

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (The Board) recognises the importance of good corporate governance and is committed to ensure the sustainability of Digi Group’s business by integrating good governance ethics and business integrity into the strategies and operations of Digi Group.

The Corporate Governance Overview Statement (CG Statement) is augmented with a Corporate Governance Report (CG Report), to provide a detailed articulation on the application of the Group’s corporate governance practices. The CG Report is available on the Group’s website at [www.digi.com.my/investors](http://www.digi.com.my/investors) as well as on Bursa Malaysia’s website.

This CG Statement should also be read in combination with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Reports of Board Committees and the Sustainability Report) as the application of certain governance enumerations may be more evidently expressed in the context of the respective statements.

## Principle A – Board Leadership and Effectiveness

### Board Balance and Composition

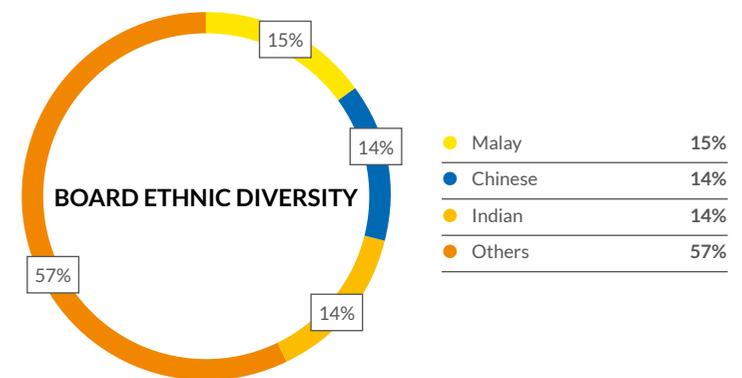
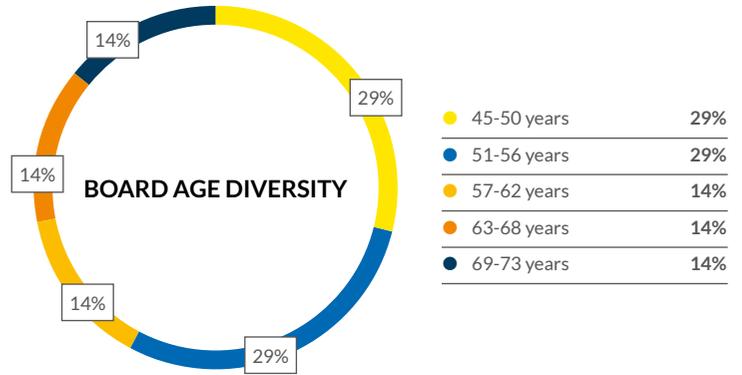
As a leader in telecommunications and in driving progressive, responsible business practices, the Board is represented by a diverse group of individuals who are experts in their respective fields.

The Board has seven (7) Directors, comprising four (4) Non-Independent Directors and three (3) Independent Directors, all of whom are Non-Executive Directors.

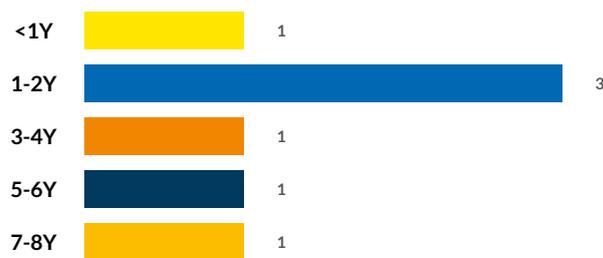
Their wealth of knowledge and experience ensures that Digi’s Management Team (Management) receives unparalleled advice and guidance on Digi’s strategy and business.

In addition to setting strategy and overseeing its implementation, the Board is also responsible for ensuring that Management maintains an effective system of governance and internal controls, which should provide assurance of effective and efficient operations, internal controls and compliance with the relevant laws and regulations.

The Board recognises the importance of diversity in deliberations and decision making, and has escalated its efforts to establish a diverse Board with a variety of skills, experience, age, cultural background and gender. And similarly, the Board is committed to developing a corporate culture that embraces all aspects of diversity and inclusion practices in the Group.



### LENGTH OF TENURE



Digi’s women on Board representation has exceeded the Malaysian government’s recommended 30% target for public listed companies

The Board believes these practices are key to continue delivering long-term shareholders’ value.

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## Role of the Board and Committees

### How the Board operates

#### Board Responsibility

Digi Group is led by an effective Board who is collectively responsible for the long-term success of the Group.

