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# Board of Directors' Profile

## TAN SRI AHMAD BADRI MOHD ZAHIR

Chairman,  
Non-Independent Non-Executive Director\*

(Redesignated as Chairman w.e.f. 12 March 2020)

\* Appointed Director by the Minister of Finance (Incorporated)  
(MoF Inc.), the Special Shareholder of TNB



### NATIONALITY

Malaysian

### AGE

60

### GENDER

Male

### DATE OF APPOINTMENT:

1 November 2018

### YEAR(S) OF DIRECTORSHIP:

One (1) year

### DATE OF LAST RE-ELECTION:

14 May 2019

### BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR:

10/19

### QUALIFICATION(S):

- Master in Business Administration, University of Hull, United Kingdom
- Degree in Land and Property Management, MARA Institute of Technology (now MARA University of Technology), Malaysia
- Diploma in Public Administration, National Institute of Public Administration (INTAN), Malaysia
- Diploma in Land and Property Management, MARA Institute of Technology (now MARA University of Technology), Malaysia

### MEMBERSHIP OF BOARD COMMITTEE(S):

**F**

### PRESENT DIRECTORSHIP(S):

#### Listed Entity

- Nil

#### Other Public Companies

- Permodalan Nasional Bhd.
- DanaInfra Nasional Berhad

### SKILLS, EXPERIENCE AND EXPERTISE:

- Has career spanning of 31 years experience in Ministry of Finance
- Secretary General of Treasury, Ministry of Finance (2018 – 2020)
- Deputy Secretary General (Management), Ministry of Finance (2018)
- Director of National Budget Office, National Budget Office, Ministry of Finance (2016 – 2018)
- Under Secretary, Strategic Investment Division, Ministry of Finance (2014 – 2016)
- Deputy Secretary, Loan Management, Financial Market & Actuary Division, Ministry of Finance (2010 – 2014)
- Senior Principal Assistant Secretary, Market Loan, Bilateral & Multilateral Section, Finance Division, Ministry of Finance (2007 – 2010)
- Principal Assistant Secretary, Market Loan Unit, Finance Division, Ministry of Finance (2000 – 2007)
- Director's Adviser, Asian Development Bank, Manila, Philippines (1997 – 2000)
- Assistant Secretary, Bilateral Unit, Finance Division, Ministry of Finance (1995 – 1997)
- Assistant Secretary, Multilateral Unit, Finance Division, Ministry of Finance (1989 – 1994)
- Senior Valuation Executive, C.H. Williams, Talhar and Wong Sdn. Bhd. (Chartered Surveyors) (1986 – 1988)

### A COMMITTED BOARD

**A** Chairman of Respective Committee

**A** Board Audit Committee

**F** Board Finance and Investment Committee

**T** Board Tender Committee

TAN SRI LEO MOGGIE

Non-Independent Non-Executive Director\*

(Cessation of Office as Chairman w.e.f. 12 March 2020)

\* Appointed Director by MoF Inc., the Special Shareholder of TNB



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## Board of Directors' Profile



### DATUK SERI AMIR HAMZAH BIN AZIZAN

President/Chief Executive Officer,  
Non-Independent Executive Director\*

\* Appointed Director by MoF Inc., the Special Shareholder of TNB

**NATIONALITY**  
Malaysian

**AGE**  
52

**GENDER**  
Male

**DATE OF APPOINTMENT:**  
2 April 2019

**YEAR(S) OF DIRECTORSHIP:**  
One (1) year

**DATE OF LAST RE-ELECTION:**  
14 May 2019

**BOARD MEETING ATTENDANCE  
IN THE FINANCIAL YEAR:**  
13/13 (since appointment date)

#### QUALIFICATION(S):

- Bachelor of Science Degree in Management (Major in Finance and Economics), Syracuse University, New York, United States of America
- Stanford Executive Programme, Stanford University, Stanford, United States of America

#### MEMBERSHIP OF BOARD COMMITTEE(S):

Attends Board Committees' Meetings (By Invitation)

#### PRESENT DIRECTORSHIP(S):

##### Listed Entity

- Nil

##### Other Public Company

- Nil

#### SKILLS, EXPERIENCE AND EXPERTISE:

- President/Chief Executive Officer, TNB (2019 – Present)
- Group Chief Executive Officer, Themed Attractions Resorts & Hotels Sdn. Bhd. (2017 – 2019)
- Managing Director, Icon Offshore Berhad (2016 – 2017)
- Vice President (Lubricants Business), Petroliam Nasional Berhad (2014 – 2016)
- Group Managing Director/Chief Executive Officer, Petronas Lubricants International Sdn. Bhd. (2012 – 2016)
- Vice President (Downstream Marketing), Petroliam Nasional Berhad (2011 – 2014)
- Managing Director & Chief Executive Officer, Petronas Dagangan Berhad (2010 – 2012)
- President & Chief Executive Officer, MISC Berhad (2009 – 2010)
- President & Chief Executive Officer, AET Tankers Holdings Sdn. Bhd. (2005 – 2008)
- Regional Business Director, MISC Berhad (2003 – 2005)
- General Manager, Corporate Planning, MISC Berhad (2000 – 2004)
- Senior Treasury Advisor, Shell International Ltd. (1997 – 1999)
- Manager, Planning & Support, Sarawak Shell Berhad (1996 – 1997)
- Performance Improvement Advisor, Sarawak Shell Berhad (1996)
- Head of Financial Services, Sarawak Shell Berhad (1995 – 1996)
- Corporate Finance Advisor, Shell Malaysia Ltd. (1993 – 1995)
- Marketing Credit Accountant, Shell Singapore Petroleum Company (Pte) Ltd. (1992 – 1993)
- Internal Auditor, Shell Eastern Petroleum (Pte) Ltd. (1990 – 1992)

#### A COMMITTED BOARD

Chairman of Respective Committee

Board Audit Committee

Board Finance and Investment Committee

Board Tender Committee



## AMRAN HAFIZ BIN AFFIFUDIN

Non-Independent Non-Executive Director\*

\* Appointed Director by Khazanah Nasional Berhad, the Major Shareholder of TNB

**NATIONALITY**  
Malaysian

**AGE**  
45

**GENDER**  
Male

**DATE OF APPOINTMENT:**  
22 June 2017

**YEAR(S) OF DIRECTORSHIP:**  
Two (2) years

**DATE OF LAST RE-ELECTION:**  
18 December 2017

**BOARD MEETING ATTENDANCE  
IN THE FINANCIAL YEAR:**  
19/19

### QUALIFICATION(S):

- Bachelor of Science in Commerce (Major in Accounting and Finance), the McIntire School of Commerce, University of Virginia, Charlottesville, United States of America
- Attended executive/professional courses at Harvard Business School and London Business School

### MEMBERSHIP OF BOARD COMMITTEE(S):

**F** **NR** **L** **I**

### PRESENT DIRECTORSHIP(S):

#### Listed Entity

- Nil

#### Other Public Companies

- Iskandar Investment Berhad

### SKILLS, EXPERIENCE AND EXPERTISE:

- Executive Director, Investments, Khazanah Nasional Berhad (2018 – Present)
- Director, Investments, Khazanah Nasional Berhad (2013 – 2018)
- Senior Vice President, Investments (Property/Healthcare), Khazanah Nasional Berhad (2011 – 2013)
- Investment Manager, Ethos Capital Sdn. Bhd. (2009 – 2011)
- Principal Consultant/Advisor, Nusa Capital Sdn. Bhd. (2006 – 2009)
- Director, Juwana Group of Companies (2005 – 2006)
- Senior Vice President, Namirah Ventures Pte. Ltd. (2000 – 2005)
- Analyst, Equities Investment, Petroliam Nasional Berhad (1998 – 2000)
- Corporate Finance Executive, Group Finance Division, Petroliam Nasional Berhad (1997 – 1998)

## Board of Directors' Profile

### NORAINI BINTI CHE DAN

Senior Independent Non-Executive Director



#### NATIONALITY

Malaysian

#### AGE

63

#### GENDER

Female

#### DATE OF APPOINTMENT:

2 January 2016

#### YEAR(S) OF DIRECTORSHIP:

Four (4) years

#### DATE OF LAST RE-ELECTION:

15 May 2018

#### BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR:

17/19

#### QUALIFICATION(S):

- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants
- Bachelor of Arts (Economics) (Hons.), University of Manchester, United Kingdom

#### MEMBERSHIP OF BOARD COMMITTEE(S):

**A** **F** **NR** **R** **L**

#### PRESENT DIRECTORSHIP(S):

##### Listed Entity

- S P Setia Berhad
- BIMB Holdings Berhad

##### Other Public Company

- Bank Islam Malaysia Berhad

#### SKILLS, EXPERIENCE AND EXPERTISE:

- Has over 30 years of experience in audit and finance
- Served Pemas International Holdings Berhad for 15 years in various capacities including as Group General Manager Finance and Chief Financial Officer
- Head of Finance and Vice President of Finance, MISC Berhad for a total of 10 years
- Former Director, Labuan Reinsurance (L) Ltd.
- Senior Auditor in the firm of Hanafiah Raslan & Mohamad

