 sukuk rating by RAM Rating Services Berhad. This credit rating was reaffirmed in January 2020 to reflect the company's well-established position in the mobile telecommunications industry, excellent profitability and robust cashflow.

Digi has bagged the Best Islamic Finance Deal in Southeast Asia 2019 award at the Annual Alpha Southeast Asia Deal and Solutions Awards. Digi emerged as the winner for its RM900 Million Sukuk Murabahah issued in September 2019, comprising a 7-year and 10-year tranche of RM450 Million each, pricing at 3.50% and 3.60% per annum, respectively.

Digi's solid credit profile resulted in an immense success for the issuance, with final bid to cover ratio of 3.2 times after the final price revision. The transaction generated interest from a diverse investor base despite a volatile capital market.

IMTN Programme
RM5.0 billion

Credit Rating
AAA/ STABLE/P1

5-YEAR
FINANCIAL SUMMARY

RM Million	2015	2016	2017	2018	2019
KEY FINANCIAL RESULTS[1]					
Revenue	6,914	6,597	6,340	6,527	**6,297**
Telecommunication Revenue					
– Service revenue	6,348	6,226	5,914	5,790	**5,644**
– Others	64	100	121	112	**87**
– Sales of device	502	271	306	625	**566**
Earnings before interest, taxes, depreciation and amortisation before other items (EBITDA – boi)	2,983	2,955	2,886	3,034	**2,911**
EBITDA margin	43%	45%	46%	46%	**46%**
Earnings before interest and taxes (EBIT)	2,354	2,304	2,100	2,188	**2,069**
Net finance cost	45	66	115	108	**96**
Profit before taxes	2,309	2,238	1,985	2,080	**1,973**
Profit after taxes	1,723	1,633	1,477	1,542	**1,495**
Capital expenditure (Capex)[2]	904	780	748	685	**753**
Operational (ops) cash flow	2,079	2,175	2,138	2,349	**2,158**
KEY FINANCIAL POSITIONS					
Total assets	4,662	5,498	5,834	6,212	**8,149**
Non-Current liabilities	386	2,150	3,033	2,838	**4,732**
Total borrowings	1,294	2,282	2,704	2,694	**5,150**
– Conventional borrowing	1,260	2,257	1,292	1,293	**780**
– Islamic borrowing	–	–	1,392	1,397	**2,322**
– Finance leases	34	25	21	8	**2,048**
Shareholders' equity	519	519	519	673	**660**
KEY FINANCIAL RATIOS[4]					
Return on equity	332%	315%	285%	229%	**227%**
Return on total assets	37.0%	29.7%	25.3%	24.8%	**18.3%**
Earnings per share (sen)	22.2	21.0	19.0	19.8	**19.2**
Dividend per share (sen)	22.2	21.0	18.8	19.6	**18.2**
Dividend yield	4.1%	4.3%	3.7%	4.4%	**4.1%[3]**
Net assets per share (sen)	6.7	6.7	6.7	8.7	**8.5**
Net debt/EBITDA (x)	0.4	0.6	0.7	0.7	**0.9**
Interest cover (x)	42.0	29.5	15.9	17.1	**21.9**

[1] Post 2018 Financial Results are based on MFRS 15 (pre-MFRS 16)

[2] CAPEX exclude new spectrum acquisition

[3] Yield calculated based on the closing price of RM4.46 as at 31 December 2019

[4] Key Financial Ratios are calculated based on MFRS 15

INVESTOR INFORMATION

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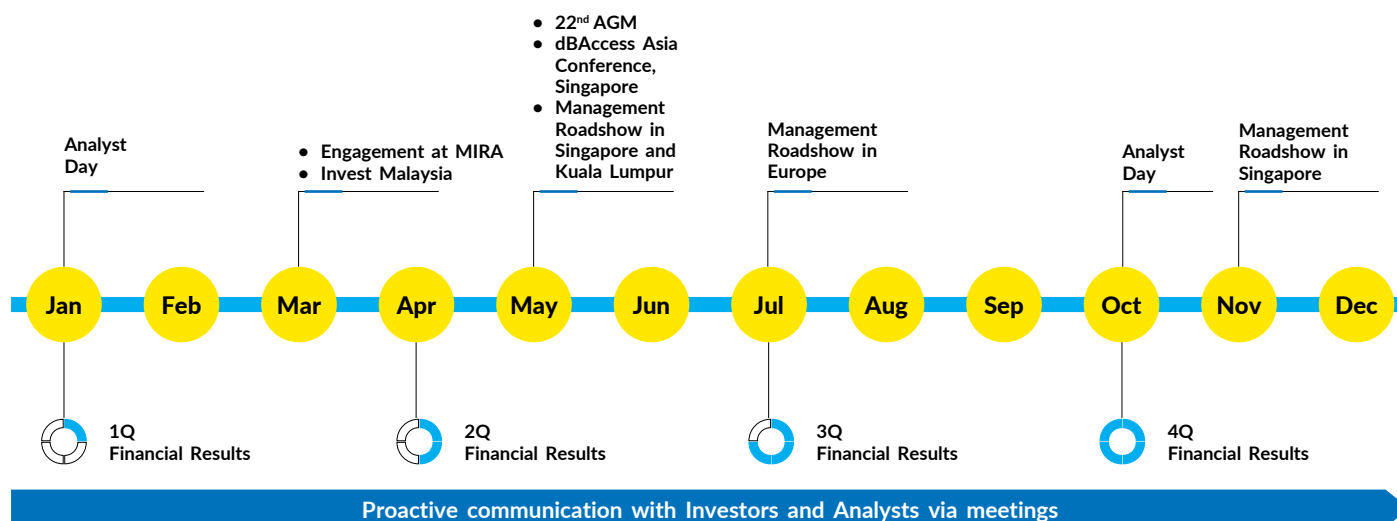
05 GOVERNANCE

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07 OTHER INFORMATION

The Investor Relations (IR) team acts as a focal point with the global investment community throughout the year to communicate the company's financial and operational performance, growth strategies and outlook, amongst other things. In Digi, the IR activities are spearheaded by the CEO; Albern Murty and Chief Financial Officer; Inger Folkeson supported by the IR team and selected senior Management which are Chief Marketing Officer; Loh Keh Jiat, Chief Technology Officer; Kesavan Sivabalan and Chief Corporate Affairs Officer; Joachim Rajaram.