In order to ensure effective discharge of the Board's functions, the Board has delegated its specific powers of the Board to the relevant Board Committees.

The following Board Committees have been established to assist the Board in its oversight function with reference to specific responsibility areas:

- (i) Audit and Risk Committee
- (ii) Nomination Committee
- (iii) Remuneration Committee

It should however be noted that at all times, the Board has collective oversight over the Board Committees. These Board Committees have been constituted with clear Terms of Reference (TOR) and are actively engaged to ensure that the Group is in adherence to good corporate governance practices.

The functions and responsibilities of the Audit and Risk Committee and Nomination Committee are set out in the respective Committees' reports in this Annual Report.

The Chief Executive Officer (CEO) heads the Management team for the day-to-day management of the business. The CEO has been given certain powers to execute transactions guided by the rules and procedures for the CEO and in accordance with the authority limits as defined and formalised.

There is a clear division of responsibilities between the Chair of the Board and the CEO to ensure that there is a balance of power and authority.

#### Overview of the roles of the board

**1**

### CHAIR OF THE BOARD

- Leads and manages the Board's effectiveness with a keen focus on strategy, governance and compliance
- Leads Board meetings, sets the agenda and promotes a culture of open debate between the Directors
- Regularly engages with the CEO and the Management team to stay informed on operational matters
- Ensures effective communication with shareholders

**2**

### NON-EXECUTIVE DIRECTORS

- Contribute to developing Digi's strategies
- Scrutinise and constructively challenge the performance of Management in the execution of Digi's strategies

**3**

### SENIOR INDEPENDENT DIRECTOR

- Provides a sounding board to the Chair and appraises his performance
- Acts as intermediary for other Directors, if needed
- Responds to shareholder concerns if and when other channels are exhausted

Detailed description of these roles can be found on the Board Charter online at [www.digi.com.my/investors](http://www.digi.com.my/investors)

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## Board Charter

The Board is guided by its Board Charter (the Charter) and the Delegation Authority Matrix, which sets out the ethos of the Group, structure, and authority of the Board. The Charter is the primary document that spells out the governance of the Board, Board Committees and individual Directors.

In March 2019, the Board approved revisions to the Charter, amongst others, to retain Independent Directors who exceed the cumulative term limit of nine (9) years; he/she shall be re-designated as Non-Independent Director, unless annual shareholder approval is sought for him/her to remain as Independent Director providing justification. Notwithstanding that, the Board will continue to evaluate and assess these practices and at a suitable time, take appropriate steps to narrow the gap in the Charter, matching the highest standards of good governance. Digi's Independent Directors are however not expected to serve as independent beyond 12 years.

The Charter is made available online at [www.digi.com.my/investors](http://www.digi.com.my/investors)



## Key features of the Board

- Separation of roles between Chair of the Board and CEO
- Chair of the Nomination Committee (NC) and Audit and Risk Committee (ARC) are Independent Non-Executive Directors
- Meets Board Diversity requirements, in particular gender diversity with four (4) women serving as members of the Board (57% female representation)
- Senior Independent Director provides a sounding board to the Chair
- Management do not sit on the Board

The Board is supported by two (2) professionally qualified and competent Company Secretaries who provide advisory services to the Board, particularly on corporate governance issues and compliance with relevant policies and procedures, and laws and regulatory requirements in addition to administrative matters.

## Board Meetings

The Board meets on a regular basis. The Directors are aware of the time commitment expected from them to attend to matters of Digi Group in general, including attending Company meetings in the discharge of their roles and responsibilities. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions. On 14 December 2018, a Board meeting was held in Penang and a local market visit was organised as part of business orientation.

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The attendance of the Board members are set out below:-