#### A COMMITTED BOARD

**A** Chairman of Respective Committee

**A** Board Audit Committee

**F** Board Finance and Investment Committee

**T** Board Tender Committee





**GEE SIEW YOONG**  
Independent Non-Executive Director

NATIONALITY	AGE	GENDER
Malaysian	70	Female

DATE OF APPOINTMENT:	YEAR(S) OF DIRECTORSHIP:	DATE OF LAST RE-ELECTION:	BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR:
2 January 2016	Four (4) years	15 May 2018	16/19

**QUALIFICATION(S):**

- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants
- International Banking Summer School, Cambridge, Massachusetts, United States of America

**MEMBERSHIP OF BOARD COMMITTEE(S):**



**PRESENT DIRECTORSHIP(S):**

**Listed Entity**

- Sapura Energy Berhad

**Other Public Company**

- Nil

**SKILLS, EXPERIENCE AND EXPERTISE:**

- Independent Non-Executive Director of various Public Listed Companies since 2001
- Has more than 40 years of experience in financial and auditing line within multiple industries
- Professional strengths are in Restructuring, Reorganisation, Change Management and Corporate Governance
- Worked with PriceWaterhouse in Kuala Lumpur, Malaysia and London, United Kingdom. The last position held was Senior Audit Manager and Continuing Education Manager, PriceWaterhouse (1969 – 1981)
- Group Financial Controller, Selangor Pewter Group (1981 – 1985) – Seconded to the United States of America as Director and Chief Executive Officer of Senaca Crystal Inc., a company in the Selangor Pewter Group, which was undergoing reorganisation under Chapter XI of the U.S. Bankruptcy Code (1983 – 1984)
- Personal Assistant to Executive Chairman of Lipkland Group (1985 – 1987)
- Was appointed by Bank Negara Malaysia as Executive Director and Chief Executive of Supreme Finance (M) Bhd., a financial institution undergoing rescue and reorganisation under the supervision of Bank Negara Malaysia (1987 – 1991)
- Group Divisional Chief, Management Development Services, Land & General Berhad (1993 – 1997)
- Executive Assistant to the Chief Executive, Multi-Purpose Capital Holdings Berhad (1997 – 1999). During this period, she also served as Director of Multi-Purpose Bank Berhad and Multi-Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad

## Board of Directors' Profile

### JUNIWATI RAHMAT HUSSIN

Independent Non-Executive Director



#### NATIONALITY

Malaysian

#### AGE

61

#### GENDER

Female

#### DATE OF APPOINTMENT:

1 June 2017

#### YEAR(S) OF DIRECTORSHIP:

Two (2) years

#### DATE OF LAST RE-ELECTION:

14 May 2019

#### BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR:

19/19

#### QUALIFICATION(S):

- Bachelor of Science (Hons.) in Chemistry, University of Kent, Canterbury, United Kingdom
- Certificate in International Management, GE
- Attended the INSEAD Senior Management Development Programme and Advanced Management Programme
- Attended the HENLEY Business School Advanced Management Programme, United Kingdom

#### MEMBERSHIP OF BOARD COMMITTEE(S):

**NR** **L** **T** **R** **I**

#### PRESENT DIRECTORSHIP(S):

##### Listed Entity

- Nil

##### Other Public Company

- Nil

#### SKILLS, EXPERIENCE AND EXPERTISE:

- Member of Yayasan Peneraju Pendidikan Bumiputera Industry Advisory Council (for the Energy & Construction Sector) (2018 – Present)
- Vice President & Venture Director, Pengerang Integrated Complex and Chief Executive Officer, PETRONAS Refinery and Petrochemical Corporation Sdn. Bhd. (2013 – 2016)
- Vice President, Human Resource Management Division, Petroliaam Nasional Berhad (PETRONAS) (2010 – 2012)
- Vice President, Education Division, PETRONAS (2009 – 2010)
- Chief Executive Officer, Malaysian Philharmonic Orchestra & Dewan Filharmonik (2005 – 2009)
- General Manager (Marketing & Trading-Chemicals), MITCO Sdn. Bhd. (2003 – 2005)
- Senior Manager (Marketing & Trading-Chemicals), MITCO Sdn. Bhd. (2001 – 2003)
- Manager, Human Resource Management, PETRONAS (1991 – 2001)
- Manager, Petrochemicals Business Planning Unit, Petrochemical Division and Manager, Business Evaluation Department, Corporate Planning Division, PETRONAS (1994 – 1997)
- Executive (Analyst), Refining & Marketing Planning Unit, PETRONAS (1991 – 1994)
- Executive (Refinery), PETRONAS Penapisan (Melaka) Sdn. Bhd. (1991)
- Production Planner (Refinery), PETRONAS Penapisan (Terengganu) Sdn. Bhd. (1988 – 1990)
- Chemist, Process Engineering & Technical, PETRONAS Penapisan (Terengganu) Sdn. Bhd. (1982 – 1987)
- Chemist, Laboratory Services, PETRONAS (1981 – 1982)
- Throughout her career, she has a wide range of hands-on experience in Refinery Operations, Project Management, Corporate Planning, Human Resource and Marketing & Trading

#### A COMMITTED BOARD



Chairman of Respective Committee



Board Audit Committee



Board Finance and  
Investment Committee



Board Tender Committee



## GOPALA KRISHNAN K.SUNDARAM

Independent Non-Executive Director

**NATIONALITY**  
Malaysian

**AGE**  
65

**GENDER**  
Male

**DATE OF APPOINTMENT:**  
4 July 2018

**YEAR(S) OF DIRECTORSHIP:**  
One (1) year

**DATE OF LAST RE-ELECTION:**  
14 May 2019

**BOARD MEETING ATTENDANCE  
IN THE FINANCIAL YEAR:**  
18/19

### QUALIFICATION(S):

- Bachelor in Law LL. B. (Hons.), University of Malaya, Malaysia
- Advocate & Solicitor in the High Court of Malaya

### MEMBERSHIP OF BOARD COMMITTEE(S):

**I A R**

### PRESENT DIRECTORSHIP(S):

#### Listed Entity

- Nil

#### Other Public Company

- Nil

### SKILLS, EXPERIENCE AND EXPERTISE:

- Partner, Abdullah Chan & Co., Advocates & Solicitors (2012 – Present)
- Consultant, Asian Development Bank (2018 – 2019)
- Leading adviser on the Financial Services Act 2013 and Islamic Financial Services Act 2013
- Independent International Consultant, World Bank (2017 – 2018)
- Director, Kuwait Finance House (Malaysia) Berhad (2012 – 2016)
- Held various positions in Bank Negara Malaysia (Central Bank of Malaysia) (1978 – 2012):
  - Project Advisor (2011 – 2012)
  - Assistant Governor (2006 – 2011)
  - Assistant Manager/Deputy Director/Director Legal Department (1990 – 2006)
  - Senior Executive/Assistant Manager Secretary's Department (1985 – 1990)
  - Senior Executive Banking Department (1982 – 1985)



## Board of Directors' Profile

### ONG AI LIN

Independent Non-Executive Director



#### NATIONALITY

Malaysian

#### AGE

64

#### GENDER

Female

#### DATE OF APPOINTMENT:

1 August 2018

#### YEAR(S) OF DIRECTORSHIP:

One (1) year

#### DATE OF LAST RE-ELECTION:

14 May 2019

#### BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR:

15/19

#### QUALIFICATION(S):

- Bachelor of Arts (Hons.) in Economics, University of Leeds, United Kingdom
- Associate of the Institute of Chartered Accountants in England and Wales (ICAEW)
- Certified Information System Auditor
- Certified Business Continuity Professional
- Member of the Malaysian Institute of Accountants (MIA)
- Member of MIA Digital Economy Task Force
- Member of SIRIM ISO Technical Committee on Information Security
- Past President of Information Systems Audit & Control Association (ISACA), Malaysia

#### SKILLS, EXPERIENCE AND EXPERTISE:

- Held various positions in PricewaterhouseCoopers Malaysia:
  - Partner/Senior Executive Director (1993 – 2016)
  - Senior Manager (1991 – 1992)
- Kassim Chan & Co. (DH&S Malaysia) and DH&S Singapore (1986 – 1991)
- Deloitte Haskins & Sells (DH&S), London, United Kingdom (1978 – 1986)

#### MEMBERSHIP OF BOARD COMMITTEE(S):

**A R I**

#### PRESENT DIRECTORSHIP(S):

##### Listed Entity

- RHB Bank Berhad

##### Other Public Companies

- RHB Islamic Bank Berhad
- FIDE Forum

#### A COMMITTED BOARD

**A** Chairman of Respective Committee

**A** Board Audit Committee

**F** Board Finance and Investment Committee

**T** Board Tender Committee



## DATO' ROSLINA BINTI ZAINAL

Non-Independent Non-Executive Director

**NATIONALITY**  
Malaysian

**AGE**  
57

**GENDER**  
Female

**DATE OF APPOINTMENT:**  
15 March 2019

**YEAR(S) OF DIRECTORSHIP:**  
One (1) year

**DATE OF LAST RE-ELECTION:**  
14 May 2019

**BOARD MEETING ATTENDANCE  
IN THE FINANCIAL YEAR:**  
14/15 (since appointment date)

### QUALIFICATION(S):

- Master of Business Administration, University of New England, New South Wales, Australia
- Bachelor of Electrical Engineering, Lakehead University, Canada