We maintain active dialogues with our stakeholders via a planned IR programme, providing them access to the Management wherever possible via analyst days, direct one-on-one meetings, or via our participation in roadshows and investor conferences. As part of our commitment to maintain corporate credibility and instill investor confidence, the IR team ensures queries from shareholders and analysts are addressed in a timely, open and comprehensive manner.

Our Investor Relations website is frequently maintained to provide up-to-date and historical investor-related information. The Digi Board and Management are regularly apprised through Investor Relations Quarterly Reports, feedback from investor engagement sessions and reports from analysts and fund managers.

2019 INVESTOR CALENDAR

Analyst Day

- **Engagement at MIRA**
- **Invest Malaysia**

- **22nd AGM**
- **dBAccess Asia Conference, Singapore**
- **Management Roadshow in Singapore and Kuala Lumpur**

Management Roadshow in Europe

Analyst Day

Management Roadshow in Singapore

| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |

1Q Financial Results

2Q Financial Results

3Q Financial Results

4Q Financial Results

Proactive communication with Investors and Analysts via meetings

BROAD ANALYST COVERAGE

As one of the largest telecommunication companies by market capitalisation on Bursa Malaysia as at end of 2019, Digi garnered a fair share of coverage by the investment community. For 2019, a total of 25 analysts and research houses have core coverage on the stock, with 56% being foreign coverage.

AWARDS AND ACCOLADES

Digi's IR team received acknowledgment by global investors and analysts who cover Malaysian entities in a survey conducted by the Malaysian Investor Relations Association (MIRA). As a result, our Head of IR was awarded Best IR Professional for Large Cap companies, and Digi was recognised as Top Three for Best Company for IR and Best IR Website categories in the MIRA Awards 2019.

INVESTOR INFORMATION

Summary of Investor Discussion

In the various engagement sessions with the investment community, key topics of interest included:

- Market competition
- Capital expenditure guidance
- Revenue growth opportunities and outlook
- Earnings and dividend prospects
- Regulatory development – 5G and National Fiberisation and Connectivity Plan (NFCP)
- Digitisation of core business
- Debt structure
- Operational efficiency initiatives
- MFRS 15 and 16 accounting impact
- Digi's 4G+ network
- Spectrum portfolio

The views and feedback from our shareholders and investors are regularly reported to Management for their deliberation and actions, if any.

SHARE PRICE DEVELOPMENT

[Digi's Share Price and Volume Performance in 2019]

	1Q19	2Q19	3Q19	4Q19
High	RM4.72	RM5.05	RM5.08	RM4.78
Low	RM4.42	RM4.44	RM4.60	RM4.46
Volume	322.5 million	475.8 million	551.4 million	322.1 million

Daily Trading Volume (Million shares)   Digi's Share Price (RM)
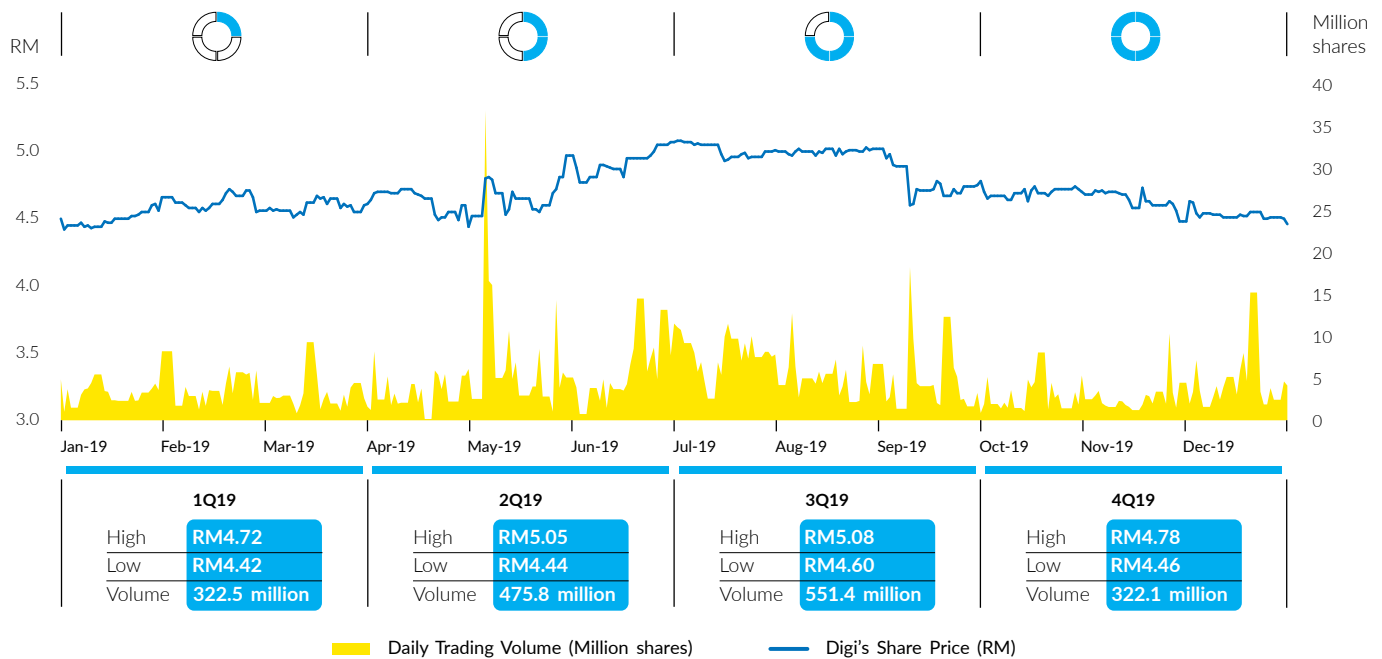
OPERATIONAL REVIEW

BEST FOR INTERNET NETWORK

Significantly strengthened and optimised network nationwide

We have markedly improved average 4G LTE download speeds and now rank #1 or #2 across 13 states in Malaysia, as measured in recent speed test reports.