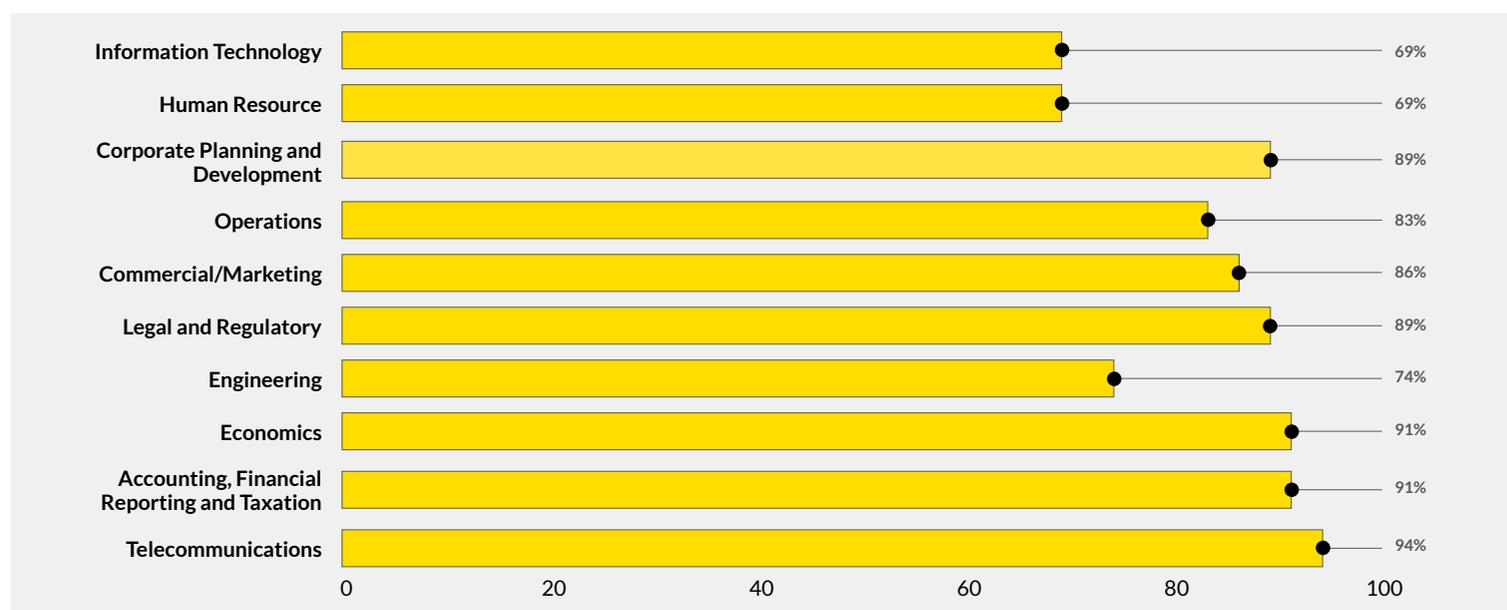
| Current Directors   | Board Meetings  |     |
|---|---|-----|
|   | Attendance  | %   |
| Haakon Bruaset Kjoel <sup>1</sup> (Chair of the Board)      | 7/7  | 100 |
| Tan Sri Saw Choo Boon                                       | 7/7  | 100 |
| Yasmin Binti Aladad Khan                                    | 7/7  | 100 |
| Vimala V.R. Menon   | 7/7  | 100 |
| Anne Karin Kvam <sup>2</sup>                                | 2/2  | 100 |
| Torstein Pedersen   | 7/7  | 100 |
| Tone Ripel <sup>3</sup>                                     | 5/6  | 83  |
| Former Directors  |   |     |
| Lars-Ake Valdemar Norling <sup>4</sup> (Chair of the Board) | 5/5  | 100 |
| Tore Johnsen <sup>5</sup>                                   | 1/1  | 100 |

Notes:

- <sup>1</sup> Appointed as Chair of the Board on 1 September 2018
- <sup>2</sup> Appointed as Director on 16 October 2018
- <sup>3</sup> Appointed as Director on 23 January 2018
- <sup>4</sup> Resigned as Chair of the Board on 1 September 2018
- <sup>5</sup> Resigned as Director on 23 January 2018

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities.

## Board's Skills Matrix



The Company endeavours to have a balanced representation on the Board by taking into consideration a range of different skills, knowledge, competency, expertise and experience to ensure robust decision-making processes with diversified viewpoints and the effective governance of the Company.

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## Embracing the Corporate Governance Culture

The Board recognises that upholding high standards of corporate ethics is key to long-term value creation and contributes directly to improved business performance. The Management leads forums and engagements throughout the year to highlight our values, beliefs, business integrity and approach to health and safety.

Digi's culture is defined through the Digi Way, the Code of Conduct (the Code), Whistle Blowing Policy and Manual, Anti-Corruption Policy, No Gift Policy, and Health, Safety and Environmental Policy.

# Please refer to Digi's website at [www.digi.com.my/aboutus](http://www.digi.com.my/aboutus) for detailed information on the Code and policies.