### MEMBERSHIP OF BOARD COMMITTEE(S):

**A** **F** **T**

### PRESENT DIRECTORSHIP(S):

#### Listed Entity

- Sapura Energy Berhad

#### Other Public Company

- Nil

### SKILLS, EXPERIENCE AND EXPERTISE:

- Board of Director of Universiti Teknikal Malaysia Melaka (2019 – Present)
- Senior Fellow, Khazanah Research & Investment Strategy (KRIS) Division, Khazanah Nasional Berhad (2018 – Present)
- Independent Council Member of Oversight Panel, Energy Commission Malaysia (2016 – Present)
- Adjunct Professor, College of Business, Universiti Tenaga Nasional (2016 – Present)
- Vice President (Regulatory Economics & Planning), TNB (2015 – 2018)
- Vice President (Planning), TNB (2009 – 2015)
- General Manager (VPP/Energy Procurement), Planning Division, TNB (2008 – 2009)
- Has served Lembaga Letrik Negara/TNB for 33 years. Worked in various divisions in TNB such as Distribution, Planning, Business Strategy, Regulations, Transmission and Corporate Planning
- Seconded to the Economic Planning Unit of the Prime Minister's Department (1990 – 1992)

## Board of Directors' Profile

### DATO' CHEOK LAY LENG

Independent Non-Executive Director



#### NATIONALITY

Malaysian

#### AGE

57

#### GENDER

Male

#### DATE OF APPOINTMENT:

2 March 2020

#### YEAR(S) OF DIRECTORSHIP:

Less than one (1) year

#### BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR:

NA

#### QUALIFICATION(S):

- Master in Business Administration, Nottingham Trent University, United Kingdom
- Degree in Computer Technology, University of Science, Malaysia
- Post Graduate Research in Device Physics, University of Science, Malaysia
- Graduate Engineering Programme, Stanford University, Stanford, United States of America

#### MEMBERSHIP OF BOARD COMMITTEE(S):

- Nil

#### PRESENT DIRECTORSHIP(S):

##### Listed Entity

- Nil

##### Other Public Company

- Penang Tech Centre Bhd.

#### SKILLS, EXPERIENCE AND EXPERTISE:

- General Manager, Perbadanan Bukit Bendera Pulau Pinang (2017 – Present)
- President, Asia Netronome Systems, Inc. (2016 – 2017)
- President & CEO, Flexxcomm Limited, Hong Kong (2005 – 2007)
- Had served Intel Corporation for 17 years, in various capacities, among others are as follows:
  - General Manager, Asia, Communications Infrastructure Group (2002 – 2005)
  - General Manager, Asia, Network Processing Group (2000 – 2001)
  - Director, Applied Computing Products Division – Asia (1999 – 2000)
  - Director, Embedded Microcomputer Division – Asia (1997 – 1998)
- A regular guest lecturer for the technopreneurship workshop for developing countries organised by The International Science, Technology and Innovation Center for South-South Cooperation (ISTIC), under the auspices of UNESCO since 2010
- Holds one (1) US patent related to USB Technology

#### Declaration by the Board:

##### (i) Family Relationship with any Director and/or Major Shareholder of TNB:

None of the Directors has any family relationship with any Director and/or Major Shareholder of TNB.

##### (ii) Conflict of interest with TNB:

Save as disclosed above, none of the Directors has any conflict of interest with TNB.

##### (iii) Other than traffic offences, any conviction for offences within the past five (5) years and public sanction or penalty imposed by relevant regulatory bodies during the Financial Year under review:

Other than traffic offences, none of the Directors has been convicted for any offences within the past five (5) years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the Financial Year under review.

#### A COMMITTED BOARD

 Chairman of Respective Committee

 Board Audit Committee

 Board Finance and Investment Committee

 Board Tender Committee



## Company Secretary's Profile



### NORAZNI BINTI MOHD ISA

Company Secretary

#### NATIONALITY

Malaysian

#### AGE

56

#### GENDER

Female

#### DATE OF APPOINTMENT:

31 May 2012

#### QUALIFICATION(S):

- Master of Laws, University of Malaya, Malaysia
- Advanced Diploma in Law, MARA Institute of Technology (now MARA University of Technology), Malaysia
- Diploma in Law, MARA Institute of Technology (now MARA University of Technology), Malaysia

#### PRESENT DIRECTORSHIP(S):

##### Listed Entity

- Nil

##### Other Public Company

- TNB Western Energy Berhad

#### SKILLS, EXPERIENCE AND EXPERTISE:

- Had more than 29 years of vast experience within TNB where she had served in various positions specifically in legal services, tender & contract management and regulatory management
- Deputy Company Secretary and Joint Company Secretary, TNB (2011 – 2012)
- Head of Tender Management Unit, Procurement Division, TNB (2006 – 2011)
- Manager of Licensing and Compliance Unit, Corporate Communications Department, TNB (2003 – 2006)
- Manager of Contract Management, Procurement Division, TNB (2002 – 2003)
- Legal Executive in Legal Services Department, Company Secretary's Office, TNB (1990 – 2001)

# Senior Management Profile



**DATUK SERI AMIR HAMZAH BIN AZIZAN**

President/Chief Executive Officer

**NATIONALITY**  
Malaysian

**AGE**  
52

**GENDER**  
Male

**DATE OF APPOINTMENT:**

2 April 2019

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC GPC GMTC ComPEC BIC IBRC TMSC CRSC SESB EC

**QUALIFICATION(S):**

- Bachelor of Science Degree in Management (Majored in Finance and Economics), Syracuse University, New York, United States of America
- Stanford Executive Programme, Stanford University, Stanford, United States of America

**WORKING EXPERIENCE:**

- Marketing Credit Accountant, Shell Singapore Petroleum Company (Pte) Ltd. (1992 – 1993)
- Corporate Finance Advisor, Shell Malaysia Ltd. (1993 – 1995)
- Head of Financial Services, Sarawak Shell Berhad (1995 – 1996)
- Performance Improvement Advisor, Sarawak Shell Berhad (1996)
- Manager, Planning & Support, Sarawak Shell Berhad (1996 – 1997)
- Senior Treasury Advisor, Shell International Ltd. (1997 – 1999)
- General Manager, Corporate Planning, MISC Berhad (2000 – 2004)
- Regional Business Director, MISC Berhad (2003 – 2005)
- President & Chief Executive Officer, AET Tankers Holdings Sdn. Bhd. (2005 – 2008)
- President & Chief Executive Officer, MISC Berhad (2009 – 2010)
- Managing Director & Chief Executive Officer, Petronas Dagangan Berhad (2010 – 2012)
- Vice President (Downstream Marketing), Petroliaam Nasional Berhad (2011 – 2014)
- Group Managing Director/Chief Executive Officer, Petronas Lubricants International Sdn. Bhd. (2012 – 2016)
- Vice President (Lubricants Business), Petroliaam Nasional Berhad (2014 – 2016)
- Managing Director, Icon Offshore Berhad (2016 – 2017)
- Group Chief Executive Officer, Themed Attractions Resorts & Hotels Sdn. Bhd. (2017 – 2019)



**NAZMI BIN OTHMAN**

Chief Financial Officer

**NATIONALITY**  
Malaysian

**AGE**  
56

**GENDER**  
Male

**DATE OF APPOINTMENT:**

14 February 2014

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Integrax Berhad

**MANAGEMENT COMMITTEE(S):**

GEMC GPC GMTC ComPEC BIC IBRC TMSC CRSC SESB EC

**QUALIFICATION(S):**

- Certified Public Accountant of Malaysian Institute of Certified Public Accountants
- Certified Public Accountant of Australian Society of Certified Practising Accountants
- Member of Malaysian Institute of Accountants
- Bachelor of Commerce (Accounting), University of Wollongong, Australia

**WORKING EXPERIENCE:**

- Nazmi began his career at Island & Peninsular Berhad as Finance Manager and joined MRCB as the Financial Controller of Port Dickson Power Sdn. Bhd. an Independent Power Producer. He joined TNB Generation Sdn. Bhd. in 1998
- In 2004, he became Head (Financial Reporting and Budget) and continued in this role before being promoted to General Manager (Operation) in 2006
- He was made Senior General Manager (Group Finance/Group Accountant) in 2008 and became the Chief Investment Management Officer in 2014
- Nazmi was appointed as Chief Financial Officer, Group Finance with effect from 1 August 2018

**DATUK FAZLUR RAHMAN BIN ZAINUDDIN**

Chief Strategy &amp; Regulatory Officer

**NATIONALITY**  
 Malaysian

**AGE**  
 50

**GENDER**  
 Male
**DATE OF APPOINTMENT:**

1 July 2012

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Integrax Berhad
- TNB Global Ventures Capital Berhad

