SUSTAINABILITY

AR digi

Watch our **Yellow Heart** Manifesto Video

> The United Nations Sustainable Development Goal #10 aims to reduce inequalities in our society. We believe technology is critical to address this gap fuelled by access to technology and digital skills empowerment. Digi's aspiration is to connect customers to what matters most and we believe that through the power of the internet built on right principles, we can create shared value for all.

The relationship between technology and inequality is multifaceted. Technology has enhanced connectivity, accelerated economic growth, enabled knowledge and information sharing, and increased access to basic services.

The Internet is a core enabler of the Fourth Industrial Revolution, where a wave of disruptive innovations are providing opportunities for societal transformation at unprecedented levels. However, the potential of technologies to reduce inequality will not happen automatically unless those who are marginalised gain access to and use these technologies to respond to their needs.

Digi is committed to all UN Sustainable Development Goals (SDGs) with a specific focus on goal #10 Reduced Inequalities. This is where we can deliver the most impact, by being a responsible business that provides innovative services built on the highest standards and principles of integrity and sustainability, and aligning it to our vision to empower societies. Our digital offerings impact the economy and social well-being of Malaysians via direct value creation, innovation and productivity gains across various industries. We remain committed to raising standards across our operations, and to strive for greater access and increased opportunities to empower societies wherever we are.

OUR SUSTAINABILITY FRAMEWORK

EMPOWERING SOCIETIES

DRIVING STANDARDS	ACCELERATING ACCESS
• Ethics and Compliance • Supply Chain Sustainability • Climate Change and Environment • Winning Team	• Yellow Heart • Digital Inclusion • Digital Resilience

RESPONSIBLE BUSINESS CONDUCT

SDG #10 - REDUCED INEQUALITIES

Responsible Business Conduct is an integral part of our business strategy. It is about mitigating Digi's critical business environment risks, seizing opportunities to generate positive long-term value and meeting stakeholder expectations. We believe good corporate governance involves openness, trustful disclosure and engagement between all internal and external stakeholders. Our Board is committed to oversee our sustainability governance, strategies and accountability. Ethics and Sustainability is a standing quarterly agenda at Board meetings.

> Digi remains in the FTSE4Good Bursa Malaysia Index, which only includes companies that reflect strong ESG risk management practices as measured by an overall ESG rating. The Index is a market-leading sustainability benchmark tool for investors.

We conducted a materiality assessment, collecting views from our stakeholders on 26 topics that included new social trends and concerns that may have a significant economic, environmental and social (EES) impact on our business or substantively influence the assessment and decisions of our stakeholders. In forming our materiality and reporting framework, we have referenced to the Global Reporting Initiative (GRI) Standards, the Second Edition of the Bursa Malaysia Sustainability Reporting Guide (2018) and have taken a further step to rank and map the material issues across our value chain. The next page sets out the top 11 material issues identified from our assessment.

ANTI-CORRUPTION	DATA PROTECTION	CUSTOMER CONCERNS	TALENT AND CULTURE	HUMAN RIGHTS

The top five material issues relate directly to our core business as we prioritise delivering quality services on our network, sharpening our policies and procedures around data protection and human rights, always being people-first, and strengthening our practices around ethics and compliance. Other fronts where we actively address material issues include our Yellow Heart commitment to provide digital inclusion to marginalised communities while keeping families safe on the internet, ensuring a compliant Supply Chain, and exploring adoption of energy efficient technologies as part of our carbon management commitments. More details on these activities are disclosed in the subsequent pages of this report.

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MATERIALITY ISSUES MAPPED TO OUR VALUE CHAIN

Material Issues	Value Chain					
	Strategic Planning & Innovation	Sourcing & Service Development	Sales & Distribution	Network & IT Services	Billing & Customer Service	Customer Service and Data Insight
1. Anti-corruption	✓	✓	✓			
2. Data protection			✓		✓	✓
3. Customer concerns			✓	✓	✓	✓
4. Talent and culture	✓	✓				
5. Human rights	✓	✓				
6. Service reliability and quality				✓	✓	
7. Digital resilience (safe)	✓			✓		
8. Digital inclusion (access)	✓			✓		✓
9. Environment and climate change	✓			✓		
10. Diversity and inclusion		✓			✓	
11. Supply chain sustainability			✓	✓		

The stakeholders involved in this assessment included analysts, investors, government ministries, United Nations agencies, Personal Data Protection Commissioner, business partners and customers, sustainability partners, suppliers, non-governmental organisations, Union, people council, and management. We believe that this updated materiality assessment will better guide future initiatives and sustainability planning.