Registered speed improvements in all states

Central	
Kuala Lumpur	**+19%**
Selangor	**+18%**
Putrajaya	**+11%**

Eastern	
Pahang	**+24%**
Kelantan	**+49%**
Terengganu	**+29%**

Northern	
Kedah	**+36%**
Perlis	**+41%**
Penang	**+40%**
Perak	**+24%**

Southern	
Negeri Sembilan	**+37%**
Melaka	**+34%**
Johor	**+25%**

Sabah	
Sabah	**+22%**
Labuan	**+26%**

Sarawak	
Sarawak	**+15%**

Re-farmed spectrum to deliver stronger indoor and outdoor coverage and improved network capacity

We have actively re-farmed our diverse spectrum portfolio to deliver a stronger, more consistent 4G network experience for our customers, supported by an expanded fibre network footprint of 9,610KM.

2x5Mhz, 900Mhz
(expiry 2032)

2x20Mhz,1800Mhz
(expiry 2032)

2x15Mhz, 1x5Mhz, 2100Mhz
(expiry 2034)

2x10Mhz, 2600Mhz
(expiry 2021)

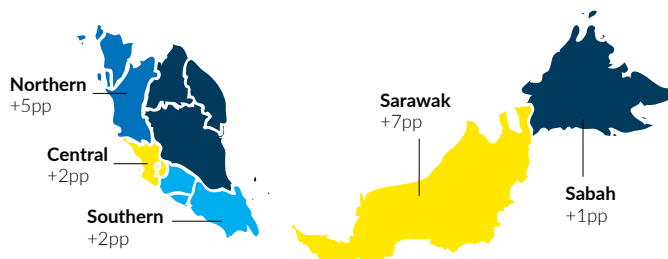### Network Net Promoter Score (NPS) improved by 3 percentage points (pp)

In the periodic Network NPS survey, which gathers feedback from over 30,000 Digi customers, all regions nationwide recorded stronger NPS. This signals improved customer confidence and satisfaction in our network.

2019 Nationwide Results

Northern
+5pp

Central
+2pp

Southern
+2pp

Sarawak
+7pp

Sabah
+1pp

Enabled 7,000 WiFi Hotspot locations across Malaysia

In October 2019, we announced a partnership with TM Global to enable Digi customers to enjoy affordable internet access across 7,000 WiFi hotspots nationwide. This solution strengthens Digi's product range, offering customers more options to enjoy a seamless internet experience in and out of their homes. This is in line with the National Fiberisation and Connectivity Plan (NFCP)'s aspiration to provide quality and affordable connectivity for more Malaysians across more areas nationwide.
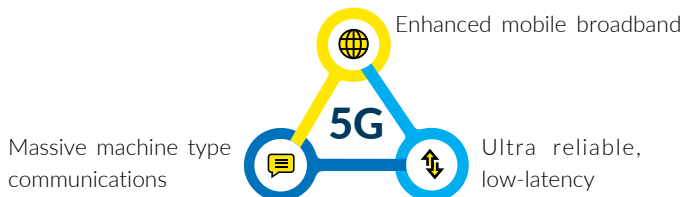
5G-READY NETWORK
FOR THE FUTURE

5G is an important enabler for Malaysia's connected future. We have actively prepared our network and business for 5G, investing to ensure 5G is built right for the future and ready to rollout when spectrum becomes available.

Over the last two years, we have made strategic investments to be 5G-ready:

- Extensive backhaul and access fibre network in preparation for 5G rollout
- Modernised network systems, and Network and IT Function Virtualisation capabilities with 5G-ready features
- Advanced security architecture to safeguard access to digital services and customer information
- NB-IOT solutions for businesses and industries
- Smart partnerships in different industry verticals to pilot 5G technology and use cases
- Malaysia's first 5G OpenLab where businesses, academics and developers can go to test new 5G use cases

We strongly believe in a collaborative, partnership-based approach to develop the potential of our nation's 5G ecosystem to bring entirely new possibilities to the way Malaysians live, work and play.

Explore use cases to capitalise on 5G benefits

Enhanced mobile broadband

5G

Massive machine type communications

Ultra reliable, low-latency

April 2019

5G Malaysia: Progressing Humanity Showcase (18-21 April 2019)

- Showcased use cases demonstrating how 5G accelerates emergency medical response times, learning through Augmented Reality (AR), and enable seamless e-Sports gameplay through Virtual Reality (VR)

May 2019

Partners ZTE to explore 5G innovations (27 May 2019)

- Exploring several aspects of collaboration to make 5G a reality in Malaysia, including 5G live trials of end-to-end network functions and features, and pilot trials of 5G use cases

Oct 2019 onwards

Malaysia's first 5G OpenLab

- Partnered Cyberview Sdn Bhd (Cyberview) and ZTE to introduce the 5G OpenLab in Cyberjaya
- The OpenLab enables start-ups and developers to trial use cases and prototypes that will benefit from 5G's super high-speed, massive bandwidth and ultra-low latency connectivity in a live, controlled environment

5G Demonstration Projects at 5G OpenLab and Langkawi, Kedah

- In conjunction with Malaysia's 5G Demonstration Project (5GDP) showcase, we have live 5G use cases running at the 5G OpenLab in Selangor, and Langkawi Airport and Hospital
- The use cases explore Real-time Medical Data Transfers, Real-time Virtual Tourism, Collaborative VR, Interactive AR with Avatar, and Fixed Wireless Access (FWA)

DRIVING NEW GROWTH OPPORTUNITIES AND VALUE FROM EXISTING CUSTOMER BASE

We continued our focus to provide customers with compelling product propositions and differentiated customer experiences. As a result, we saw favourable quality acquisition momentum and growth, coupled with data monetisation amid a highly competitive operating environment.