**MANAGEMENT COMMITTEE(S):**
**GEMC** **GPC** **GMTC** **ComPEC** **BIC** **IBRC** **TMSC** **CRSC** **SESB EC**
**QUALIFICATION(S):**

- Fellow of Association of Chartered Certified Accountants, United Kingdom
- Member of Malaysian Institute of Accountants

**WORKING EXPERIENCE:**

- Datuk Fazlur Rahman served for four (4) years in public accounting practices with three (3) years in PricewaterhouseCoopers Malaysia, Kuala Lumpur, as a Tax Consultant
- He later served in Shell Malaysia for a decade in various capacities within the corporate and financial management functions of the company starting from 1995
- He joined Telekom Malaysia Berhad in 2005 and served in several senior roles with the last position as Vice President – Business Development. He became the Chief Financial Officer of Naza Group in 2010
- He was appointed TNB's Chief Financial Officer/Vice President, Group Finance in July 2012, where he served for six (6) years
- Datuk Fazlur was appointed as Chief Strategy & Regulatory Officer with effect from 1 August 2018

**Ir. ROSLAN BIN ABD RAHMAN**

Chief Generation Officer

**NATIONALITY**  
 Malaysian

**AGE**  
 56

**GENDER**  
 Male
**DATE OF APPOINTMENT:**

1 December 2018

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Integrax Berhad

**MANAGEMENT COMMITTEE(S):**
**GEMC** **GPC** **GMTC** **ComPEC** **BIC** **TMSC** **CRSC**
**QUALIFICATION(S):**

- Master of Business Administration, Universiti Tenaga Nasional, Malaysia
- Bachelor of Science (Electrical Engineering), Syracuse University, New York, United States of America

**WORKING EXPERIENCE:**

- Ir. Roslan started his career with Lembaga Elektrik Negara (LLN) in 1985 at Perai Power Station in Penang. From then on, his career progressed to various roles and responsibilities within the power stations fleet owned by TNB
- After serving as General Manager of Connaught Bridge Power Station and later at Tuanku Jaafar Power Station, he was appointed as Senior General Manager (Asset Operation), Generation Division (2014 – 2018)
- Ir. Roslan was appointed as Chief Generation Officer with effect from 1 December 2018



## Senior Management Profile



**DATUK Ir. HUSAINI BIN HUSIN**

Chief Grid Officer

**NATIONALITY**  
Malaysian

**AGE**  
58

**GENDER**  
Male

**DATE OF APPOINTMENT:**

1 February 2019

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC GPC GMTC BIC IBRC TMSC CRSC

**QUALIFICATION(S):**

- Master of Business Administration, Ohio University, United States of America
- Bachelor of Engineering and Applied Science (Electrical Engineering), Sussex University, United Kingdom
- Diploma in Electrical Engineering, Brighton Technical College, United Kingdom

**WORKING EXPERIENCE:**

- Datuk Ir. Husaini began his career with TNB as an Assistant Engineer (Transmission Line) in the Asset Maintenance Department in Kluang, Johor, in 1984
- He spent 32 years serving in maintenance roles for TNB's transmission overhead lines and cables, substation and high-voltage direct current (HVDC)
- He was appointed as Senior General Manager (Asset Maintenance), Transmission Division, from 2015 to 2016. He was later appointed to Senior General Manager (Asset Development), Grid Division, in February 2016
- Datuk Ir. Husaini was appointed as Chief Grid Officer, Grid Division with effect from 1 February 2019



**DATUK Ir. BAHARIN BIN DIN**

Chief Distribution Network Officer

**NATIONALITY**  
Malaysian

**AGE**  
56

**GENDER**  
Male

**DATE OF APPOINTMENT:**

1 January 2012

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC GPC GMTC BIC IBRC TMSC CRSC

**QUALIFICATION(S):**

- Master of Business Administration – joint MBA programme between Universiti Tenaga Nasional, Malaysia and Bond University, Australia
- Bachelor of Science (Electrical Engineering), Syracuse University, New York, United States of America
- Certified Professional Engineer of the Board of Engineers (BEM), Malaysia
- Member of Institution of Engineers, Malaysia
- Qualified Competent Engineer (Up to 33kV)
- Qualified Service Engineer (Up to 33kV)

**WORKING EXPERIENCE:**

- Datuk Ir. Baharin built his career in TNB serving in various engineering and managerial positions within the company, including Business Development, Network Maintenance, Network Planning, Construction Services, Metering Service, and Engineering Services
- He was seconded to the Ministry of Energy, Green Technology and Water (KeTTHA), for two (2) and a half years, where he served as the Deputy Director for the Electrical Inspectorate Department in Sabah. He then became the Director for the Electrical Inspectorate Department in Pahang
- He was the Managing Director of Sabah Electricity Sdn. Bhd. from 2007 to 2011, and was promoted to Senior General Manager (Customer Service & Metering) of TNB in December 2011
- Datuk Ir. Baharin was made Vice President, Distribution, in January 2012 until July 2018, and was re-designated as Chief Distribution Network Officer with effect from 1 August 2018

**Ir. MEGAT JALALUDDIN BIN MEGAT HASSAN**

Chief Retail Officer

NATIONALITY
Malaysian

AGE
54

GENDER
Male

**DATE OF APPOINTMENT:**

1 August 2018

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC	GPC	BIC	IBRC	TMSC	CRSC
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**QUALIFICATION(S):**

- Member of Institution of Engineers, Malaysia
- Certified Professional Engineer of the Board of Engineers (BEM), Malaysia
- Bachelor of Engineering (Hons.) (Electrical Engineering), University of Wollongong, Sydney, Australia

**WORKING EXPERIENCE:**

- Ir. Megat Jalaluddin was our Head of Remote Meter Reading Project under the Metering Services of the Distribution Division from 2006 until 2008
- He then joined Celcom as Senior Manager in the Project Management Office (2008 – 2009), before rejoining as General Manager of the Distribution Division for Negri Sembilan (2009 – 2010)
- He later became General Manager of Metering Services (2010 – 2012), where he started the foundation for the smart grid project
- Ir. Megat Jalaluddin was the Chief Strategy Officer (2012 – 2018), before being appointed as Chief Retail Officer with effect from 1 August 2018

**DATO' NOR AZMAN BIN MUFTI**

Chief Ventures Officer

NATIONALITY
Malaysian

AGE
59

GENDER
Male

**DATE OF APPOINTMENT:**

1 November 2014

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- TNB Global Ventures Capital Berhad

**MANAGEMENT COMMITTEE(S):**

GEMC	GPC	CMTC	TMSC	CRSC
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**QUALIFICATION(S):**

- Master of Engineering Management, Universiti Tenaga Nasional, Malaysia
- Bachelor of Engineering (Mechanical), University of Strathclyde, Glasgow, Scotland, United Kingdom
- Diploma in Mechanical Engineering, University of Technology, Malaysia

**WORKING EXPERIENCE:**

- Dato' Nor Azman started his career in TNB as a Mechanical Technician in 1980, before moving to pursue his diploma and degree between 1983 and 1987
- He served in various technical and engineering capacities within the Generation Division, following his graduation in 1987
- He served Putrajaya Power Station from 1993 to 2008 as Senior Manager Maintenance
- He was appointed as Chief Operating Officer of TNB Repair And Maintenance Sdn. Bhd. (TNB REMACO) from 2009 to 2010, and went on to become Managing Director of TNB REMACO from 2010 to 2014
- Dato' Nor Azman was appointed as Vice President, Energy Ventures Division in November 2014, and was re-designated as Chief Ventures Officer with effect from 1 August 2018

## Senior Management Profile



**DATO' MUHAMMAD RAZIF BIN ABDUL RAHMAN**

Chief People Officer

**NATIONALITY**  
Malaysian

**AGE**  
57

**GENDER**  
Male

**DATE OF APPOINTMENT:**

24 December 2008

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC GPC IBRC TMSC CRSC

**QUALIFICATION(S):**

- Bachelor of Engineering (Hons.) (Electrical Engineering), University of Liverpool, United Kingdom

**WORKING EXPERIENCE:**

- Dato' Muhammad Razif has served TNB for 35 years in various roles within the Group and its subsidiaries. Among the positions he has held include Transmission Protection Engineer, Power Plant Engineer and Business Development Manager at TNB Workshop Services Sdn. Bhd. Operations Manager at Perusahaan Otomobil Elektrik Malaysia; and Head of Training at TNB Transmission Network Sdn. Bhd.
- He was made as Head of Training & Development, Group Human Resource Division, in 2002, and later became Head of Human Resource Planning and Staffing in 2006
- Dato' Muhammad Razif was promoted to Vice President, Human Resource in December 2008, and was re-designated as Chief People Officer, Group Human Resource Division with effect from 1 August 2018



**DATUK WIRA ROSLAN AB RAHMAN**

Chief Corporate Officer

**NATIONALITY**  
Malaysian

**AGE**  
63

**GENDER**  
Male

**DATE OF APPOINTMENT:**

3 September 2012

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC GPC GMTC TMSC CRSC

**QUALIFICATION(S):**

- Bachelor of Science (Hons.) (Electrical Engineering), University of Southampton, United Kingdom