MATERIALITY MATRIX BY PRIORITISATION MAPPED TO SDGs AND 11TH MALAYSIAN PLAN

11th Malaysian Plan:
Six Strategic Thrusts

1 Enhancing inclusiveness towards an equitable society

2 Improving wellbeing for all

3 Accelerating human capital development for an advanced nation

4 Pursuing green growth for sustainability and resilience

5 Strengthening infrastructure to support economic expansion

6 Re-engineering economic growth for greater prosperity

Anti-corruption
Data protection
Customer concerns
Talent and culture
Human rights
Service reliability and quality

Environment and climate change
Diversity and Inclusion

Digital resilience
Digital inclusion

Supply Chain Sustainability

IMPORTANCE TO STAKEHOLDERS — HIGH / MEDIUM / LOW

SIGNIFICANCE OF IMPACTS — LOW / MEDIUM / HIGH

● Economic ● Environment ● Social

This section outlines our material issues and performance indicators. We do not have indicators for every material issue as some are addressed through our Code of Conduct, Supplier Conduct Principles, and our policies and manuals available on Digi's website. A more comprehensive disclosure is available in our Sustainability Report online at www.digi.com.my/sustainability.

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ETHICS AND COMPLIANCE

In an age of oversharing and abundance of information, trust and transparency are vital currencies for any organisation to operate. We therefore adhere to the highest standards of ethics and integrity in conducting our business. We see emerging forces of disruption in the areas of data security, consumer responsibility, and supply chain risks, and we have been agile in adapting to these shifts in the interest of our stakeholders.

An Integrated Culture of Integrity

In 2018, we refreshed our Code of Conduct (the Code) mandated for all employees. The new Code adopts a 'requirement, risk and guidance based model' versus the previous 'high level principle based model'. Launched group-wide by Telenor, the Code was enhanced to provide greater clarity on expected employee conduct with clear links to relevant policies and manuals. It also included additional sections to address scenarios concerning 'Business partners and Public officials'. The Code was made available on mobile to ease access and search capabilities. We also conducted an Integrity Day themed #SticktotheCode that saw Digi-wide employee participation in signing the Code, drawing a deeper understanding of its principles and undertaking scenario-based learning modules to help them internalise the Code in a simplified, practical manner. We saw a 100% employee participation in the e-Learning module.

Implementing International Standards

Digi maintains a zero-tolerance stance towards all forms of corruption, including bribery, facilitating payments or otherwise offering an improper advantage to influence a third party. We conduct our business in an open and transparent manner. In 2019, we will undertake the ISO 37001 (Anti-Bribery Management Systems) certification which covers elements such as due diligence, financial and non-financial controls, policies on specific high-risk bribery areas, whistle blowing policy, and training and communication. The standard also provides guidance in defining clear roles for leadership in driving Digi's anti-bribery agenda, third party compliance assessment, and embedding a compliance culture that focuses on prevention.

Setting the Standards in Governance

All employees are expected to comply with the Code, and all related policies and manuals. The Code is owned and approved by the Board of Directors, and is implemented by the Ethics and Compliance function. Compliance incidents are reported through several means: an Integrity Hotline at http://telenorhotline.ethicspoint.com, through leaders or directly to the Internal Audit and Investigations department. The Internal Audit and Investigations department is responsible for all investigations including those raised by whistle-blowers, and handled according to a well-defined process outlined in the Whistle-blowing Manual. The team works closely with the Ethics and Compliance department to conclude investigations and take appropriate action, this includes legal action if required. Any failure to report a breach of the Code warrants an immediate inquiry and action to be taken against the relevant individual.

The Audit and Risk Committee has responsibility over the reports raised by whistle-blowers, to review the related policy and manual in addressing such reports, and to ensure investigations are conducted objectively and independently. Both the Internal Audit and Investigations department and the Ethics and Compliance department report to the Audit and Risk Committee and the Board regularly on any reported cases as well as follow-up actions taken.

All compliance cases reported in 2018 were concluded with resolutions and remediation plans within the guided 30 to 45 days. In the year, we also completed the implementation of all remediation plans identified in 2017. To enhance our processes, we engaged a 3rd party service provider to conduct an Integrity Due Diligence screening for new business partners and tightened our compliance risk assessment methodologies.

Digi was the only Malaysian company to attain the Best Corporate Governance recognition for the highest level of disclosure as published in the CGIO-ACN Corporate Disclosure on Business Integrity in ASEAN 2018 report. Published by the ASEAN CSR Network (ACN) and the National University of Singapore (NUS) Business School, the study compared the 50 largest companies by market capitalisation in five ASEAN countries – Indonesia, Malaysia, Philippines, Singapore and Thailand – and ranked them based on a set of 13 questions developed by Transparency International.

DATA SECURITY AND PRIVACY

Evolving Beyond Confidentiality

Safeguarding customer privacy remains a priority and we have integrated all data-privacy related activities into everyday organisational processes. We enforced stringent measures to address possible gaps across our business value chain to ensure we continue to protect the privacy and security of our customers.

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New tools and practices introduced during the year included enhancing governance on privacy matters, privacy risk assessment as part of data processing, establishing privacy compliance in vendor process, identifying key functions within the organisation with heightened responsibilities to manage data, and constantly engaging employees with relevant capacity-building programmes. All these measures support our commitment to remain transparent on how we collect and use personal data.

