SUPPLIERS

We sit in a pivotal position in the supply chain, linking the end customer with a complex pyramid of suppliers. Ensuring a high quality, reliable and cost-effective supply of products and services is vital for us to satisfy our customers and remain competitive in the marketplace.

We procure our goods and services in an open and transparent manner, ensuring the best quality, price, quantity, delivery, supplier and technology to provide the best returns to the Company. Every individual involved in the procurement process is required to uphold the principles of trust, honesty, fairness and transparency. Procurement documents are filed and kept properly by the person responsible. These include purchasing agreements which identify the services or products to be provided, the basis for payment and the price rate or fee (which has to be commensurate with the services or products provided).

We are guided in our procurement processes by our Code of Business Ethics (CBE) as well as our Procurement Ethics, Rules and Guidelines. These serve to deter malpractice by highlighting safe channels through which employees and/or vendors can report any unethical practice or non-compliance. Our personnel are trained in the procurement process so that they, in turn, ensure all suppliers understand and accept TM’s requirements before they are contracted. At the same time, suppliers and vendors are provided ethics training and awareness activities so they understand our business conduct requirements. In 2010, we organised a series of road shows and training programmes to promote interactive dialogue between our employees and vendors/suppliers.

TRANSPARENCY SURVEY

To improve our partnership with all our suppliers, we conduct an online survey regularly among suppliers who have provided products and services to the Group as well as our subsidiaries. In 2010, we scored 7.7 out of 10 in the Transparency Index (TI), which marked a 10% increase from our score in 2007, though is slightly lower than the score attained in 2009.

Among the parameters measured in the survey are accuracy and adequacy of our supplier registration process (79%), tender advertisements (79%) and the provision of clear responses to questions and solicitation on tender documents. All of these scored 79% in the 2010 TI survey.

PROMOTING LOCAL SUPPLIERS

We are committed to supporting locally based suppliers, although we will access products internationally when the need arises to ensure continued product innovation and the best value for our customers. In 2010, 15,217 of our 15,530 suppliers (98%) were locally based.

To further support local suppliers and small/medium-sized local businesses, our Procurement Department has since 1993 been managing an Entrepreneur Development Programme that focuses on three key issues - manufacturing, contractor/services and reseller/retailer.
We support start-up companies with technical training in product development, testing and certification as well as entrepreneurial skills such as leadership and soft skills. We also help them to access funding. Our managers conduct regular site visits to monitor the performance and technical quality of vendors belonging to our programme. We also work with the Malaysian national certification agency SIRIM to help these vendors obtain the relevant technical and quality certifications for their operations.

A total of 14 programmes were conducted in 2010, attended by 500 suppliers and vendors. Among those organised by TM were:

<table>
<thead>
<tr>
<th>Programme</th>
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<tbody>
<tr>
<td>EDP Briefing to Network Operations (NO) Contractors nationwide (January-February 2010)</td>
</tr>
<tr>
<td>An Evening with PUNB &amp; MARA (April 2010)</td>
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<tr>
<td>Supplier Recognition Awards Ceremony (April 2010)</td>
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<tr>
<td>Mindset Change Retreat (May 2010)</td>
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<tr>
<td>MS 1900:2005 Islamic Quality Management System (SIRIM) (July 2010)</td>
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<table>
<thead>
<tr>
<th>Programme</th>
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<tbody>
<tr>
<td>We briefed all Network Operations (NO) contractors on the latest development of the Entrepreneur Development Unit (EDU) programmes. NO Contractors consist of Mini Jadual Kadar Harga (JKH), COD, Trouble Report Outsourcing Areas (TROS), Streamyx Installer and Unifi Installers.</td>
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<tr>
<td>In this inaugural programme, we invited PUNB and MARA to present business opportunities and financing that they offer to entrepreneurs.</td>
</tr>
<tr>
<td>We presented certificates to 19 HSBB contractors as a token of our appreciation. Graduation Certificates were also awarded to nine manufacturing contractors.</td>
</tr>
<tr>
<td>This retreat, involving entrepreneurs from the Jadual Kadar Harga (JKH) sectors, Trouble Report Outsourcing Areas (TROS), COD and Streamyx Installers, aimed to motivate Bumiputera vendors to become successful entrepreneurs.</td>
</tr>
<tr>
<td>This was organised to highlight the importance of applying the MS 1900:2005 standard in a company.</td>
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</table>

