

STATEMENT ON CORPORATE GOVERNANCE

DiGi.Com Berhad's ("DiGi" or the "Company") Group Objective is to create long-term shareholder value through providing innovative, easy-to-use and best value telecommunications services in the Malaysian market.

In pursuing this corporate objective, the Board of Directors ("Board") of DiGi.Com Berhad strives to achieve high standards of corporate governance as it believes that there is a link between high-quality governance and creation of shareholder value.

As DiGi's ultimate holding company, Telenor ASA is listed on NASDAQ, it has to comply with the requirements of the Sarbanes Oxley Act ("SOA"), in particular, the internal control reporting requirement of Section 404 of the SOA, the implementation of which was successfully completed in 2006.

This Statement describes how the Company has applied the key principles and the extent of its compliance with the best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance ("Code") respectively for the financial year ended 31 December 2006 save where otherwise identified and has been approved by the Board on 20 March 2007.

i. Board of Directors

1. Board Responsibilities and Functions

The Board's role is to provide stewardship of the Group's business and affairs on behalf of shareholders.

This was enhanced through the adoption of a charter ("Instructions to the Board") and a revised Delegation Authority Matrix during the year which sets out the practices and processes the Board has adopted to discharge its responsibilities; the matters it reserved for consideration and decision making; the authority it has delegated to the Chief Executive Officer ("CEO"), including the limits which the CEO can execute the authority; and provides guidance on the division of responsibilities between the Board and CEO.

The Board has specifically reserved the following matters, amongst others, for its decision:

- Appointment to the positions of CEO and Chief Financial Officer ("CFO")
- Approval of corporate plans and budgets and
- Acquisition and disposal of assets that are material to the Group
- Major investments and contracts with significant profit impact
- Changes to control structure of the Group, including key policies and authority limits

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objective to the CEO in accordance to the Instructions for CEO. The CEO remains accountable to the Board for the authority that is delegated to him, and for the performance of the Group. The Board monitors the decisions and actions of the CEO and the performance of the Group to gain assurance that progress is being made towards the corporate objective, within the limits it has imposed.

2. Board Composition and Balance

The Board currently has five (5) members, comprising two (2) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. Together, the Directors have the range of skills, knowledge and experience necessary to govern the Group. The Non-Executive Directors contribute international and operational experience and understanding of the financial and capital markets. The Independent Directors bring the knowledge and experience of the regulatory environment and accounting regime in Malaysia.

2. Board Composition and Balance (cont'd)

All Directors have the relevant experience in the telecommunications industry. A brief description of the background of each Director is presented on pages 18 to 19 of the Annual Report.

Directors commit to the collective decision-making processes of the Board. Individual directors are required to debate issues openly and constructively and be free to question and challenge the opinions of others.

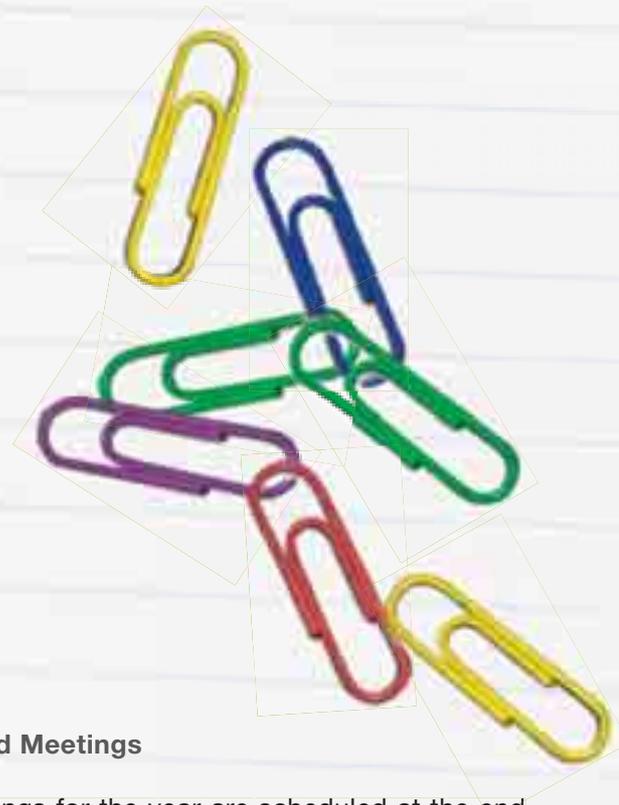
The Independent Directors meet the definition set out in the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). DiGi fulfills the requirement to have at least one third of the Board comprised of Independent Non-Executive Directors. Independent Directors are particularly important in ensuring that the interest of minority shareholders are protected.