Encompassing Privacy Matters

We recorded a 100% completion of the Privacy Matters e-learning module by employees. The module emphasises and cultivates privacy knowledge and awareness to embed a culture of privacy compliance across all job functions. It was made a mandatory learning for all new employees in the onboarding process, and part of periodical training sessions for job functions involving customer data, such as retail frontlines and contact centre.

Future-proofing Privacy and Fraud

In 2018, Telenor launched a two-year privacy programme across its Asian markets to build capacity and introduced scenario-based learning to ensure synchronisation among business units in navigating the complex and changing privacy regulatory landscape.

SERVICE RELIABILITY AND QUALITY

Witnessing Robust Internet Growth

We now serve 9.2 million internet customers whose 9.9GB average monthly data usage has driven a 70% y-o-y surge in data traffic on our network. As data demand continues to rapidly increase, we remain committed to provide a quality and consistent network experience for customers.

This year, we expanded our nationwide 4G plus network footprint to cover 89% of the population with 4G LTE, 65% with LTE-A, and grew our fibre network to 8,400km. Our commitment to service quality was also reflected in the results of the Malaysian Communications and Multimedia Commission (MCMC)'s Network Performance Report 2018. The report outlined nationwide network performance measurements based on key metrics such as data throughput speeds and network latency, in line with the Mandatory Standards for Quality of Service for Wireless Broadband Access services.

The report measured:

Digi Key Metrics/Year	2017	2018
(Throughput) Average Download Speed	15.57 Mbps	23.10 Mbps
(Throughput) Speeds	98.80% >650 Kbps	98.49% >1Mbps
(Network Latency) % of the time latency ≤ 250 ms	99.61%	99.36%
(Network Latency) Packet Loss	0.52%	0.12%

Note: In 2017, most networks were on 3G with throughput set at 650kbps at 65% of the time. In 2018, the threshold was raised to 1Mbps at 80% of the time aligned to LTE coverage deployments. (Source: MCMC Network Performance Report 2018)

CUSTOMER CONCERNS

Captivating Customer Obsession

We remained true to our mission of always employing a customer-first mindset and to put customer concerns at the core of all we do. We have a dedicated customer management team constantly working to innovate new ways of improving customer experience across all our digital and retail touchpoints. These efforts have led us to score the highest customer Net Promoter Score (NPS) within the industry for the second consecutive year. NPS is calculated as the percentage of promoters (customers likely to promote a brand) deducted from the percentage of detractors.

Digitally Integrated Customer Management

We continued making smart investments to redefine our customer experience by digitising customer care services across our touchpoints to meet the expectations of our customers.

MyDigi: Enhancing our self-serve platform to incorporate personalised member rewards and offers, we saw app adoption grow to three million monthly active users (>20% growth from the previous year), with customer logins averaging 10.7 times a month for multiple usages.

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Live Chat: As we introduced more digitised customer care options, we saw a 51% reduction in total calls to our Customer Service across all services. In 2017, we developed an in-house chatbot fondly known as *Will* that functions as the first point of contact on Live Chat to filter simple customer queries.

In 2018, we recorded positive customer satisfaction (CSAT) scores across both our key touchpoints – contact centre and retail stores, registering an increase of 5% and 1% respectively.

CSAT Ratings	2017^	2018*	Difference
Contact Centre	58%	63%	+ 5%
Retail Centres	87%	88%	+1%

*(*assured by KPMG)*
Note: ^ based on data collected from July – December 2017

Containing Third-party Content

We took necessary measures to mitigate disputes over unauthorised subscription of content through SMS with third party content providers. We worked to help our customers better manage their subscriptions by implementing an additional authentication layer via Transaction Authorisation Code (TAC) for all third party subscription requests made via SMS, and established a weekly complaint monitoring framework to monitor and escalate disputes to content providers for resolution. We raised efforts to keep customers informed on how they may have unknowingly subscribed to third party services and how to unsubscribe.

Artificial Intelligence At Work

We leveraged on the power of Artificial Intelligence (AI) and machine learning to improve cyber security, fraud detection, and streamline processes. These technologies gave us security capabilities to prevent and reduce the effects of a range of threats, including the ability to swiftly detect and respond to fraudulent activities, achieve greater process efficiencies, and reduce human error to provide better protection for customers. The fraud detection AI solution (Automated Deep Learning detector) was developed internally and is able to identify tampered photos and invalid registrations.

Mobile Data Management Feature

Our latest innovation for customers came in the form of a mobile data management feature for Android users. A collaborative effort between Google and Telenor Group, the feature enables customers using Android devices running on 4.0 operating system and newer to access their mobile data plan, purchase data offers and receive alerts via phone settings instead of an app. This brought greater convenience to our customers to enjoy our services seamlessly with minimal disruption, resulting in a better internet experience.

Digi Customer Engagement Day

For the sixth year running, our Customer Engagement Day saw over 1,000 employees taking to the streets of Malaysia, with the aim of connecting with our customers and understanding what matters most to them. This annual exercise provides our employees the opportunity to gain insights and have honest dialogues with our customers on how we can do better.