48% Data traffic growth	**83%** Internet subscribers	**476,000** Smartphones sold	**85%** Smartphone penetration

KEY HIGHLIGHTS

Postpaid

PhoneFreedom 365 (PF365):
Easy device ownership programme

PF365 is designed exclusively for postpaid customers to enjoy affordable, easy device ownership and access to the latest smartphones with zero upfront payment and 0% interest instalments. The strong demand for our PF365 plans registered a solid increase in postpaid plan upgrades and drove higher retention rate among our existing customers.

RM0 Upfront Payment

0% Interest Rate

Free Phone Upgrade

Free 365 Phone Protection

All-New Digi Postpaid Family Plan:
#SameSameForAll

Our all-new enhanced Digi Postpaid Family Plan allows everyone in the Family Plan to enjoy the same benefits. The first-of-its-kind in the market, the plan mirrors the principal line's Internet Quota and Unlimited Calls for supplementary lines at only RM38/line monthly.

Worry-Free Borderless Roaming Experience

Borderless Roaming has been an attractive and worry-free proposition for our customers to enjoy borderless connectivity and a seamless roaming experience anytime, anywhere with Digi. Our Borderless Roaming feature is made available across our postpaid and prepaid plans with the flexibility of affordable internet roaming pass add-ons from as low as RM5 a day.

All-New Home Fibre Plans

Our inaugural Home Fibre plans introduced in September 2019 gave us the opportunity to provide enhanced services to our customers' homes and families complementing our mobile services. With the recent partnership with Time DotCom, we have expanded our home fibre footprint to more locations and can now connect more Malaysians residing in high-rise residential areas.

Prepaid

#JomInternet with Internet Cili Padi Passes

We sharpened our prepaid internet plans to deliver worry-free, reliable internet and digital entertainment experience for our prepaid customers. We have a broad prepaid internet portfolio offering affordable hourly, daily, weekly and monthly internet passes, enriched with app and time-based internet quotas. To drive stronger internet adoption and usage amongst our prepaid subscribers, we also introduced bite-sized internet passes from as low as RM1 to RM35 with Internet Cili Padi passes via our #JomInternet Campaign and monthly BiGBonus plan. These monthly prepaid internet passes and plan offers a combination of all-usage internet quota, with either app or time-based internet or unlimited calls for a whole month.

A TRUSTED DIGITAL PARTNER
FOR CORPORATES AND SMEs

Drawing on our competencies as both a network and digital solutions provider, we have brought together a range of expertise necessary to support businesses through their growth and digital transformation journeys. This approach has underlined our expansion into B2B, recording a 6% growth in the business by working with clients from various sectors, namely construction, oil and gas, education, healthcare, financial and hospitality.

While we offer a wide range of connectivity, digital and IoT solutions for businesses to work more efficiently and accelerate their growth, we have also made it our commitment to create knowledge sharing platforms to help SMEs adapt and benefit from digital transformation. This year, our MY Digital SME Workshop equipped 1,000 SMEs in four cities with knowledge and tools to build an e-commerce presence for their businesses. This comprehensive programme was delivered in partnership with SME Corp, Mahir Digital Bersama Google, Avana Facebook Commerce, RevAsia and Shopee.

DRIVERS

Dedicated Business Solutions Team with years of experience
Digi-X Scaling Adjacent B2B solutions, working closely with Business sales force
Direct Internet Access (DIA) served by a dedicated, high bandwidth connection
MyDigi Business app enables full control of your accounts
Dedicated Customer Service Team driven by customer obsessed mindset

Key connectivity and digital solutions for Corporates and SMEs

We customise connectivity and digital solutions for businesses to enhance their overall network experience by increasing coverage, improving reliability and scalability of services, as well as solutions to digitalise their operations.

- Wider and reliable coverage offshore and at ports with a licensed spectrum, i.e. FDD LTE
- Dedicated high-speed internet access and branch-to-branch private connectivity
- Cost effective solutions over wireless technology (Microwave) with Direct Internet Access, Sip Trunk (IP-based fixed line), Toll Free Numbers, and IP PABX and IP Phones
- Realised more effective and efficient business operations for clients with digital solutions including:

omni	Omni Hotline is a full-fledged office phone system that operates completely through an app. With landline numbers, extension lines, virtual assistants, call redirection and more. Our virtual PABX system is a highly scalable mobile cloud-based subscription solution.
iFleet	iFleet is an IOT-enabled fleet management solution powered by telematics data. Through iFleet, we provide solutions such as vehicle tracking and analytics, in-vehicle WiFi for passengers and in-vehicle video footage to help fleet managers optimise their fleet.
altHR	What started off as a mission to build a better, alternative HR app to serve our own needs presented us with a new business opportunity. Fully developed in-house and used by all Digi employees, altHR is now available in the market as an all-in-one HR solution that digitises and simplifies HR admin processes on a single platform.

DIGITAL AS A
NEW GROWTH ENGINE

Our goal is to provide digital services, along with the best customer experience and make them accessible to all. From empowering users to self-manage subscriptions, game with confidence and break boundaries in education, we continue to innovate and unlock the value of digital services to enable our customers' digital lifestyles and drive new growth for Digi.