The Board is satisfied that the current composition of directors provides the appropriate balance in the Board necessary to promote all shareholder interests and to govern the Group effectively.

The Board has appointed Tan Sri Datuk Amar Leo Moggie as the Senior Independent Non-Executive Director. Tan Sri Datuk Amar Leo Moggie is available to shareholders who have concerns that cannot be addressed through the Chairman and CEO.

3. Division of roles and responsibilities between the Chairman and CEO

There is a clear division of responsibility between the Chairman and the CEO to ensure that there is a balance of power and authority. The Chairman leads the Board and facilitates its work. He is responsible for ensuring the processes of the Board are effective in carrying out its duties and responsibilities, including the timely provision of sufficient relevant information on financial and non-financial matters. The Chairman, in conjunction with the CEO, CFO and Company Secretary, sets agendas for the meetings of the Board that focus on strategic direction and performance of the Group. The CEO is responsible for the day-to-day management of the Group's operations and business as well as implementation of the Board's policies and decisions.



4. Board Meetings

Meetings for the year are scheduled at the end of the preceding year. The Board meets for both scheduled meetings and on other occasions to deal with urgent and important matters that require attention between scheduled meetings. Due notice is given of all scheduled and additional meetings. The Board met five (5) times during the year and Directors were in attendance for all the meetings except for Ragnar Holmen Korsæth who attended four (4) meetings. The CEO, CFO and other members of senior management attend meetings of the Board by invitation.

The proceedings of and resolutions passed at each Board and Board Committee meetings are minuted and kept in the statutory register at the registered office of the Company.

5. Appointments to the Board and Re-election of Directors

The Nomination Committee assists the Board in ensuring that the Board is comprised of individuals of a required calibre whose background, skills, experience and personal characteristics will augment the present Board and meet its future needs. Where there is a need to appoint new Directors, the Nomination Committee will assess the suitability of candidates and recommend to the Board for appointment. Newly appointed Directors must submit themselves to shareholders for election at the first Annual General Meeting following their appointment.

Statement on Corporate Governance (cont'd)



5. Appointments to the Board and Re-election of Directors (cont'd)

DiGi's Articles of Association requires that other than those Directors appointed during the year, one-third of remaining Directors are required to retire by rotation and submit themselves for re-election at each Annual General Meeting at least once every three years. Retiring Directors who are seeking re-election are subject to a Director assessment overseen by the Nomination Committee. Following the assessment, the Board, on the recommendation of the Nomination Committee, makes a determination as to whether it will endorse a retiring Director for re-election.

Directors over seventy (70) years of age are required to seek shareholders' approval for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

6. Directors' Assessment

The Board regularly evaluates the performance of the Board as a whole, its Committees, the Chairman, individual Directors and the governance processes that support Board work.

During the financial year, the Nomination Committee assessed the overall effectiveness of the Board as a whole, its Committees and the contribution and performance of each individual Director. The Committee concluded that the Board generally has a good mix of skills, experience and professional qualifications required to contribute positively to the Group.

7. Directors' Training

All Directors have completed the Mandatory Accreditation Programme (MAP). The Directors are mindful that they continue to update their skills and knowledge to maximize their effectiveness as Directors during their tenure.