#DigiFriend

#DigiFriend is an ambition held by frontliners across our retail and contact centre touchpoints, to encourage a people-friendly culture where they approach customers like a friend. We re-imagined our store setup and introduced over 300 #DigiFriend ambassadors across retail stores nationwide to provide personalised and world-class services to customers. As importantly, we also prioritised to serve expectant mothers, seniors and people with disabilities first in our stores.

SUPPLY CHAIN SUSTAINABILITY

Through our Supply Chain Sustainability (SCS) focus, we require responsible business conduct from all our suppliers in accordance with our Supplier Conduct Principles (SCP), which is part of our Agreement on Responsible Business Conduct (ABC). These requirements are complemented by systematic monitoring and risk management. We believe that decent working conditions, respect for human rights and the environment, as well as willingness to improve standards amongst our suppliers is the only viable way forward. By working closely with our suppliers, we can raise the standards and build a competitive edge from the way we manage our supply chain.

Compliance, Capacity Building and Continuity

Integrity is a vital part of Digi's business, and we exercise due diligence when it comes to the selecting of business partners to ensure compliance with our ethical standards. We have implemented mandatory requirements for screening and conducted integrity due diligence

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(IDD) assessments on all business partners and suppliers. Parties with a direct contractual relationship with Digi are legally obliged to uphold responsible business practices and adhere to our SCP.

The principles include areas related to human rights, health and safety, labour rights, environment, privacy, and prohibited business practices, which sets out the minimum standards we expect to see achieved over time. Suppliers are also obliged to ensure compliance with applicable anti-corruption laws and regulations.

In 2018, all 162* newly registered vendors signed the Agreement of Responsible Business Conduct (ABC) which communicated our anti-corruption policies and procedures. We conducted 464 site inspections in the year, 95% of which were unannounced. Eight sites were found to have committed major compliance breaches and 35 sites recorded minor breaches. As a result of failing to meet our safety standards, six subcontractors were terminated while two others were suspended for six months pending improvements.
(*assured by KPMG)

All our suppliers underwent capacity building workshops accumulating 2,060 training hours in the areas of safety awareness guidelines, proper ways of using equipment and also on human rights.

We also made functional enhancements to the Digi Permit to Work (D'PTW) app to better track the operations of our contractors and sub-contractors working at our sites. The D'PTW app was developed to digitise safety monitoring and simplify the permit approval process for all contractors and sub-contractors. Features of the app ensure that contractors have Health, Safety and Environment (HSE) competencies, working at height competency and adherence to Personal Protective Equipment (PPE) requirements. With geo-tagging, and check-in and check-out features among others, the app provides real-time monitoring of a contractor's HSE compliance.

Respect for Human Rights

Digi supports and respects internationally proclaimed human rights including the UN Declaration and conventions on human rights. In 2018, we undertook a Telenor Group Human Rights Due Diligence exercise in collaboration with Business for Social Responsibility™ (BSR™). This company-wide exercise involved participation of key business functions aligning our operations and supply chain to adhere to best practices in human rights including freedom of expression, data privacy, health and safety, bonded labour, child labour, non-discrimination, child online safety and access to technology. The due diligence assessment identified risks and planned preventive and mitigation actions to address human rights impacts. We also engaged external stakeholders such as the Human Rights Commission of Malaysia and UNICEF Malaysia to gain a macro perspective of the industry and the country.

EMPOWER SOCIETIES

Commitment to Sustainable Development Goals

Digi is committed to prioritise and deliver on the United Nations Sustainable Development Goal (SDG) #10 – Reduced Inequalities, where we aspire to provide access to meaningful internet services for all Malaysians and drive greater socio-economic development for communities. Now more than ever, we need to equip as many Malaysians with the ability to use technology and develop innovative solutions to solve problems that can otherwise leave them marginalised. We work to ensure that access to opportunities is equal for all. This is our purpose to empower societies and reduce inequalities.

Partnering For Reducing Inequalities

In 2018, we worked with like-minded partners such as Telenor Group, Ministry of Communications & Multimedia, Malaysian Communications and Multimedia Commission (MCMC), Ministry of Education, UNICEF, Petrosains, Childline, The Star R.AGE, and many others to drive our ambition to develop digital competencies and resilience of Malaysians. These collaborative partnerships have enabled us leverage on inter-organisational strengths and deliver on our programmes with maximised scale and impact. At end November last year, we engaged multiple stakeholders, and showcased the impact of our projects and these partnerships at our annual Partnering For Reduced Inequalities (PFRI) event held at our headquarters.

Yellow Heart

A total of 87.4% of Malaysia's population are connected to the internet. Moreover, the Internet Users Survey 2018 (IUS 2018) released by MCMC states that nine out of ten children aged 5 – 17 years are internet users, making them vulnerable to various online risks (Source: MCMC Press Release January 2019). In a world where our children are "growing up digital", it is pertinent that alongside access, our children are raised to be safe and responsible digital citizens. This is the core purpose of Yellow Heart.

Yellow Heart was launched in June 2018 as our commitment to create a more sustainable digital future for all; delivered via our two nationwide initiatives: Enabling Digital Inclusion and Building Digital Resilience.