**WORKING EXPERIENCE:**

- Datuk Wira Roslan joined TNB in 1980 and held various positions within the Consumer, Planning, Construction, Operations and Maintenance functions at the district level in Peninsular Malaysia
- He also held several senior positions in the areas of Quality, Commercial, Customer Service, Marketing and Operations before being promoted to Chief Corporate Officer with effect from 3 September 2012
- Datuk Wira Roslan currently oversees all internal and external Group's Corporate Communication matters. He is also the Country Coordinator for the Heads of ASEAN Power Utilities/Authorities (HAPUA)



**AMIR MAHMOD BIN ABDULLAH**

Chief Procurement Officer

NATIONALITY
Malaysian

AGE
53

GENDER
Male

**DATE OF APPOINTMENT:**

1 January 2020

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC	GPC	ComPEC	BIC	CRSC
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**QUALIFICATION(S):**

- MSc. In Engineering Business Management (Integrated Graduate Development Scheme, IGDS) University of Warwick, United Kingdom/University of Technology, Malaysia
- B.Eng. (Hons) in Electrical & Electronic Engineering. Brighton Polytechnic, United Kingdom
- Post Graduate Diploma In Engineering Business Management (Integrated Manager Development Scheme, IMDS) University of Warwick, United Kingdom/University of Technology, Malaysia
- Other learning exposure and experiences includes attachment at Melbourne Business School (Australia), National University of Singapore and Disney University, Florida, United States of America

**WORKING EXPERIENCE:**

- Started career in 1988 with LLN in Distribution Network
- Amir had vast years of experiences from Customer Service, Maintenance, Planning, Construction to Head of few Cost and Profit Centers
- Amir had been appointed as Project Director for numerous special projects to spearhead new development, technology transfer, Info and Infra structure projects. Among special projects led by Amir were the development of online application system such as Competency Based Performance Management System, Online Employee Feedback, and Integrated Development of Proton City
- In 2003, Amir was assigned under Business Operation, Marketing, Strategic Management & Organisational Development and Government Relation
- In 2009, Amir served as Head of TNB Metering and Revenue Management and later, 2014, Amir was appointed as first Programme Director of TNB's Smart Meter under Advanced Metering Infrastructure (AMI) that part of Connected Grid of the Future
- In 2016, Amir had been assigned to Tenaga Cable Industries Sdn. Bhd. (TNB's Subsidiary) to transform the loss making Cable Company into more profitable and sustainable company
- In October 2018, Amir served as a Program Director of Procurement Hub Functions and later appointed as Chief Procurement Officer in January 2020
- Amir is one of the talent in TNB's first batch under Leadership Drive and accredited as trainers for number of business acumen and competencies

**FAZIL BIN IBRAHIM**

Chief Information Officer

NATIONALITY
Malaysian

AGE
57

GENDER
Male

**DATE OF APPOINTMENT:**

1 September 2015

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC	GPC	GMTC	BIC	CRSC
------	-----	------	-----	------

**QUALIFICATION(S):**

- Master of Business Administration – MBA Ohio University, Athens, United States of America
- Bachelor of Science – BSc. Australian National University, Canberra, Australia, (Operations Management & Computer Science)

**WORKING EXPERIENCE:**

- Fazil was previously the Senior General Manager for ICT Division from June 2012 to August 2015 where he was responsible to lead the development and implementation of business plan for the implementation and support of quality IT and Business Solutions related services to TNB Group
- He started his career with LLN/TNB in 1985 at Materials Management Department. From then, his career progressed to various roles within the Group, including Corporate Services, Distribution and Human Resource before being promoted to Head of Corporate Systems & Application Support, ICT Division in 2006. He was involved in several projects, including Information Technology (IT) and Operational Technology (OT) initiatives
- Fazil was appointed as Chief Information Officer with effect from 1 September 2015 responsible for TNB group-wide business information systems & cyber security, technology & digital strategy, delivery of telecommunication & IT infrastructure, major enterprise and other applications

## Senior Management Profile



**MOHD SHAHAZWAN BIN MOHD HARRIS**

Chief International Officer

**NATIONALITY**  
Malaysian

**AGE**  
48

**GENDER**  
Male

**DATE OF APPOINTMENT:**

1 July 2019

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC GPC BIC CRSC

**QUALIFICATION(S):**

- Sloan Fellow Master of Business Administration in Leadership and Innovation, Massachusetts Institute of Technology, Cambridge MA, United States of America
- Master of Science (MSc) in Advanced Mechanical Engineering – Imperial College of Science, Technology and Medicine, London, United Kingdom
- Bachelor of Engineering (BEng) Degree in Mechanical Engineering – University of Warwick, Coventry, United Kingdom

**WORKING EXPERIENCE:**

- Started career in 1996 at TNB and left in 2000 as Senior Executive
- Worked as Consultant at PA Consulting Group KL, Malaysia and Jakarta, Indonesia from 2000 – 2003
- Joined The Boston Consulting Group, in KL as Consultant and Energy Analyst from 2003 until 2005
- Joined Khazanah Nasional Berhad for 11 years from 2005 – 2016, where he covered investments in various sectors such as aviation, sustainable development, power and infrastructure, technology and healthcare across Asia and Europe. Left Khazanah in 2016 as Executive Director (Investments)
- Served Senior Advisory roles at Bain & Co (KL/SEA) and Temasek International (Singapore – on Sustainability and Impact Investing) from 2017 to 2019
- Worked at UEM Edgenta Berhad as the Chief Strategy & Transformation Officer (CSTO) from March until June 2019
- Appointed as Chief International Officer at TNB on 1 July 2019



**MOHAMAD ARIFF BIN ZAINOL**

Chief Global Business Solutions

**NATIONALITY**  
Malaysian

**AGE**  
55

**GENDER**  
Male

**DATE OF APPOINTMENT:**

3 December 2018

**DIRECTORSHIPS IN PUBLIC COMPANIES AND PUBLIC LISTED COMPANIES:**

- Nil

**MANAGEMENT COMMITTEE(S):**

GEMC GPC GMTC IBRC CRSC

**QUALIFICATION(S):**

- Bachelor of Science (Computer Science) Australian National University, Australia

**WORKING EXPERIENCE:**

- Started career in 1986 with LLN as a Junior IT System Analyst, EDP Department and his career of 34 years took him to a number of various positions in TNB
- Served as Senior General Manager (ICT Business Partner), ICT Division since 1 May 2016 to 2 March 2017
- Served as Head (PMO) Integrated Shared Service Centre since 3 March 2017 to 2 December 2018
- Appointed as Head (TNB Global Business Solutions) on 3 December 2018 and as Chief Global Business Solutions on 18 January 2019



**NORAZNI BINTI MOHD ISA**  
Company Secretary

NATIONALITY	AGE	GENDER
Malaysian	56	Female

Her profile is set out in Company Secretary's Profile on page 13 of Corporate Governance & Financial Statements 2019.

**MANAGEMENT COMMITTEE(S):**

GEMC	GPC	CRSC
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**Additional Information on Our Management Team:**

- (i) None of the members of our Management Team has any family relationship with any Director and/or Major Shareholder of TNB.
- (ii) None of the members of our Management Team has any conflict of interest with TNB.
- (iii) None of the members of our Management Team has been convicted of any offences (save for minor traffic offences) within the past five (5) years, nor has been imposed any public sanction or penalty by the relevant regulatory bodies during the Financial Year under review.

**MEMBERSHIP KEY**

<b>GEMC</b>	GROUP EXECUTIVE MANAGEMENT COMMITTEE
<b>GPC</b>	GROUP PEOPLE COMMITTEE
<b>GMTC</b>	GROUP MANAGEMENT TENDER COMMITTEE
<b>ComPEC</b>	COMMODITY PROCUREMENT EXECUTIVE COMMITTEE
<b>BIC</b>	BUSINESS INNOVATION COUNCIL
<b>IBRC</b>	INCENTIVE BASED REGULATION COUNCIL
<b>TMSC</b>	TNB MESI 2.0 STEERING COMMITTEE
<b>CRSC</b>	CORPORATE REORGANISATION STEERING COMMITTEE
<b>SESB EC</b>	SABAH ELECTRICITY SDN. BHD. (SESB) EXECUTIVE COMMITTEE



# ENERGY MANAGEMENT MADE EASY

MAEVI B enables users from commercial buildings to municipalities, industrial buildings and Small Medium Enterprises to identify energy consumption flow by a simple touch of the fingertips.

By using our 'Building Energy Management System', it can give you live and detailed reports of your energy usage:

• Real Time  
Monitoring  
Dashboard



• Analytics

• Control



• Public Display





# RESPONSIBLE GOVERNANCE

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Ethics, Integrity & Trust

# Chairman's Introduction to Corporate Governance



Integrity is embedded into the entire organisation and flows through our culture and intrinsic values.

**TAN SRI AHMAD BADRI  
MOHD ZAHIR**  
*Chairman*

Tenaga Nasional Berhad's reputation is built on a solid foundation of ethical culture, underpinned by a well-defined and effective system of governance, world class corporate best practices and robust institutional frameworks that support our corporate strategy to deliver sustainable growth.