MyDigi as a primary digital hub for customers

MyDigi app provides customers full control to manage their accounts through convenient self-service features while promising a secure, hassle-free 24/7 experience.

| **3.8 million** Monthly Active Users | **+27%** Transacted Bill Collections | **+21%** Upsell Revenue In Volume |

Key Highlights

- Personalised deals: Such as Box of Surprise and MyDigi Rewards to incentivise loyal customers. Deals range from internet add-ons to plan upgrades based on customer behaviour
- Pre-book Roaming: Seamless connectivity abroad via advanced selection of roaming passes and easy monitoring of data usage
- Easier payments: One account for multiple numbers and seamless one-click payment
- Secure sign-in: Enhanced login security for a safer online experience

RepublicGG (RGG) as a B2C platform for gaming

RGG is a popular platform for gamers to get gaming virtual currency loaded with gaming rewards. These rewards include cashbacks, physical and in-game items.

| **+45%** Average transaction growth monthly | **+10%** ARPU growth | **40%** Non-Digi customers on RGG |

The platform has seen a positive adoption trajectory since launch, even attracting subscriptions from non-Digi users. This affirms RGG as a standalone, telco-agnostic service.
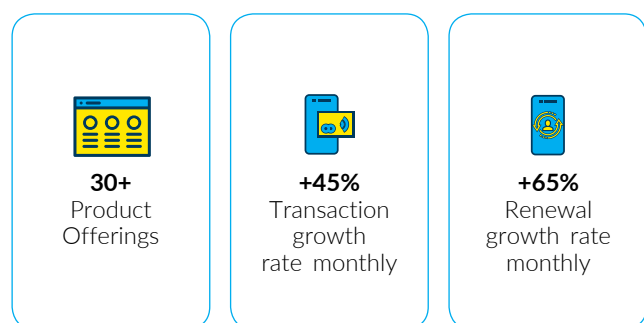
Key Highlights

- Extending payment options such as direct operator billing, prepaid reload vouchers and e-wallet transactions
- Partnered with publishers to bring exclusive merchandise and in-game items to drive engagement
- Partnered MDEC's 'Level Up 2019' gaming showcase of new popular gaming content, for wider reach and exposure

DIGITAL AS A
NEW GROWTH ENGINE

Subscription management platform

EasyAdd is a fully in-house developed subscription management platform. It gives customers the convenience to subscribe and manage multiple subscription services all in one place. Integrating with partners from the Entertainment, Productivity, Learning and Lifestyle verticals has allowed us to deliver an enriched range of digital customer experiences.

| **30+** Product Offerings | **+45%** Transaction growth rate monthly | **+65%** Renewal growth rate monthly |

EasyAdd also grows the subscription economy. As a result of integrating into our platform, our partners build scalable recurring revenue. This partnership programme is a Digi exclusive initiative known as Collab with Digi.
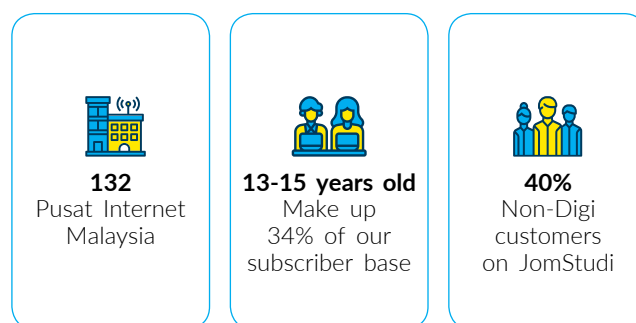
Key Highlights
- Strong monthly user base growth, with higher subscription renewal rates as compared to Direct Operator Billing subscriptions
- Over 30 local and global services, including partnerships with local startups for subscriptions of physical products
- Gained strong support by partners, visible through differentiated offers as compared to their retail offering

Interactive education platform

Digi partnered Astro, Media Prima and MDEC to launch JomStudi, a digital education resource hub, in March 2019.

The platform makes quality learning content available to underserved communities where access to learning resources may be limited. Within JomStudi, students can access school syllabus content set by the Ministry of Education and learn via self-learning tools and interactive videos provided by its partners, Classruum and Veative.

| **132** Pusat Internet Malaysia | **13-15 years old** Make up 34% of our subscriber base | **40%** Non-Digi customers on JomStudi |

Key Highlights
- Free access at all Digi run Pusat Internet Malaysia
- Borderless online education hub reached over 10,000 students with Selangor, Sabah and Johor being top consumption states
- Over 50% of the registered users are non-Digi, with majority of users seeking UPSR and SPM content
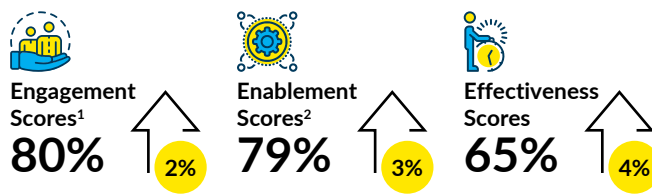
PEOPLE AND WORKPLACE MODERNISATION

Digi strives to provide an exceptional employee experience through our 'Freedom to Inspire the Next' aspiration. We believe that this premise is central to deliver upon our brand promise of connecting customers to what matters most. In living up to this brand promise, we continue building an ethical, inclusive and dynamic workplace that nurtures a learning, agile, and collaborative environment that promotes a culture of innovation and customer obsession.

PROMOTING A DIVERSE AND ENGAGING WORKFORCE

We believe in building a diverse and inclusive workforce at all levels of the organisation to maximise the power of different experiences. Diversity is a critical pillar of good governance as it drives better decision making, stimulates innovation, increases organisational agility and strengthens resilience to disruption. This is evident in our balanced gender ratio of 49% women to 51% men.

[Gender ratio]

Female **49 : 51** Male

% of women in leadership positions*

48% Extended Management Forum

46% Senior Leadership Forum

* This accounts for CXO -1 and CXO -2 managerial positions

During the year, we have observed a positive trend in our 2019 Employee Engagement, Enablement and Effectiveness scores as measured by our annual survey:

- Engagement score improved by 2% to 80%
- Enablement score increased by 3% to 79%
- Effectiveness, which is the percentage of engaged and enabled employees, rose 4% to 65%. We have outperformed the 58% benchmark scored by High Performing Companies

Engagement Scores[1]
80% 2%

Enablement Scores[2]
79% 3%

Effectiveness Scores
65% 4%

Incremental % are benchmarked against 2018 data.