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Enabling Digital Inclusion

We strive to provide equal opportunities for all members of society to benefit from the power of the internet. We believe it is imperative to adopt future skills learning for a digitised Malaysia, where future jobs will change, demanding a highly skilled interoperable workforce.

Digi Internet Centres

We continue to collaborate with MCMC to operate and maintain 132 internet centres located in rural communities and urban low income housing projects. These community internet centres provide access and basic digital literacy programmes for the community.

Digi Academy and Digi Robotics Programme

In co-operation with MCMC, our programmes advocate digital literacy, primarily for youth residing around our internet centres. These programmes, anchored on STEM and future skills modules provide an early foundation and build interest and enthusiasm in their pursuit of tertiary learning opportunities. During the year, Digi Academy trained 600 youth from three states, Selangor, Negeri Sembilan and Melaka, while Digi Petrosains Robotics, in collaboration with Petrosains, reached 40 children from marginalised communities in Selangor and Johor. We plan to expand these programmes to the East Coast and East Malaysia in 2019.

Future Skills Camp: Digital Photography

We conducted a pilot initiative together with UNICEF and Childline Malaysia to inspire and empower children to be creative digital storytellers. Leveraging on smartphones and photography apps, we empowered 40 children from urban low income, refugees, and indigenous communities with tools and guidance from field experts, to tell life stories through digital photography. The children showcased their work at our PFRI event and on online platforms.

JomStudi Digital Learning Hub

We collaborated with Astro and Media Prima on JomStudi, a digital learning hub that aggregates quality educational content as a learning

aid for all students, especially those in the underserved areas. Developed by Digi, the platform was launched in March 2019, and aims to be a go-to platform for students to conveniently access quality education content that follows the national syllabus format. The initiative is supported by the Malaysia Digital Economy Corporation (MDEC).

Building Digital Resilience

We continued to drive thought leadership and solid momentum in keeping children safe through responsible and resilient digital citizenship. We initiated 226,357* meaningful engagements with young people across the country in 2018 via various nationwide campaigns. We estimate another 75,000 were engaged in the #StandTogether programme. *(*assured by KPMG)*

#StandTogether National Kindness Week

Partnering with UNICEF, Ministry of Education, The Star R.AGE and S P Setia Berhad in the inaugural #StandTogether National Kindness Week, we engaged with students from over 700 schools nationwide. We spearheaded an online campaign (#BaikHati) to spark a culture of kindness on the internet with support from celebrity influencers and via an online competition. We are planning a second season in 2019 to reach an even larger audience nationwide.

#ENDViolence Youth Talk

We organised a YouthTALK forum with UNICEF, where 300 youth shared their concerns and opinions on internet safety to key stakeholders. The platform saw the participation of several Malaysian Members of Parliaments as well as local and international celebrities joining hands to amplify the voices of these children, standing against online violence. The online content and live video gathered over one million views on social media channels both locally and abroad.

YellowHeart#DaretoShout

Taking a more targeted approach by joining forces with the reigning Miss Universe Malaysia 2018, Jane Teoh in her #DareToShout campaign, we visited selected schools in Klang

Valley and Penang to share her personal cyberbullying stories and educate students on digital resilience strategies. Jane is a strong advocate for cyberbullying awareness, and is extending her reach to a wider audience through this partnership with Digi.

Advocacy and Young Ambassadors

Partnering with the Ministry of Education, CyberSecurity Malaysia and Google, the Yellow Heart CyberSAFE in Schools campaign focused on instilling positive digital citizenship behaviours. The campaign garnered 90,968 entries from over 173 schools nationwide. To reach the masses, we implemented our safety education modules in MDEC's Mobile Learning Bus initiative to educate children in rural areas. We refreshed our interactive digital exhibit at Petrosains, The Discovery Centre that attracted over 500,000 visitors in 2018. We also partnered with Childline Malaysia and Talisman Project to host capacity building youth camps at our headquarters.

Surveys and Workshops

The Digi Yellow Heart Cyberbullying and Youth Disposition Survey 2018 is our third nationwide online safety study to understand the co-relation between youth disposition and cyberbullying. The survey ran for 10 months and gathered responses from close to 2,000 youth, aged 13-21 years old, predominantly from rural schools.

Concurrently, we also partnered with Sunway University and Free University of Berlin (FUB) on an appropriate mitigation strategies survey and a cyberbullying prevention programme with 11 secondary schools in the Klang Valley.

Resources and Modules

We have consistently produced various educational awareness resources on digital citizenship and internet safety to complement our programmes. Some new resources introduced in the year included a parental guide with CyberSecurity Malaysia and an interactive online module for children and parents in partnership with Telenor Group and Parentzone UK. We also developed a 5-episode animated video series, called the Yellow Heart Cyber Series, produced by popular

youtuber Cartoon Hooligans in partnership with Google. The series hit over a million views on social media.