As a Board, we uphold the highest standards of corporate governance embedded in a culture that values ethical behaviour, integrity and respect. Our unwavering commitment is towards ensuring the long term success of the Company and delivery of sustainable value to all our stakeholders.

The Board believes that good governance is about creating and maintaining the right culture and environment for growth and one that prioritises our core values at the individual level. To this end, moral courage, integrity, transparency and trust in our Group's behaviour will be more important than ever in today's challenging business world.

This is undertaken through building respect by communicating openly and working closely with each other and with our stakeholders, nurturing relationships with stakeholders and acting responsibly with honesty and integrity.

Our key responsibility is to set the tone for the Company to operate on the standards the Board has determined for its business. This translates to a common set of expected behaviours based on our intrinsic values and an effectual system of governance, both of which are essential in shaping and embedding an ethical culture across the Group. Good governance strengthens our accountability, enhances our strong risk and performance management, transparency and effective leadership.

Across the Group, we continuously strive to work responsibly to create and attain an environment that can deliver value to our many stakeholders, whilst our President/CEO and his Management team are responsible in providing the lead and encouragement to ensure that ethical standards are maintained and good governance is a way of life in the organisation.

In the year under review, we strengthened our commitment of doing business responsibly through enhancement of our business and internal governance processes. We will continue in the year ahead to further strengthen these processes to ensure that we are aligned with best practices.

Integrity is best demonstrated through transparency and thoroughness of disclosures. The publication of the Annual Report is the central means by which we can be held to account by our investors and stakeholders. Throughout this Report therefore, we have provided them with an insight into the governance activities and practices which have supported our corporate performance during the year.

This Corporate Governance Overview Statement attests to our commitment to provide transparent and timely disclosures. It is prepared in accordance with the relevant requirements, guidelines and practices of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Malaysian Code on Corporate Governance 2017, the Companies Act 2016 as well as benchmarking against the Asean Corporate Governance Scorecard.

**TAN SRI AHMAD BADRI  
MOHD ZAHIR**  
Chairman

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

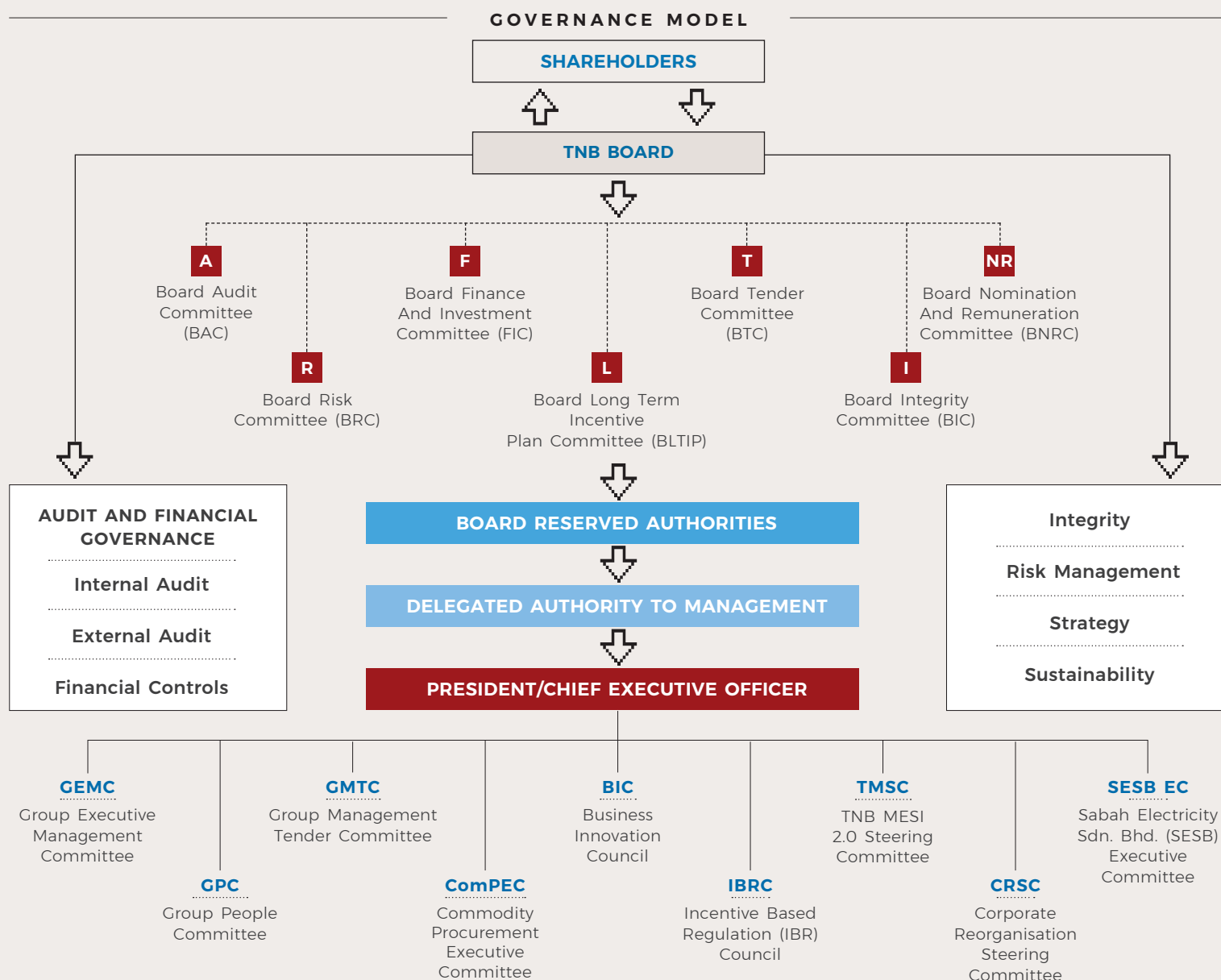
# Leadership & Effectiveness

CORPORATE GOVERNANCE IS PRIMORDIAL TO AN ORGANISATION TO BE SUCCESSFUL REGIONALLY AND GLOBALLY. SOUND CORPORATE GOVERNANCE ENSURES THAT THE INTERESTS OF ALL STAKEHOLDERS ARE CONSIDERED AND PROTECTED THROUGH BALANCED SET OF RULES THAT DICTATES ITS CORPORATE BEHAVIOUR AND ARE WELL COMMUNICATED TO ALL EMPLOYEES IN ITS VALUE CHAIN AND INVESTORS.

## TNB GOVERNANCE MODEL

The Company's governance model is based on the principles of the Malaysian Code on Corporate Governance 2017 (MCCG). The Board is collectively responsible to shareholders and stakeholders, for the long-term success of the Company. It fulfils this responsibility by providing leadership, setting the strategic goals for the Company and overseeing the execution of the strategy by Management. It ensures the Company has adequate resources to deliver its strategy and reviews the operating and financial performance of the Group. The Board ensures that the execution of the strategy and value creation are achieved within a framework of prudent and effective controls.

The Company's Constitution and the regulatory environment set the external framework for how the Company operates. The Board is assisted in fulfilling its responsibilities by delegating some of these to each of its Board Committees. How the Committees discharge their responsibilities is described in this report. Both the Board and each Committees have a pre-set rolling annual schedule of topics and items for discussion. The agendas for Board meetings are set by the Chairman, assisted by the Group Company Secretary. The same process is adopted for each of the Board Committees.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Leadership & Effectiveness**

This statement is to be read together with the Corporate Governance Report 2019 of the Company (CG Report) which is available in our website: [www.tnb.com.my](http://www.tnb.com.my). The CG Report elaborates on the Company's application of each Principle of the MCCG for the Financial Year under review.

Our website contains the Board Charter inclusive of brief Terms of Reference (TOR) of Committees and copies of policies mentioned in the Corporate Governance Overview Statement. The website is updated periodically to ensure that it reflects TNB's current corporate governance disclosures.

**BOARD ROLES AND RESPONSIBILITIES**

The roles of the Chairman and President/Chief Executive Officer (President/CEO) are separated and held by different individuals. Whilst the Chairman provides leadership of the Board, the day-to-day management of the Company is delegated to the President/CEO and his Top Management Team. The Top Management Team assists the President/CEO in operational and strategic decision-making and collectively reviews areas such as strategy implementation, operational and financial performance, budget and risk matters across the Group as a whole.