## Directors' Remuneration

Digi aims to provide attractive and well-structured remuneration which is sufficient to attract, retain and motivate high calibre Directors and Management to drive our Company's strategic objectives, business sustainability and create long-term value for shareholders. The Board has put in place Digi's Remuneration Policy for Non-Executive Directors, and Remuneration Policy and Procedure for Senior Management which are designed to support its objectives.

The Remuneration Committee (RC) comprises all Non-Executive Directors who oversee the implementation of the remuneration policy and structure, and reviews and recommends matters relating to the remuneration for Directors and Management to the Board.

To ensure the competitiveness of the remuneration of the Independent Directors, a benchmarking exercise on Board remuneration against companies within the same industry was carried out by an external professional advisor, AON Hewitt in January 2019.

Each of the Independent Directors abstains from deliberating and voting on their own remuneration. The Non-Independent Non-Executive Directors receive their remuneration from their employing companies within the Telenor Group and do not receive any form of remuneration from Digi.

Details of the remuneration of the Independent Directors for the financial year 2018 are as follows:

|                                     | Company        |                                | Group         |                  | Total                      |
|-------------------------------------|----------------|--------------------------------|---------------|------------------|----------------------------|
|                                     | Fees           | Benefits in Kind <sup>^*</sup> | Fees          | Benefits in Kind |                            |
| Independent Non-Executive Directors | (RM)           | (RM)                           | (RM)          | (RM)             | (RM)                       |
| Tan Sri Saw Choo Boon               | 240,000        | 7,407 <sup>^*</sup>            | 31,992        | Nil              | 279,399                    |
| Yasmin Binti Aladad Khan            | 240,000        | 7,300 <sup>^*</sup>            | Nil           | Nil              | 247,300                    |
| Vimala V.R. Menon                   | 240,000        | 2,300 <sup>^*</sup>            | Nil           | Nil              | 242,300                    |
| <b>Total</b>                        | <b>737,007</b> |                                | <b>31,992</b> |                  | <b>768,999<sup>+</sup></b> |

<sup>^</sup> Meeting allowance only applicable for Audit and Risk Committee meetings

<sup>\*</sup> Staff line benefit

<sup>+</sup> Exclude service tax

# Please refer to Digi's website at [www.digi.com.my/investors](http://www.digi.com.my/investors) for the Non-Executive Directors' Remuneration Policy, and Remuneration Policy and Procedure for Senior Management.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Board Activities

In 2018, the Board focused on a number of specific areas in line with our strategic goals and principal risks (as outlined in the table below):

| BOARD ACTIVITIES CARRIED OUT DURING THE FINANCIAL YEAR  |   |
|---|---|
| Strategy  | Performance   |
| <ul style="list-style-type: none"> <li>Reviewed and approved Digi's annual strategy plan, ambitions and targets, including addressing business strategies on promoting sustainability</li> <li>Oversaw the implementation of Digi's strategic and business plan through quarterly updates with the CEO</li> <li>Reviewed and approved Digi's capital investments</li> </ul> | <ul style="list-style-type: none"> <li>Quarterly Digi Group Performance</li> <li>Audited Financial Statements for FY 2017</li> <li>Quarterly Results</li> <li>Quarterly Interim Dividend</li> </ul>   |
| Risk and Internal Controls  | Governance  |
| <ul style="list-style-type: none"> <li>Identified principal risks and ensured appropriate internal controls and mitigation measures were implemented</li> <li>Reviewed the adequacy and integrity of the information provided by Management information and of internal control systems</li> <li>Quarterly enterprise risk status updates</li> </ul>                        | <ul style="list-style-type: none"> <li>Approved 2017 Annual Report Statements</li> <li>Approved the draft Circular to shareholders in relation to the Proposed Renewal of Shareholders' Mandates and New Shareholders' Mandate for Recurrent Related Party Transaction of a revenue or trading nature</li> <li>Approved the Board restructuring on:               <ul style="list-style-type: none"> <li>Change of Chair of the Board and RC</li> <li>Appointment of Ms Tone Ripel and Ms Anne Karin Kvam</li> </ul> </li> <li>Approved the revised Charter and TOR for Board Committees</li> <li>Approved Digi's revised policies</li> <li>Approved the Code of Conduct e-learning</li> <li>Established and identified succession plan for leadership within Digi</li> <li>Received ethics and sustainability, and material sustainability updates</li> <li>Received human resources updates</li> <li>Reviewed trainings for the Board</li> <li>Analysis on performance evaluation for Board of Directors and Board Committees</li> <li>Reviewed the outcome of the Malaysian Code on Corporate Governance (MCCG) 2017 gap analysis</li> </ul> |