Future Plans and Solutions

As evolving technologies continue to change the nature of internet usage among young people, we also observe the emergence of new online risks and the importance of keeping abreast with these changes and needs. We have planned for at least 15 state-wide capacity building sessions in 2019 and will continue to implement ongoing nationwide surveys and research to gather ground up insights to curate more meaningful engagements and impactful solutions.

Digi was awarded the Best Social Innovation award in the Malaysian Dutch Business Council Innovation and Sustainability Awards (MISA) which showcases best industry practices. The MISA 2018 Social Innovation category focused on organisations with innovations that positively affect society, address current Malaysian social issues and contribute to the development of the industry.

CLIMATE CHANGE AND ENVIRONMENT

Balancing Growth with Sustainability

Digi has a large and growing footprint across Malaysia. With the increasing usage of digital services, we have seen a phenomenal growth in internet traffic on our network and this forms the continuous challenge to balance the demand for growth with the need for sustainability. While we understand our impact on the country's greenhouse gas emissions and waste challenges, we are also aware of the huge potential of technology to decarbonise the entire economy.

Our climate strategy remains focused on pushing for energy efficiency gains in all aspects of our energy consumption to minimise our carbon footprint and pave the way to realise climate-friendly innovations. We continue to disclose our carbon footprint and we report as part of the Telenor Group to the Carbon Disclosure Project (CDP) climate reporting system, in line with the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework. For the fourth year in a row, CDP rated Telenor Group in their 'Leadership' category as part of its climate ranking list for 2017.

We continue to take guidance from the Global e-Sustainability Initiative (GeSI) SMARTer 2030 Global Report which demonstrates ambitions of how responsible technology-enabled transformation initiatives can improve the quality of human life globally and create a

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more sustainable world. According to the report, by 2030, technology has the potential to slash global greenhouse gas (GHG) emissions up to 20% by helping companies and consumers to use and save energy intelligently, thus contributing to operational efficiencies and wider societal benefits.

For instance, to generate carbon savings in our downstream, our iFleet smart solution reduces fuel wastage and improves driving behaviour for corporate customers while Digi Connected Cars with AXA FlexiDrive is a commercial offering that rewards safe and efficient driving patterns, tracked based on speed and mileage. Meanwhile, Omni, our innovative enterprise-level virtual phone system allows enterprises to dematerialise and avoid resource-intensive setups for office phone systems or a call centre.

Next-Gen Infrastructure and Smarter Networks

In 2018, we were more intentional in implementing sharing models (up to 70% tower sharing), rolling out more efficient small cells and rooftop sites in place of larger base station towers which has a more significant environmental footprint. We were also more aggressive in converting fuel based generators to grid energy. However, our solar renewable energy sites were reduced to 41 sites as 16 sites were vandalised.

We undertook a change in operating model as we engaged Ericsson in a Common Delivery Centre (CDC) agreement to maintain our network operations for optimal efficiencies. This synergy provides us access to Ericsson's latest technologies, tools and software to manage day-to-day operations and network expansion, and contributes towards greater energy efficiencies.

Energy and Carbon Reporting

While we saw energy savings in some indirect value chain emissions (Scope 3), we still recorded energy growth in our direct (Scope 1) and indirect emissions (Scope 2) resulting from our business growth. Our energy consumption increased by 12.9% while our carbon emissions increased by 13.4%.

Digi Climate Metrics/Year	2018	2017
Scope 1: Direct Energy Consumption from Fuel (GwH)	111^	101*
Scope 1: Carbon Emissions (Tonnes)	26,960	24,262
Scope 2: Indirect Energy Consumption from Grid and Green Electricity (GwH)	230	194
Scope 2: Carbon Emissions (Tonnes)	153,769	131,926
Scope 3: Indirect Energy from Value Chain (GwH)	9	9*
Scope 3: Carbon Emissions (Tonnes)	1,728	1,782
Total Energy (GwH)	350	304
Total Carbon Emissions (Tonnes)	182,457	157,970

Note: Our boundary for carbon reporting only covers emissions from Digi Telecommunications Sdn Bhd. Our network accounts for the largest emissions operating under this company. It does not include subsidiaries, outsourcing services or joint ventures.

All energy and emission figures (Scope 1, 2 and 3) are assured by KPMG except for ^ which includes an estimation for diesel consumption in generators on standby. Standby generators account for 0.18% of total diesel consumption.

* Energy consumption from transportation reported in 2017 has been categorised to Scope 1 and Scope 3

Digi Intensity Metrics/Year	2018	2017
Customer Base (mil)	11.66	11.75
Energy Usage per Customer (KwH)	29.7	25.8
Carbon Intensity per Customer (tCO$_2$e)**	0.016	0.013
Energy Usage per Data terabyte (MwH)	0.38	0.56
Carbon Intensity per Data Usage (tCO$_2$e)**	0.20	0.29

** Carbon Intensity is the emission rate of a given pollutant relative to the intensity of a specific activity or data. (Source: Wikipedia). Our carbon intensity is measured by tonnes of CO_2 (tCO$_2$e) per terabyte of data and by customer base in millions. We believe these are good indicators to measure against, considering the increasing data consumption trends of our customer base.