During the Financial Year under review, TNB was recognised with the following awards in demonstrating high standard of governance conduct throughout the Company:

**NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2019****OVERALL  
EXCELLENCE  
AWARDS**

MOST OUTSTANDING ANNUAL  
REPORT OF THE YEAR

**Gold****INDUSTRY  
EXCELLENCE  
AWARDS****Utilities****MSWG - ASEAN CORPORATE GOVERNANCE AWARDS 2018****TOP  
5**

FOR OVERALL  
CG & PERFORMANCE  
(BY RANK)

**EXCELLENCE  
AWARD**

FOR OVERALL  
CG & PERFORMANCE

**EXCELLENCE  
AWARD**

FOR CG DISCLOSURE



The following sets out the division of responsibilities of the Board, Chief Financial Officer and Company Secretary:

#### **CHAIRMAN ROLES**

- Leadership, operation and governance of the Board;
- Setting the agenda for Board meetings ensuring that they operate effectively and provide appropriate opportunity for challenge and debate to support sound decision-making;
- Ensuring constructive relations exist between the Executive and Non-Executive Directors;
- Overseeing the performance evaluation of the Board, its Committees, Self and Peer;
- Meeting with shareholders, analysts and other representatives of institutional investors;
- Meeting with managers and employees at various locations throughout the Group;
- Leading Board meetings and discussions;
- Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- Leading the Board in establishing and monitoring good corporate governance practices.

#### **SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR (SID) ROLES**

- Providing a sounding board for the Chairman;
- An intermediary for other Directors when necessary and specifically serves as the principal conduit between the Independent Non-Executive Directors and Chairman on sensitive issues;
- Promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and complied with;
- Ensure the composition of the Board with regards to the number of Independent Directors is in adherence to relevant requirements and regulations;
- Being available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole;
- Being available to shareholders if they have any concerns which are unable to be resolved through the normal channels of Chairman, President/CEO or Chief Financial Officer, or if contact through these channels are deemed inappropriate; and
- If necessary, the Senior Independent Non-Executive Director can be emailed at [norainicd.integrity@tnb.com.my](mailto:norainicd.integrity@tnb.com.my).

#### **CHIEF FINANCIAL OFFICER (CFO) ROLES**

- Providing strategic financial leadership of the Company and day-to-day management of the finance function;
- Leading the finance management teams; and
- Representing TNB externally to stakeholders, shareholders, customers, suppliers, regulatory and Government authorities and the community.

#### **PRESIDENT/CEO ROLES**

- Delivering strategy as agreed by the Board;
- Leading the Management Committees which oversee the operational and financial performance including issues faced by the Group;
- Leading and supporting each of TNB's businesses and the functions of Human Resource, Strategy and Development and Corporate Affairs;
- Representing TNB externally to stakeholders, shareholders, customers, suppliers, regulatory and Government authorities and the community;
- Creating and implementing the Company's vision and mission;
- Ensuring that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically; and
- Ensuring the Directors are properly informed and that sufficient information is provided to the Board to enable the Directors to form appropriate judgements.

#### **NON-EXECUTIVE DIRECTOR (NED) ROLES**

- Scrutinising, measuring and reviewing the performance of Management;
- Constructively challenging and assisting in the development of strategy;
- Reviewing the Group financial information, ensuring systems of internal control and risk management are appropriate and effective;
- Reviewing the succession plans for the Board/Top Management;
- Serving on various Committees of the Board; and
- Overseeing the development and implementation of the Company's stakeholders communication policy.

#### **COMPANY SECRETARY ROLES**

- Managing all logistics of Board and Board Committee meetings, attending and recording minutes of all Board and Committee meetings and facilitating Board communications;
- Advising the Board on its roles and responsibilities;
- Facilitating the orientation of new Directors and assisting in Directors' training and development;
- Advising the Board on corporate disclosures and compliance with Companies Act 2016, securities regulations and Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR);
- Managing processes pertaining to general meetings;
- Monitoring corporate governance developments and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;
- Serving as a focal point for stakeholders' communication and engagement on corporate governance issues; and
- Providing the Board members with unlimited access to the professional advice and services of the Company Secretary

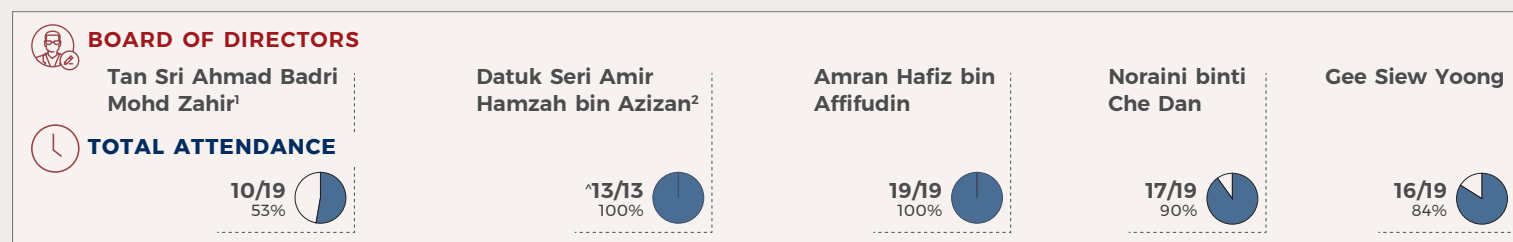
## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Leadership &amp; Effectiveness

## BOARD COMMITTEES

The Board has established its principal Committees to exercise oversight in specific areas. The structure of each of our Board Committees is set out below. It includes each Committee's Membership, Attendance (for Financial Year under review), Composition and Key Roles & Responsibilities:

Prior to each Board meeting, the Board shall receive reports from the Chairman of each Board Committee on their deliberations and recommendations of each Committee. This ensures that each Director is informed of the decisions made including views/comments raised. The Chairman of each Board Committee shall then table to the Board its report and present the Committee's recommendations for the Board's approval accordingly at each Board meeting. This permits the Board to raise any comments/views on all deliberations of the Committees.



BOARD AND BOARD COMMITTEES MEETING CALENDAR	
<b>JANUARY 2019</b>	<b>FEBRUARY 2019</b>
8 10 15 17 17 28 A R T F NR BOD 23	13 13 15 15 20 20 NR BOD A R F T 20 28 28
<b>MARCH 2019</b>	<b>APRIL 2019</b>
7 8 11 11 14 15 19 I F A T NR BOD R 20 26 26 28 28 28	4 8 11 16 16 16 18 R A F NR L BOD T 16 23
<b>MAY 2019</b>	<b>JUNE 2019</b>
3 6 7 8 16 17 27 A I R T F NR BOD 27 27	17 18 20 21 A T NR BOD 27
<b>JULY 2019</b>	<b>AUGUST 2019</b>
17 19 23 29 R T F BOD	5 7 21 28 29 A I T F BOD 29
<b>SEPTEMBER 2019</b>	<b>OCTOBER 2019</b>
3 11 17 17 18 30 I R F NR T BOD	2 4 14 14 25 T A F I BOD
<b>NOVEMBER 2019</b>	<b>DECEMBER 2019</b>
12 13 14 14 14 26 BOD T R F NR A 26 18 28	4 4 6 9 13 A I F T BOD

**A BOARD AUDIT COMMITTEE (BAC)**

**Chairman**  
Noraini binti Che Dan  
Attendance 14/14 (100%)

**Members**  
Gopala Krishnan K.Sundaram  
Attendance 14/14 (100%)

Ong Ai Lin  
Attendance 13/14 (93%)

Dato' Roslina binti Zainal<sup>3</sup>  
Attendance 9/10 (90%)

Gee Siew Yoong<sup>5</sup>  
Attendance 0/0 (0%)

**Key Roles and Responsibilities**

To oversee the integrity of the financial statements in compliance with legal and regulatory requirements and applicable accounting standards.

To assess the effectiveness of the Group's internal control framework as well as internal and external audit functions.

The BAC's TOR is available on the Company's website at [www.tnb.com.my](http://www.tnb.com.my).

**F BOARD FINANCE AND INVESTMENT COMMITTEE (FIC)**

**Chairman**  
Tan Sri Ahmad Badri Mohd Zahir<sup>1</sup>  
Attendance 0/0 (0%)

Tan Sri Leo Moggie<sup>6</sup>  
Attendance 13/13 (100%)

**Members**  
Amran Hafiz bin Affudun  
Attendance 13/13 (100%)

Noraini binti Che Dan  
Attendance 12/13 (92%)

Dato' Roslina binti Zainal<sup>3</sup>  
Attendance 9/9 (100%)

Review, monitor make recommendations to the Board for approval of the annual and supplementary budgets, capital budgets and investments of TNB.

Review and evaluate, as may be appropriate, information relating to the Company's investable assets, its investment policies, strategies, objectives and activities.

Monitor and review investments in subsidiaries, and associated companies, to evaluate & consider and make appropriate recommendations on proposals for any new investments/divestments proposed by the Management.

To provide input on the valuation of the proposed investment/divestments taking into account compliance with the Investment Policy, risk management analysis, findings of the due diligence and written report from external advisers, as applicable.

**T BOARD TENDER COMMITTEE (BTC)**

**Chairman**  
Tan Sri Ahmad Badri Mohd Zahir<sup>1</sup>  
Attendance 14/14 (100%)

**Members**  
Juniwati Rahmat Hussin  
Attendance 13/14 (93%)

Gee Siew Yoong  
Attendance 13/14 (93%)

Dato' Roslina binti Zainal<sup>3</sup>  
Attendance 9/10 (90%)

Amran Hafiz bin Affudun<sup>4</sup>  
Attendance 3/4 (75%)

To establish the framework of TNB's Procurement & Supply Chain Policy and Procedures.