SUPPLIER RELATIONSHIP MANAGEMENT

Our Supplier Relationship Management (SRM) approach focuses on promoting procurement savings, on-line interaction between TM and suppliers, transparency of the end-to-end process and a faster processes cycle time. We come together with our suppliers to form strong, mutually beneficial and secure business relationships.

The modules available in SRM are:

- **SRM**
  - E-Purchasing
    - E-Catalogue
    - E-Invoice
    - E-Payment
    - E-Tendering
    - E-Auction/Bidding
    - Procurement cards
  - **Sourcing**
    - E-Tendering
    - E-Auction/Bidding
    - Procurement cards
  - Supplier Management
    - E-Registration
  - Operational Procurement
    - Self Service Proc
    - Service Proc
    - Plan Driven Proc
  - Speed Performance Analysis
    - **E-Purchasing**
    - **E-Registration**

We have developed a new on-line system for Suppliers Registration, through which prospective and already registered companies provide documents and information necessary to manage their relationship with us. This reflects a global best practice in supply chain management.

We assess our suppliers on a comprehensive evaluation that covers not only quality and technical strengths, but also pricing and delivery time. We are also committed to dealing only with suppliers who adopt and adhere to the Procurement Ethics and/or any other policy or code of conduct that promotes similar principles as our Procurement Ethics. We go to the extent of monitoring our suppliers and meting out disciplinary measures where their ethics comes into question.

These measures include:

- Formal warnings – that continued non-compliance will lead to more severe action;
- Disclosure of the nature of any breach to all TM subsidiaries and associate companies;
- Immediate termination of contract, without recourse; and/or
- Preclusion from tendering for any work in the supply chain, for a specified period. This may be restricted to tender opportunities associated with TM for lesser breaches, or in more severe cases, may be applied for TM and all its subsidiaries and associate companies.
CUSTOMERS
TM has cultivated a strong customer-centric culture that ensures the best possible customer experience at every interface. To facilitate better, more targeted customer service, the Company realigned our business model according to the six principal customer segments, namely consumers, SMEs, enterprises, the Government, wholesale and global. While our Customer Service Management division is accountable for the whole process of service delivery, activation, service assurance and fault management, the respective Lines of Business (LOBs) support other accountability areas such as pre-sales, infrastructure management, billing, complaints management and termination process. All their actions are overseen by a Customer Centricity Committee.

CUSTOMER RELATIONSHIP MANAGEMENT
In 2010, a Customer Relationship Management (CRM) Practitioner programme was designed to develop a pool of technically and behaviourally competent CRM users to help TM achieve Operational Excellence & Customer Centricity. This programme is aimed at instilling a greater sense of customer-centricity among CRM users, especially frontline staff.

TM employs a customer complaints management system to handle requests or complaints by customers. Called iCARE (integrated Customer Allied Relationship), the system is used by all touch points and back-end support staff, enabling each complaint to be tracked through its cycle from recording and initiation to investigation, reporting and closure. In 2009, a process to make iCARE more comprehensive was initiated. Migration to the enhanced iCARE Prime was completed in December 2010.

QUALITY OF PRODUCTS
The quality of our products and services is measured and controlled by the Mandatory Quality of Standards of the Malaysian Communications and Multimedia Commission (MCMC) on a half-yearly basis, and is monitored internally every month.