[1] *Engagement represents the % of employees committed to the organisation and willing to apply discretionary effort in their work.*

[2] *Enablement represents the % employees well matched to their role and who experience job conditions that support them to perform to their full potential.*
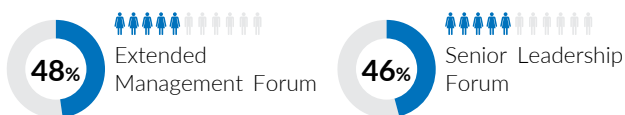
This is attributed to the action planning workshops and interventions carried out across Digi throughout 2019, focusing on various areas such as leadership, collaboration, way of work and integrity.

At Digi, our Best on People Council (BOPC) and Digi Employees Union (DGEU) are formed as our labour and employee representation. The councils are formed via a democratic election process by Digizens.

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PEOPLE AND WORKPLACE MODERNISATION

DEVELOPING A FUTURE-READY WORKFORCE

Strategy Execution Programme

This year, 70 leaders from Digi have been selected to participate in the Strategy Execution Programme organised in collaboration with Telenor and Deloitte. This programme is essential in equipping our leaders with concepts of business agility and skills to navigate through new paradigm shifts, as well as enabling them to hone their leadership style to drive an agile culture and mindset.

Building an expert workforce

We have embraced a culture of continuous learning and encourage our employees to upskill and even relearn new skills to keep up with the demands of the transforming technological landscape in the wake of the fourth industrial revolution. Depending on their level of proficiency, employees are offered structured learning paths in the seven expert competence areas deemed critical to Digi's business strategy – Data and Analytics, Personalised Marketing, Product Management, Automation and Process, Cyber Security, Customer Facing IT and Cloud and Virtualisation.

Upskilling through learning

In driving a culture of continuous learning, each employee is challenged to complete 40 hours of learning on various digital learning platforms annually. For 2019, we achieved a total of 78,568* learning hours, averaging at 51.3 hours per employee.

This is the accumulated hours clocked in from digital learning platforms only, such as Telenor Campus, Udacity, Coursera, LinkedIn, and Lynda among others, and does not account for face-to-face or guided learning sessions.

* Assured by KPMG

Digi CXO Apprentice Programme

In engaging with various external talent partners and communities, we organised the fourth season of Digi CXO Apprentice programme, registering over 1,590 applications. Eight young talents have been selected to work directly under the guidance of Digi's Management Team.

ENSURING A SAFE AND HEALTHY WORKING ENVIRONMENT

We acknowledge that it is crucial to maintain a safe and healthy working environment for our employees, vendors and suppliers. During the year, we led an industry level collaboration to provide training and conducting joint-inspection sessions involving multiple vendor groups. This has resulted in over 800 vendors being engaged.

Additionally, we also conducted joint-inspection with 13 safety officers from Tier-1 vendors. This involved quarterly inspections and monthly meetings to address issues and challenges faced by the vendors. Our efforts have resulted in zero* Lost Time Injury Frequency (LTIF) rate.

* Assured by KPMG

UPHOLDING ETHICAL AND INTEGRITY PRACTICES WITHIN OUR COMPANY AND ACROSS THE VALUE CHAIN

The telecommunication industry is a highly regulated industry. Corporate compliance is therefore a strategic priority and forms an essential element of good governance. We employ a proactive approach in addressing compliance across the board, encompassing our people, processes, data and systems, that is supportive of the current economic, regulatory, social and environmental expectations set forth by our stakeholders.

Compliance begins with the top management setting the tone on fostering a culture of integrity and the behaviours within the company. We have a clear zero-tolerance policy against all forms of bribery and corruption and our Anti-Corruption Policy sets out Digi's core principles in this regard. Our Code of Conduct is the foundation of Digi's corporate culture and sets out high standards of integrity for how we do business and provides guidance to employees on how to deal with bribery and corruption activities that may arise in the course of business. Internally, we carry out a company-wide annual risk assessment exercise to identify the Company's risk exposures and put in place appropriate remediation plans.

We are also committed to uphold the principles of ethics and integrity across our value chain. We believe our supply chain is an area where there is an extraordinary opportunity to improve business performance, to reduce our environmental impact and positively influence social equality, which includes mitigating human rights risks (i.e. modern slavery and child labour) and health and safety risks.

During the year, we stepped up efforts in monitoring business partner risk management which mandates relevant employees to screen high risk business partners for integrity concerns prior to engagement, ensuring that Digi's business relationships with all business partners do not pose unacceptable risks to the company.

Please refer to Digi Sustainability Data Book 2019 for more information

Our key performance in relation to managing supply chain sustainably is as follows:

111*
Newly registered vendors signed the Agreement of Responsible Business Conduct (ABC)[1]

1,793
Vendors having signed our ABC to date

44
Vendors were engaged through the Supplier Assessment Questionnaire (SAQ)[2]

30
Announced inspections

430
Unannounced inspections

4
Contractors terminated as a result of failing to meet safety standards

2,594
Training hours accumulated by vendors undergoing capacity building workshops in the areas of safety awareness guidelines, proper ways of using personal protective equipment and human rights awareness

* *Assured by KPMG*

[1] *Agreement of Responsible Business Conduct (ABC) which covers our stand and expectations on anti-corruption*

[2] *Supplier Assessment Questionnaire (SAQ) is a self-audit survey form through which process improvements are recommended*

PEOPLE AND WORKPLACE MODERNISATION

PROTECTING DATA AND INFORMATION

WE USE YOUR PERSONAL DATA WHEN...