While the carbon intensity per customer has risen 23% to 0.016 tonnes CO_2e due to demands of a growing subscriber base, the carbon intensity per data usage has decreased by 31% to 0.20 tonnes CO_2e. This means that though the average customer is using more data, we have achieved a lower carbon footprint per unit of data consumed.

Future Plans and Solutions

Moving forward, our plans are focused on these key areas :

(1) Review and align climate reporting processes with the TCFD recommendations.
(2) Reduce energy demand of our network and buildings by investing in more efficient cooling technologies. This is in continuation of cooling initiatives implemented in our headquarters in 2018 where we realised carbon savings.
(3) Reduce vehicle fuel consumption through driver monitoring software and synergised fleet management under our new operating model.
(4) More aggressive conversion of sites from generator to grid energy to reduce dependency on fuel.
(5) Work towards zero office waste to landfill through better recycling efforts and removing single-use plastic waste.

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(6)   Instil good environmental management principles across our operations via the ISO 14001:2015 certified Environmental Management System.

WINNING TEAM

Agile Employer Brand

Freedom to Inspire the Next is Digi's brand promise to give our employees the freedom to always explore inspiring ideas for new products, service improvements or innovation, irrespective of hierarchy, tenure or job functions.

We strongly believe in developing talent, supported by multiple streams of self-learning and development platforms. We do this through a systematic approach of identifying future skills relevant to the demands of the business, weighed against the career aspiration of each of our employees, better known as Digizens.

Onboarding Employees on Strategy

What's Your Next is a half-day course designed to help every employee understand and appreciate Digi's strategy and purpose, facilitated by Digi's leadership team. A total of 1832 participants* nationwide underwent these sessions, including permanent and contract employees.
(*Total data from January 2018 to February 2019)

Self-Learning Platforms

To cultivate a habitual learning culture within Digi, each employee was challenged to complete 40 hours of learning on various digital platforms such as Lynda.com, Coursera, Udacity and Linux Academy. We achieved a total of 103,614* hours of learning with an average of 64 hours per employee. On top of this, we estimate an additional 14,856 hours of learning by 190 employees who graduated with Udacity Nanodegrees. (*assured by KPMG)

Digital frontrunners

We are a company focused on being customer-obsessed and innovation-led in running our business and creating experiences for our customers.

Innovation 360

Our approach to Innovation 360 is to inspire, equip and enable employees to adopt and apply innovation to their way of work every day. Guided by our refreshed values of Always Explore and Create Together, complimented by Being Respectful and Keeping Promises, we aim to do different things or to do things differently.

Design Sprints and Everyday Innovation Bootcamps

Design sprints are conducted frequently for departments and project groups to improve agility and to promote a red way of work (prototyping, fail fast and innovate). We had nine departmental sprints and multiple innovation bootcamps for key functions within the organisation such as Customer Management and Technology, and engaged 680 Digizens through these sessions.

Digital Day & Red Explorer Team

Digital Day is an annual one-day event dedicated for all employees to internalise our digital ambition. This year, we saw over 1,300 Digizens actively engage in the speaker series, roundtable forums, exhibitions and master classes conducted throughout the day.

Meanwhile, the Red Explorer Team (RET) was introduced to encourage participation of employees who aspire to be an intrapreneur and work on high impact digital projects. Two RET teams were formed comprising of eight selected employees who hatched ideas into prototypes over the course of the year. One idea is being developed into a health wearable product while the other is a WiFi-enabled service.

Telenor Ignite and Digi CXO Apprentice

Telenor Ignite is organised by the Telenor Group as a global platform for intrapreneurs from different Telenor markets to develop their ideas into a product or service. Season 3 saw four teams from Digi pitching in the 'Top 18' finals. Team Eureka, with a predictive solution to address network complaints was crowned the winner for the season.

The third edition of the CXO Apprentice Programme paired talented young graduates with Digi's CXOs for a year, giving them opportunities to be part of high-impact projects and

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front-row seats to business decision-making. Nine out of 870 bright young minds were selected based on their ability to solve key business challenges using a digital frontrunner mindset.

Employee Effectiveness Survey 2018

Our annual Employee Effectiveness Survey (Our Voice), showed a 1% increase (from 2017) in both Engagement and Enablement, at 78% and 76% respectively, and we achieved a 98% response rate (1,536 respondents). The survey provides an opportunity for employees to express their views about working at Digi. Findings show that majority of employees have a good grasp of the company's strategy and believes that good governance is practiced across the business functions.

Diversity and Inclusion

Digi was the sole Malaysian company to make it to the Top 50 in the Thomson Reuters Global Diversity and Inclusion (D&I) Index for 2018. The D&I Index ratings are benchmarked against Thomson Reuters environmental, social and governance (ESG) data, which measures over 24 metrics clustered across four key pillars: Diversity, Inclusion, News & Controversies and People Development. Among the issues considered are Board Gender Diversity, Women Employees, Diversity, Flexible Working Hours, Employee Satisfaction and Career Development Processes.