## Principle B - Accountability and Effective Audit and Risk Management

### Audit and Risk Committee (ARC)

The ARC is responsible to establish and oversee the effectiveness of the Company's system and framework of risk management and internal controls. The ARC comprises of four (4) Non-Executive Directors, three (3) of whom are Independent Directors, and is chaired by Tan Sri Saw Choo Boon, Senior Independent Director. The ARC's responsibilities in overseeing Digi's financial reporting process, internal controls, risk management and governance are guided by its Terms of Reference, which is reviewed and approved by the Board annually.

During the financial year, the ARC assessed the performance of the external auditors and agreed on their scope of work based on developments in the business. Non-audit services proposed by the external auditors were presented to the ARC to determine if auditors' independence will be compromised. Based on these assessments, the ARC recommends the re-appointment of the external auditors at the forthcoming AGM.

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## Risk Management and Internal Control Framework

The risk management framework is designed to identify, assess and manage risks related to delivering Digi's strategic ambitions and business objectives.

The Management is responsible for implementing Board approved policies on risk management by identifying, evaluating and monitoring risks affecting the achievement of business objectives within the risk appetite levels. Digi's enterprise risk heat map is deliberated on quarterly by the ARC on the risk profile and mitigation status. Annually, the Management provides a report for the Board to gain oversight of the top risks and mitigation strategies. Any ad hoc material risks identified are required to be reported at each Board meeting.

The Internal Audit department is independent and reports directly to the ARC. Its activities and practices are guided by the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

The Internal Audit function assists the ARC in evaluating the effectiveness of the Company's risk management and internal control system through its risk-based Audit Plan approved by the Board annually. The ARC also obtains assurance from Management and other assurance providers in ensuring the adequacy and effectiveness of its risk management and internal control framework.

*# Details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.*

## 2019 Priorities

As the market landscape and technological advancements continue to evolve, it is imperative that Digi's risk management and internal control framework remains robust to adapt to these changes. There should be continued focus to instill a risk and control mindset and culture of accountability across the organisation.

## Principle C – Communication with Stakeholders and Conduct of AGM

The Board recognises the importance of communicating with its shareholders through Annual Reports, AGM and the Company's website. The details of these areas of practices are set out in the Investor Relations pages in this Annual Report.

## CORPORATE GOVERNANCE PRIORITIES

Moving forward, the Company will continue working towards achieving high standards of corporate governance. The Board has identified the following forward-looking action items to help it achieve its corporate governance objectives.

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| Priorities  | Time frame   |  |
|---|--------------|--|
| <b>Integrated Reporting (IR)</b>                      | 2 to 5 years | <p>Digi is embarking on the IR journey. The Board acknowledges that integrated reporting encapsulates more than a mere combination of the separate reports in the Annual Report into a single document. Having said this, producing the yearly Annual Report and its various statements is a coordinated effort between cross-functional departments in Digi.</p> <p>The process of fully integrating our report will take necessary time. The Management has taken a progressive approach towards integrated reporting in line with the International Integrated Reporting Council Framework.</p> |
| <b>Dedicated Risk Committee</b>                       | 2 to 5 years | <p>The ARC oversees the Company's risk management framework and policies. The roles and responsibilities in risk management are set out in the ARC's TOR.</p> <p>Digi will explore the need to establish a separate Risk Management Committee with dedicated functions on Risk Management in the near future.</p>  |
| <b>Disclosure of Senior Management's Remuneration</b> | 2 to 5 years | <p>The Board wishes to give assurance that the remuneration of the Management commensurates with their individual performance, taking into consideration Digi's performance and achievement of its key performance indicators. The remuneration packages of the Management are based on experience, expertise, skills and industry benchmark.</p> <p>The RC will review the disclosure of the top 5 Management members.</p>  |

## STATEMENT BY THE BOARD ON COMPLIANCE

The Board has reviewed, deliberated and approved this Statement on 13 March 2019. The Board is pleased to report to its shareholders that to the best of its knowledge, Digi has complied with and shall remain committed to attaining the highest possible standards of corporate governance through the continuous adoption of the principles and best practices of the MCCG 2017, and all other applicable laws. The status of the Company's application is reported in our CG report, which is accessible to the public at Digi's website at [www.digi.com.my/investors](http://www.digi.com.my/investors)