We are bound by the Terms and Conditions in customers’ application agreements as part of our service agreements to the customer. For Data products and services, customers are entitled to a rebate in the event of any breach of the Service Level Guarantee (SLG) by us. For Voice products and packages, quality assurance is addressed by an internal gated process [pre and post-launch], complaint escalation and restoration via our operating system - SMART/Webstar - and the introduction of an SLG for selected services. For Internet products and services, our customers may contact our call centres or visit our nearest outlets. Warranties are applicable to Customer Premise Equipment (CPE) or services rendered.

All customer contracts are subject to internal standard operating processes and procedures. Connection tariffs are published on our website and in all promotional materials. Our contracts with wholesale customers are governed by access regulations and agreements regulated by MCMC. In order to provide better products and services and to detect errors on major projects, our Group Internal Audit (GIA) plays a role in several operational areas including reviewing SAP user authorisation, key building systems review, data centre operations and wireless network security.

QUALITY & ACCESS OF SERVICE
As part of our efforts to improve after-sales service, we provide Customer Support 24 hours a day, seven days a week by phone for technical, product and billing enquiries. We also offer support for walk-in customers at over 105 TMpoints and 34 e-Kiosks nationwide. In addition, we have 15 Mobile TMpoint-on-Wheels (TMOWs) which serve customers in areas where TMpoints are not present. There are plans to introduce more TMOWs in Sabah and Sarawak.

In addition, in July 2010, we implemented our TMpoint Authorised Dealership Programme by opening 27 outlets, which have helped us create a presence in rural areas where they have been well-received. We also expand our coverage and reach via the TMpoint Authorised Dealers Mini (TAD).

CRISIS MANAGEMENT
As a market leader in the broadband and fixed-line businesses, we give top priority to managing service crisis. Various Network Operation Centres (NOCs) have been established to address the different categories of breakdowns. Our Risk Management system continuously identifies, assesses and understands potential risks and reacts in a timely manner from the moment of breakdown to the point that recovery procedures begin.

PRODUCT AND SERVICE INFORMATION
We provide detailed product and service information to customers through our websites, Annual Reports, TMpoints and marketing materials associated with each product portfolio. TM ambassadors at our Customer Support Centre at 100 are also always happy to explain the range of services we provide. Meanwhile, customers have 24/7 access to our interactive website, www.everyoneconnects.net, on which they can discover more about our products and services.
Our Customer Service Management (CSM) structure is clearly defined by functions and roles as outlined in the diagram above. Our CSM reflects a widely-implemented strategy for managing our customers and sales prospects. It involves using technology to organise, automate and synchronise business processes including customer service and technical support. The overall goals are to win new customers, retain existing clients and attract former clients. It also reduces the costs of marketing and client services.

**CUSTOMER SATISFACTION**

We are committed to being a customer champion by listening and responding to the needs of our customers. In addition to providing a dedicated hotline and email address on which customers can channel their feedback on our products and services, we also regularly conduct customer surveys to gauge their experience with TM products and services at all key touch-points and identify areas in which we are able to implement key improvements to our business processes.

In 2010, we conducted our survey in June and September, and averaged our Customer Satisfaction Index (CSI) score from the individual CSEG (Consumer, SMEs, Enterprise and Government), Wholesale and Global performance, weighted by their contribution to TM business. Despite achieving slightly less than our target TM CSI score of 72 in 2010, we are confident of improving our performance next year. We are focusing on customer and network-facing improvements in areas such as billing, notifications, response time and first call resolution. Network-facing improvements include upgrading our core network, international capacity and last mile connectivity.

We mapped our key business processes – pre-sales, service fulfilment and after-sales - and had them evaluated by our customers via a survey conducted by the Group Marketing Division. We regard customer relationships as a priority in our risk management framework.