We believe in having a diverse and inclusive workforce at all levels of the organisation. Our Board level has a 57% composition of women board members with the appointment of Ms Anne Karin Kvam as Non-Independent and Non-Executive Director in October 2018. The Management team consists of 25% women representation while our leadership comprises of 46% women leaders.

	Gender (%)	
	Male	Female
Employees Count %	50.1	49.9

	Ethnicity (%)				
	Malay	Chinese	Indian	Bumiputera	Others
Employees Count %	28.1	50.8	15.8	2.2	3.1

	Age Group (%)				
	20-29	30-39	40-49	50-59	>60
Employees Count %	17.6	44.9	31.3	6	0.2

Talent and Culture

We believe in building a fulfilling workplace, inspired through a common understanding of shared-value between management and employees. A people-first approach remains a key priority for sustained competitiveness and growth in our HR strategy.

Leadership and expert training programmes are provided periodically to prepare aspiring leaders for the next step in their career progression. Selected leaders joined the Telenor Strategy Execution Programme, organised by Telenor Group with INSEAD, out of which eight graduated with distinctions.

Labour and Employee Representation

Digi is a professional and inclusive workplace that observes the International Labour Organisation (ILO)'s fundamental conventions. We recognise and respect the right to freedom of association and the right to collective bargaining within national laws and regulations. We do not employ or contract child labour or any form of forced or compulsory labour, as defined by ILO fundamental conventions. We are also opposed to all forms of discriminatory practices and do our best to promote equality in all employment practices. We do this by constantly promoting a working environment where employees are encouraged to speak up and share their views on all matters affecting employee welfare and engagement, productivity as well as operational and process improvements. Our Best on People Council (BOPC) and Digi Telecommunications Sdn Bhd Employees Union (DGEU) comprising elected employee representatives from across the Company work in close collaboration with the Management in addressing all matters raised by employees.

We signed our second Collective Agreement with DGEU on 9 April 2018, in the presence of the Director-General of Industrial Relations from the Industrial Relations department under the Ministry of Human Resources, the President of UNI Malaysia Labour Centre (UNI-MLC) and Telenor Group's Chief Human Resource Officer. The renewed Collective Agreement binds new variations to terms and conditions of service and will remain in force until December 2020.

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Employee Health and Safety

Digi pioneered the adoption of ISO 45001:2018 Occupation Health and Safety Management System certification in the industry to ensure enhanced compatibility with wide range of national health and safety management standards. This reaffirms our commitment towards a safe and sustainable workplace for all employees. We continue to enhance competency for our Health, Safety and Environment (HSE) team members, established a new HSE Policy Statement, analysed non-operational risk for the organisation and upgraded our HSE manuals among others.

Having achieved a year of zero lost time injury frequency (LTIF)[1] in 2017, we recorded one significant employee injury in 2018 with our LTIF at 0.27* per million hours of work. Employees percentage in sickness absence frequency[2] recorded a marginal increase of 0.05% for 2018, settling in at 1.09%. *(*assured by KPMG)*

1. *Lost-Time Injury frequency (LTIF) measures all work related fatal accidents and lost time injuries for employees per million worked hours.*
2. *Sickness absence frequency measures the absence rate of employee against the total number of available working days*

Digi Medical Response Team (MRT): Our First Aid emergency hotline is supported by a MRT comprising of Digi volunteers trained to handle medical equipment such as trauma quick response kits, automated external defibrillators and oxygen packs. In 2018, our 30 volunteers received their training certification from the Emergency Care & Safety Institute, United States.

Promoting well-being through Health and Wellness

Since 2016, we embarked on five year long-term strategy to promote greater health and well-being for our employees.

D'Gym Classes: We increased our gym class offerings to include metafit, zumba, circuit training, tabata and kickboxing. 2,500 gym class registrations were recorded in the year, an increase from 500 a year ago.

Digi Wellness Programme: We executed an eight-week wellness challenge to promote healthier lifestyles and weight management. 260 employees undertook the fitness challenges, gained nutrition awareness and are practicing good lifestyle habits. We also implemented a weekly 'No Lift Day' and promoted a 'No Smoking Day' to encourage employees to reduce or to quit smoking.

We believe Sustainability is about innovation and partnerships, charting our business in a way that leads to long-term value creation and impact. The Sustainable Development Goals (SDGs) can only be realised with a strong commitment to global partnership and cooperation. In 2018, Digi as part of Telenor Group continued our global partnership with UNICEF and became part of the committee in the Business Council for Sustainability and Responsibility Malaysia (BCSD Malaysia).

This is a summary of Digi's key sustainability initiatives in 2018. For more detailed information on sustainability governance, material issues, stakeholder engagement, management approach, initiatives, and data trends, please visit our Sustainability Report at www.digi.com.my/sustainability, and other information at www.digi.com.my/aboutus and www.digi.com.my/yellowheart.

*KPMG has provided a limited external assurance of select indicators presented in this section of the Annual Report. The limited external assurance opinion can be found on pages 157 to 158 of this Annual Report.

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