YOU REGISTER AS A DIGI CUSTOMER

WHAT WE COLLECT?	WHY	WHO WE SHARE WITH?
• Name • Identification number • Date of birth • Phone number • Home or mailing address • Email address • Credit or debit card details	• To deliver you the products and services you have purchased from Digi	• Roaming partners when you travel abroad • Service providers such as social apps to enable you to make calls over the Internet

YOU SUBSCRIBE TO OUR DIGITAL SOLUTIONS AND SERVICES

WHAT WE COLLECT?	WHY	WHO WE SHARE WITH?
• Name • Email address • Date of birth • Home or mailing address • Credit or debit card details	• To provide you with our digital solutions and services, and online applications.	• Business partners to facilitate the service • Data processors to assist with technical support

YOU BROWSE DIGI'S WEBSITES

WHAT WE COLLECT?	WHY	WHO WE SHARE WITH?
• Browsing information • IP address • Device identifiers such as mobile device number and model	• To analyse how you use our websites and gather data to improve your user experience.	• Data processors to analyse website cookies • Marketing partners to personalise your user experience

YOU MAKE PAYMENT/ TRANSACTIONS

WHAT WE COLLECT?	WHY	WHO WE SHARE WITH?
• Name • Billing information • Credit or debit card details • Delivery details such as address	• To bill you and collect payment for the products and services you purchased.	• Payment gateway provider to enable you to complete your online purchase • Package delivery services when you opt for delivery • Debt collection agencies that assist with debt-recovery functions

Chat with us, **HTTPS://BOT.DIGI.COM.MY** ☎ **016-221 1800**

WE USE YOUR PERSONAL DATA WHEN...

WE SEND YOU COMMUNICATIONS AND RELEVANT ANNOUNCEMENT

WHAT WE COLLECT?	WHY	WHO WE SHARE WITH?
• Phone number • Email address • Preferred method of communication such as by email or SMS	• To notify you about your transactions • To send you marketing communications and keep you informed on latest offers • To send you emergency public announcements authorised by regulators	• NONE

YOU INQUIRE OR COMPLAIN ABOUT OUR PRODUCT AND SERVICES

WHAT WE COLLECT?	WHY	WHO WE SHARE WITH?
• Name • Identification number • Account number • Location data	• To answer your queries about your account or our products and services • To resolve your concerns on billing and non-billing issues such as network and coverage	• Business partners to resolve your concerns • Regulators such as MCMC

YOU APPLY FOR A JOB WITH DIGI

WHAT WE COLLECT?	WHY	WHO WE SHARE WITH?
• Name • Identification number • Phone number • Home or mailing address • Email address • Other information on your resume/ CV	• To process your application or a job vacancy with Digi • To conduct pre-employment screening	• Recruitment agencies to manage your applications • Relevant authorities to assist with background checks

WE FULFIL OUR LEGAL AND REGULATORY OBLIGATIONS

WHAT WE COLLECT?	WHY	WHO WE SHARE WITH?
• Name • Identification number • Other relevant data depending on the authority request	• To meet legal or regulatory requirements such a complying to a court order • To prevent and detect crime as authorised by law	• Regulators and government bodies inaccordance to relevant requests and obligations

Chat with us, **HTTPS://BOT.DIGI.COM.MY** ☎ **016-221 1800**

YOU HAVE THE RIGHT TO...

WITHDRAW CONSENT

	HOW?
You can withdraw your consent for us to use, process or share your personal info. However, we may not be able to provide our services if you do.	1. Contact our Customer Service 2. Walk into one of our Digi Stores

ACCESS YOU INFO

	HOW?
You can request a copy of your personal info from us or view your personal info through your online account.	1. Contact our Customer Service 2. Go to our Digi website and login to your account

CORRECT YOUR INFO

	HOW?
You can request to correct your personal info that we hold about you and keep your info updated.	1. Walk into one of our Digi Stores 2. Go to our Digi website and login to your account

STOP DIRECT MARKETING

	HOW?
You can stop us from sending you direct marketing messages. This will not affect your account notifications.	1. Contact our Customer Service 2. Walk into one of our Digi Stores

STOP US FROM PROCESSING YOUR INFO

	HOW?
You can stop us from processing your personal info if it causes unnecessary substantial damage or distress. However, we may not be able to provide our services if you do.	1. Contact our Customer Service 2. Walk into one of our Digi Stores

Chat with us, **HTTPS://BOT.DIGI.COM.MY** ☎ **016-221 1800**

Digi prioritises data protection to ensure employees' and customers' personal data are safe and secure. Our data privacy strategy incorporates strong governance around strengthening of privacy controls and in driving a responsible business culture, supported by continuous awareness on safe privacy practices and information management.

We improved privacy controls internally through embedment of stringent access control and management of data requests. The data processing framework was simplified with revisions to the Privacy Requirement Checklist (PRC), Data Processing Impact Assessment (DPIA) and Data Processing Agreement (DPA - Full and Lite versions) as part of the Supply Chain Management programme. Annual audits were conducted on selected vendors to ensure compliance with the DPA obligations and proactive measures undertaken to mitigate risks.

In parallel, we provided nationwide awareness training sessions for over 700 Digizens, educating them on privacy risks and good practices on handling information.

Asia Privacy Programme
by Telenor Group

We have embarked on a two-year Asia Privacy Programme organised by Telenor Group through which Digi aspires to operationalise privacy compliance, such as systemic mapping of assets and processing activities, monitoring consent management across the value chain and improvement of data security by way of enacting a data breach response plan. These efforts are on-going and continual improvement is envisaged in promoting data protection and information management in Digi.

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MANAGING OUR ENVIRONMENTAL FOOTPRINT

Climate change is a global challenge and we see ourselves as one of the key enablers towards building a decarbonised world by improving our internal processes and leveraging on our digital solution offerings. Environmental sustainability is embedded into our business operations and seen in the overall context of the business – as stated in our Sustainability Policy and our Climate and Environment Manual.

Reducing our environmental impact

As part of Telenor Group, we have set a science-based target in line with the latest climate science to achieve a 50% reduction in our carbon emissions by 2030 (from a 2018 baseline). We align ourselves to the Government's ambition for a low carbon economy and support the National Energy Efficiency Master Plan's target of increasing renewable energy generation to 20% by 2025. We continue to undertake initiatives to make our entire operations more efficient to achieve a net-positive ratio between our operational footprint and carbon reductions. This includes integrating sustainability considerations into our supply chain management.

Our innovative digitised offerings help corporate and SME customers to better manage their carbon emissions. We continuously hold dialogues and discussions with industry, government and non-government organisations to advance industry progress, establish best practices, and support responsible disclosure. In 2020, Telenor is disclosing more climate-related risks information in line with the Task Force on Climate-related Financial Disclosures (TFCD) recommendations, and it encompasses Digi's climate related information.