**Touch Points**

**PRE-SALE**

- Account Manager
- SIU Partners
- Resellers
- Call Centre
- Online
- TM Point

**SERVICE FULFILMENT**

- Installation
- Project Management
- Network/Intra
- CSM (SDDS)

**AFTER**

- NOC/Registration
- Service Assurance
- CSM
- Call Centre
- Billing

**PRODUCT** **PACKAGING** **PROMOTION** **PLACE** **PRICING**
R&D FOR RAISING CUSTOMER SATISFACTION

We are constantly pushing ourselves to develop new products and services that enable seamless, easy-to-use, high quality and affordable communication. Among our major achievements in 2010 was the development of the TM Speedometer for Streamyx and Unifi services, which allows customers to measure their Internet connection speed at any point in time.

We are developing new ways of improving connection quality and increasing data transfer speeds. In 2010, we conducted research and development in wireless communications technologies and systems, primarily in the areas of signal processing for increased efficiency and capacity, and higher data rate transfer for our Code Division Multiple Access (CDMA) network.

MARKETING AND COMMUNICATION

Responsible marketing means ensuring our internal and external communication are always legal, decent, fair, honest, truthful and sensitive to the views of different groups in society. We take a best practice approach to the legislative and regulatory requirements of the Malaysian telecommunications industry, and adhere to the Malaysian Code of Advertising Practices while complying with the Malaysian Communications and Multimedia Commissions Act 1998.

TM employees are reminded of responsible marketing every quarter through briefing sessions, state-level conferences and video conferencing. We ensure all advertising and promotional materials comply with our own Group Corporate Advertising & Promotions (A&P) Guidelines. These specify administrative procedures including levels of approval for all advertising activities, monitoring and tracking requirements and standards for integrated A&P Product Campaigns.

CUSTOMER PRIVACY

At TM, we acknowledge our responsibility to safeguard the data and information of our customers, as reflected in our telecommunications licenses. We comply with the data privacy requirements under the Malaysian Communications and Multimedia Commission Act fully. Confidentiality Codes have been implemented across the Group and our subsidiaries, and are currently being reviewed to ensure compliance with customer code requirements and detailing processes for managing customer information. To date, no legal proceedings have been brought against TM for any alleged breach of customer confidentiality.

CUSTOMER HEALTH AND SAFETY: HEALTH AND SAFETY IMPACTS OF OUR PRODUCTS

Issues of health and safety related to our products and services generally concentrate around the sites of telecommunications poles, exchanges and fixed lines. We recognise the following health and safety risks in the telecommunications industry:

<table>
<thead>
<tr>
<th>Environment</th>
<th>Risks TM Approaches</th>
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<tbody>
<tr>
<td>Aquatic habitat alteration</td>
<td>Site fixed line infrastructure (e.g. fibre optic cable) and other types of linear</td>
</tr>
<tr>
<td>Terrestrial habitat alteration</td>
<td>infrastructure rights-of-way, access roads, lines and towers to avoid critical</td>
</tr>
<tr>
<td>Visual impacts</td>
<td>habitat through use of existing utility and transport corridors whenever possible</td>
</tr>
<tr>
<td>Hazardous materials and waste</td>
<td>Limiting the placement and intensity of tower lighting systems to those required to</td>
</tr>
<tr>
<td>Electric and magnetic fields</td>
<td>address aviation safety</td>
</tr>
<tr>
<td>Emissions to air</td>
<td>Limiting public access to antennae tower locations</td>
</tr>
<tr>
<td>Noise</td>
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</tbody>
</table>

INTERNET SAFETY

Information about firewall and anti-virus software, protecting personal details, restricting unauthorised use of computers, passwords and content filters is provided on our website. In addition, we encourage parents to ensure their children have safe and positive online experiences by offering the I-Shield Plus software that protects against online pornography and illegal web content. It also monitors productivity and safeguards personal information against unknown online entities.

COMPLIANCE

TM complies with all regulatory requirements in the day-to-day running of our business. Our Compliance team participates in the development of industry codes, guidelines and standards. There has been no incident of non-compliance with laws and regulations concerning our products and services operations during the period covered in this Report including our marketing communications, advertising, promotion and sponsorship.