During the financial year, the Directors have attended individually or collectively the programmes organized by the professional bodies and also seminars on corporate governance and risk management. Arve Johansen, Christian Storm and Ragnar Holmen Korsath also attended the 3GSM World Congress in Barcelona.

8. Supply of Information

Access to Information

All the Directors have access to all information whether as a full board or in their individual capacity, in furtherance of their duties. The Directors have access to information through the following means:

- i) CEO, CFO and members of senior management attend Board and Committee meetings by invitation to report on areas of the business within their responsibility including financial, operational, regulatory and strategic information
- ii) Board and Committee papers are prepared for each item in the agenda to the established criteria on content and presentation format. These papers are issued to the Directors at least seven (7) days before the Board and Committee Meetings
- iii) Board Committees, in particular the Audit Committee Chairman meets with Management regularly to review the reports regarding internal control system and financial reporting
- iv) Informal communications between the Directors and the CEO and other employees

Access to Advice

The Board or individual Director may seek professional expert advice at the Company's expense with the prior approval of the Board on any matter connected with the discharge of their responsibilities. No Director availed himself of this right during the year.

Company Secretary

Hee Chew Yun is the Company Secretary in DiGi. She is supported by two (2) other external Company Secretaries, Tai Yit Chan and Liew Irene. Together they are responsible for developing and maintaining the processes that enable the Board to fulfill its role and for ensuring that the Board procedures are complied with. The Board appoints and removes the Company Secretaries. All Directors have access to the advice and services of the Company Secretaries.

9. Committees of the Board

The Board delegates certain responsibilities to the Board committees to assist in the discharge of its responsibilities. The role of Board Committees is to advise and make recommendations to the Board. The Chairman of the various committees provide a verbal report on the outcome of their committee meetings to the Board, and any further deliberation is made at the Board level, if required. The Board Committees are:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Each Committee operates in accordance with a written terms of reference approved by the Board. The Board appoints the members and the Chairman of each committee.

A brief description of each Committee is provided below:

(a) Audit Committee

The members of the Committee are Dato' Ab. Halim Bin Mohyiddin (Chairman), Tan Sri Datuk Amar Leo Moggie and Christian Storm. The Audit Committee Report provides details of the composition of the Audit Committee, its terms of reference and a summary of its activities are set out on pages 51 and 53 of this Annual Report.

(b) Nomination Committee

The Nomination Committee met once during the year and the meeting was attended by all its members. The members of the Committee are Christian Storm (Chairman), Tan Sri Datuk Amar Leo Moggie and Dato' Ab. Halim Bin Mohyiddin. All members of Committee are Independent Non-Executive Directors except for Christian Storm who is a Non-Independent Non-Executive Director.

The role of the Committee is to assist the Board in ensuring that the Board is comprised of individuals with the required skills, knowledge, experience and personal characteristics. It does this by focusing on:

- Review annually the required mix of skills and experience and other qualities including core competencies that the Non-Executive Directors should bring to the Board and identifying skills that may be required
- Oversee the assessment of the performance of the Board, Committee and individual directors
- Recommend suitable candidates for directorship to the Board and Board Committees

(c) Remuneration Committee

The Remuneration Committee met once during the year and the meeting was attended by all its members. Its members are Arve Johansen (Chairman), Christian Storm and Ragnar Holmen Korsæth. All the members are Non-Executive directors.

The role of the Remuneration Committee is to assist the Board in its oversight of the remuneration policy and its specific application to the Executive Directors and CEO, the determination of levels of reward to the CEO and annual evaluation of the performance of the CEO.

Statement on Corporate Governance (cont'd)

(c) Remuneration Committee (cont'd)

Non-Executive Directors' remuneration is a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration.

(ii) Directors' Remuneration

The objective of the Company's policy on Director's remuneration is to attract and retain Directors needed to run the Company successfully. Non-Executive Directors' remuneration reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Director concerned.