Innovating and Modernising our Network

Total data traffic on our network increased by 48%, a reflection of the increasing data usage per customer, averaging at a monthly usage of almost 13.8 GB in 2019. The growth in data usage poses a healthy challenge on how we scale the network while maintaining quality of service and resilience in reducing our carbon emissions.

Our engagement with Ericsson through the Common Delivery Centre (CDC) since May 2018 has resulted in optimal efficiencies in the way we manage and operate our network, enabling technological knowledge transfers across both organisations, and utilisation of the latest equipment in line with our long-term network expansion plans. Towards mid-2019, we inked a similar CDC model with Tech Mahindra for our IT infrastructure and system functions for greater efficiencies and to keep pace with changing business needs.

We strive to minimise our climate impact by improving energy efficiency, choosing alternative energy sources to reduce our direct and indirect sources of emissions, and working with stakeholders to decrease value chain emissions. We are exploring the deployment of Solar Leasing Model and Net Energy Metering Schemes with utility companies for green energy at our buildings and data centres as well as adopting digital communication solutions to reduce travel and transport.

In 2019, our carbon emission increased 4.8% y-o-y. Moving forward, we will adopt more carbon solutions in line with our Scientific Based Targets Initiative (SBTi) to achieve a 50% reduction by 2030.

MANAGING OUR
ENVIRONMENTAL FOOTPRINT

Annual GHG emissions inventory in accordance to the GHG Protocol Corporate Standard:

Digi Climate Metrics/Year	2019	2018
Scope 1: Direct Energy Consumption from Fuel (GwH)	43.47**	48.2**
Scope 1: Carbon Emissions (Tonnes)*	10,677**	11,738**
Scope 2: Indirect Energy Consumption from Grid and Green Electricity (GwH)	250.6	230
Scope 2: Carbon Emissions (Tonnes)*	162,870	153,769
Scope 3: Indirect Energy from Value Chain (GwH)	8	9
Scope 3: Carbon Emissions (Tonnes)*	1,653	1,728
Total Energy (GwH)	302	287.2**
Total Carbon Emissions (Tonnes)	175,200	167,235**

* Scope 1 (excluding emissions from diesel consumption used in generators), Scope 2 and Scope 3 Carbon Emissions – Assured by KPMG.

** In 2019, Digi underwent a review exercise of the methodology used to calculate fuel consumption of our generators used to power equipment for our network, taking into consideration efforts to convert generator powered sites to the grid. Based on our review, we had estimated a higher reporting capacity in prior years. Towards this effect, we have restated our 2018 figures based on the changes in methodology used. Energy consumption and carbon emissions related to diesel consumption used in generators reported in 2019 and 2018 restated are not assured by KPMG.

(Our boundary for carbon reporting only covers emissions from Digi Telecommunications Sdn Bhd. Emissions from our network, which accounts for our largest emissions, operate under this company. It does not include subsidiaries, outsourcing services or joint ventures)

We improved Carbon Intensity per Data Usage by 28% y-o-y as a result of operational efficiencies attributed to network modernisation and embarking on new operating models. This means that though the average customer is using more data, we have achieved a lower carbon footprint per unit of data consumed. Our carbon intensity is measured by tonnes of CO_2 (tCO_2e) per terabyte of data.

Digi Intensity Metrics/Year	2019	2018
Customer Base (mil)	11.28	11.66
Energy Usage per Customer (KwH)	26.7	24.6
Carbon Intensity per Customer	0.016	0.014
Energy Usage per data terabyte (MwH)	0.22	0.31
Carbon Intensity per Data Usage (tCO_2e)	0.13	0.18

Please refer to Digi Sustainability Data Book 2019 for more information

Yellow Heart
Privileges for senior citizens

As part of our commitment towards SDG 10 Reduced Inequalities, "Yellow Heart" is our brand promise to bring everyone in an accelerated journey towards digitalisation and responsible digital citizenship. This belief guides us in everything we do, bringing us closer to what matters most to our customers, communities and businesses, ultimately driving brand preference. The Yellow Heart initiative is led by Sustainability and supported by Brand and other business functions – Privacy and Security, Compliance and Labour Law, Supply Chain, Risk, People, and Environment.

Focus areas	Inclusive internet experience for all			Thought leadership in advocating responsible business practices
	Capacity building for schoolchildren	Skills for a digital future	Digital empowerment	
Initiatives	Thought leadership in internet related risks for families, especially children and building digital resilience strategies to ensure Malaysians are empowered on the internet through responsible digital usage.	Bridging inequalities by providing education, access to the Internet and opportunities to upskill. In response to the demand for a digital–fluent workforce, Digi is invested in nurturing the next generation to be digitally literate and ready for future jobs.	Empowering every Malaysian – including the underserved communities – with access to the Internet and to reap the benefits of a digital lifestyle. For businesses and SMEs, to increase their efficiencies and productivity by establishing and growing their digital footprint.	Commitment to responsible practices across all business levels and maximise the positive impact through emphasis on privacy, climate, compliance, supply chain sustainability and people.
Performance	• Building Digital Resilience – Created resources and engagement for over 158,958* students on responsible and resilient digital citizenship.	• Future Skills for All Programme – Digi, MDEC and UNICEF collaborated to make digital learning of computational thinking and computer science subjects accessible for schoolchildren nationwide.	• Digi MY Digital SME programme – Equipped over 1000 Malaysian SMEs with tools and skills to digitalise their business. • Yellow Heart privileges – differentiated offerings in the form of rebates and prioritised services for Seniors and Persons with Disabilities (PWD) to make services more accessible.	• Digi Sustainability Day 2019 – Advocate responsible business practices to over 160 corporates and SMEs. • Implemented due diligence to identify and address Digi's most salient human rights risk areas.

* Assured by KPMG

Please refer to Digi Sustainability Data Book 2019 for more information

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