Details of the Directors' Remuneration

The aggregate Directors' remuneration paid or payable to all Directors of the Company by the Group and categorised into appropriate components for the financial year ended 31 December 2006 are as follows:

	Allowances RM'000	Total RM'000
Non-Executive Directors	249	249

The number of Directors of the Company whose total remuneration fall within the respective band are as follows:

	Number of Non-Executive Directors
RM0 to RM50,000	-
RM50,001 and RM100,000	-
RM100,001 to RM150,000	2

The Board of Directors have chosen to disclose the remuneration in bands pursuant to the Bursa Listing Requirements as the separate and detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of DiGi's governance.

(iii) Code of Conduct

The Board has adopted and implemented a new Code of Conduct ("Code") in the values of integrity, respect, trust and openness. It provides clear direction on conducting business, interacting with community, government and business partner; and general workplace behaviour.

All the members of the Board and employees have certified in writing that they have read and understood the Code.

DiGi has established helplines so that employee can seek guidance or express concerns on the Code of Conduct related issues. Reports can be made anonymously and without fear of retaliation.

(iv) Shareholders

1. Communication between the Company and its shareholders

Shareholders vote on important matters affecting DiGi, including changes to the Company's constitutional documents, receipt of annual financial statements and significant corporate proposals. The Board recognises that in order to vote in an informed manner, shareholders must receive high-quality, relevant information in a timely manner.

Copies of announcements to Bursa Malaysia, investor briefings, quarterly results, annual reports and other relevant information are available in the Investor Relations section of the Company's website www.digi.com.my

On a regular basis, DiGi's management hold one-on-one meeting with analysts, fund managers and shareholders to provide updates on quarterly financial performance, regulatory issues as well as changes in operating environment which may impact the Group's operations.

DiGi's management is also an active participant in various investor conferences held both locally and in major financial centres around the world throughout each financial year. They were also actively on the road on non-deal road-shows to update investors and interested parties on the Company's outlook and strategies moving forward. The participation in these non-deal road-shows are on a quarterly basis outside the Group's "closed period".

DiGi enforces a "closed period" which is typically about a month before the release of each quarterly results in which the management will not meet up with any analysts, fund managers and shareholders. This is to ensure that all material information pertaining to each financial quarter are disseminated equally to the public at the same time.



Any queries regarding DiGi from shareholders will be dealt with as promptly possible. These queries may be directed to:

Audrey Ho, Head of Investor Relations
DiGi Telecommunications Sdn Bhd
Lot 10, Jalan Delima 1/1
Subang Hi-Tech Industrial Park
40000 Shah Alam, Selangor Darul Ehsan
Tel: 03-5721 1800
Email: sfho@digi.com.my

2. Annual General Meeting ("AGM")

The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both private and institutional shareholders on all issues relevant to the Group at the AGM. The highlights of the Group's performance and financial results are presented by the CEO and CFO at the AGM. At the AGM, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish shareholders with a written answer after the AGM. The Chairman of the Board also provides shareholders with a review of the Group's operations for the financial year and outlines the prospects of the Group for the subsequent financial year. The External Auditor attends the AGM as well and is available to answer questions from shareholders.

Statement on Corporate Governance (cont'd)

(v) Accountability and Audit

1. Financial Reporting

DiGi aims to provide a balanced and meaningful assessment of the Group's financial performance and prospects primarily through the annual report, quarterly results, financial statements and analyst presentations. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting process and the quality of its financial reporting.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 and give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company for that year. In preparing those financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- made judgements and estimates that are reasonable and prudent
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. Internal Control

The Statement on Internal Control set out on pages 48 to 49 of the Annual Report provides an overview on the state of internal controls within the Group.

3. Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal audit function and external auditors are detailed on pages 51 to 53 of the Annual Report. A summary of the activities of the Audit Committee during the year are set out on page 51 of the Annual Report.