To advise the Board regarding the details and implementation of TNB's Procurement & Supply Chain Policy and Procedures framework.

To assist the Board in regulating the compliance of Top Management and Executive Director with TNB's Procurement & Supply Chain Policy and Procedures.

To ensure TNB complies with the applicable laws, regulations, rules and guidelines to achieve best business practices in its procurement of equipments, materials, works and services.

BAC Meeting Hours 37.17

FIC Meeting Hours 18.25

BTC Meeting Hours 30.08

### MATTERS DELIBERATED BY THE BOARD AND ITS COMMITTEES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key Areas of Focus/Matters Deliberated by the Board and its Committees throughout the Financial Year, among others are as follows:

**BOARD:**

- TNB Growth Strategy/Business Restructuring
- Business Plan & Budget Financial Year 2020 & Financial Year 2021-2024 Projection
- Status Approval/Update on TNB potential investments/projects
- Approval Status Update/Issues Raised on Operational matters
- TNB Organisation Structure
- Quarterly Group Performance
- Audited Financial Statements for Financial Year 2019
- Quarterly Results
- Interim & Final Dividends
- Quarterly Report of Risk Dashboard
- Approval of Procurement within its Approving Authority

- TNB Divisions/Departments Risk Profiles
- Quarterly TNB's Litigation and Arbitration Cases
- Revision to TNB Group Limits of Authority
- Risk Management & Insurance Update Financial Year 2018
- Revised TNB Risk Management Framework
- 2018 Annual Report Statements
- Corporate Governance Report 2018
- Appointment of Non-Independent Non-Executive Director
- Appointment and Resignation of President/CEO
- Board Skills Matrix
- Board Evaluation Assessment (BEA) for Board of Directors, Board Committees, Self & Peer

All deliberations and recommendations must be minuted and approved by each Board Committee and confirmed by the Chairman of each Board Committee at their respective Board Committee meetings.

Each Board Committee is entitled to seek information from any employee of the Company and to obtain professional advice as the Board Committee deems appropriate in its discretion.

For this Financial Year under review based on the Board annual evaluation on its Committees, the Board unanimously resolved that each Board Committee and its members has discharged its roles and responsibilities effectively as guided by its respective TOR.

Ad-hoc committees are also convened to consider matters of special importance or to exercise the delegated authority of the Board.

#### Juniwati Rahmat Hussin

19/19  
100%

#### Gopala Krishnan K.Sundaram

18/19  
95%

#### Ong Ai Lin

15/19  
79%

#### Dato' Roslina binti Zainal<sup>5</sup>

<sup>1</sup>14/15  
93%

#### Tan Sri Leo Moggie<sup>6</sup>

18/19  
95%

#### Datuk Seri Ir. Azman bin Mohd<sup>7</sup>

<sup>3</sup>3/6  
50%

#### **NR** BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

##### Chairman

Juniwati Rahmat Hussin  
Attendance **12/12** (100%)

##### Members

Amran Hafiz bin Affudin  
Attendance **11/12** (92%)

Noraini binti Che Dan  
Attendance **11/12** (92%)

Tan Sri Ahmad Badri Mohd Zahir<sup>1</sup>  
Attendance **10/12** (83%)

#### **R** BOARD RISK COMMITTEE (BRC)

##### Chairman

Gee Siew Yoong  
Attendance **8/8** (100%)

##### Members

Noraini binti Che Dan  
Attendance **8/8** (100%)

Juniwati Rahmat Hussin  
Attendance **7/8** (88%)

Gopala Krishnan K.Sundaram  
Attendance **7/8** (88%)

Ong Ai Lin  
Attendance **8/8** (100%)

#### **L** BOARD LONG TERM INCENTIVE PLAN COMMITTEE (BLTIP)

##### Chairman

Juniwati Rahmat Hussin  
Attendance **1/1** (100%)

##### Members

Amran Hafiz bin Affudin  
Attendance **1/1** (100%)

Noraini binti Che Dan  
Attendance **1/1** (100%)

Tan Sri Ahmad Badri Mohd Zahir<sup>1</sup>  
Attendance **0/1** (0%)

#### **I** BOARD INTEGRITY COMMITTEE (BIC)

##### Chairman

Gopala Krishnan K.Sundaram  
Attendance **6/6** (100%)

##### Members

Juniwati Rahmat Hussin  
Attendance **6/6** (100%)

Ong Ai Lin  
Attendance **6/6** (100%)

Amran Hafiz bin Affudin<sup>4</sup>  
Attendance **3/5** (60%)

To identify and recommend new nominees to the Board, Board Committees and Boards of TNB Group.

To consider/review the Executive Director and Top Management's succession planning.

To review Board's required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

To implement the process formulated by the Board to assess the effectiveness of the Board, Board Committees, Self and Peer.

To determine and recommend to the Board the remuneration packages of Non-Executive Directors/Executive Directors/Top Management.

The BNRC's TOR is available on the Company's website at [www.tnb.com.my](http://www.tnb.com.my).

To oversee the establishment and implementation of the risk management framework that is embedded into the culture, processes and structures of the Company and is responsive to changes in the business environment.

To approve the Risk Management Policies on behalf of the Board.

To ensure the principles and requirements of managing risk are consistently communicated and adopted throughout the Company.

##### Notes:

- 1 Redesignated as Chairman, appointed as Chairman of FIC and ceased as Chairman of BTC & member of BNRC & BLTIP w.e.f. 12 March 2020.
- 2 Appointed as President/CEO w.e.f. 2 April 2019.
- 3 Appointed as Director and Member of BAC, FIC & BTC w.e.f. 15 March 2019 and 28 March 2019 respectively.
- 4 Appointed as Member of BIC and ceased as Member of BTC w.e.f. 28 March 2019.
- 5 Ceased as Member of BAC w.e.f. 1 January 2019.
- 6 Cessation of office as Chairman and ceased as Chairman of FIC w.e.f. 12 March 2020.
- 7 Resigned as President/CEO w.e.f. 31 March 2019.
- <sup>\*</sup> Reflects the number of meetings attended during the time the Director held office/was Member of Committee.
- <sup>^</sup> Reflects the number of meetings since his/her respective appointment to the Board/relevant Board Committee.

⌚ BNRC Meeting Hours 9.92

⌚ BRC Meeting Hours 29.47

⌚ BLTIP Meeting Hours 1.75

⌚ BIC Meeting Hours 18.50

#### **F**

- Potential Proposals of local and international investment, with focus on Renewable Energy and National Fibreisation & Connectivity Plan
- International Asset Group Assessment & Stock Take of Current Investments/Assets
- Status Update & Strategy Refinement of TNB International Investment Portfolio
- Reviewed/Evaluated investments in subsidiaries and associated companies and made appropriate proposals for any new investments/divestments
- TNB International Investments' Performance Quarterly
- Quarterly Status Updates on TNB Equity Portfolio Performance

#### **T**

- Approval of Procurement within its Approving Authority
- Procurement Plan and Strategy
- Procurement Issues
- Procurement Policies and Procedures

#### **L**

- Approval on Granting & Vesting of LTIP Shares

#### **I**

- Management of disciplinary cases
- Quarterly Statistics of Disciplinary Cases
- Relevant Trainings for the Integrity Department employees
- Governing Body Review ISO 37001:2016 Anti Bribery Management System
- Status Fraud/Bribery Risk Register
- Core Activities of Integrity Department & Key Performance Indicators of Chief Integrity Development Officer for the Financial Year 2019

#### **A NR R**

- The summary of activities of BAC, BNRC and BRC are available in their respective reports of this Corporate Governance & Financial Statements 2019.

#### TOTAL HOURS OF THE BOARD MEETINGS

**35.92**

#### OVERALL PERCENTAGE OF THE BOARD MEETINGS ATTENDED BY DIRECTORS

**85%**

#### TOTAL HOURS OF THE BOARD & BOARD COMMITTEES' MEETINGS

**181.06**

All Directors have complied with the minimum attendance as stipulated in the MMLR, of which being present not less than 50% of the Board meetings held during the Financial Year.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Leadership &amp; Effectiveness

## BOARD ACTIVITIES

TNB is built on strong foundations and operates with a clear strategic framework comprising a balance range of businesses in core markets and a commitment to efficient

operations and disciplined investment. Some of the matters considered by the Board in relation to these strategic priorities are set out below:

## MATERIAL MATTERS RESERVED FOR THE BOARD

**Formulating, reviewing and approving the Company's strategic business plan**

The Board plays a pivotal role in reviewing the Company's strategic direction and approving corporate strategic initiatives developed by the Management. The Board deliberates annually on the Company's strategic and business plan as proposed by the Management, including the annual capital and revenue budget for the ensuing year as well as the Key Performance Indicators (KPIs). This will ensure that the KPIs correspond with the Company's annual strategic and business plan. The Board reviews and deliberates on the Management's views/assumptions in ensuring the best decisions are reached after considering all relevant aspects.

A separate and informal session between the Board and Top Management, known as the Board Breakout Session (BBO), is held to have in-depth discussions and exchange of views on the Company's strategic issues/challenges. The BBO is coordinated by the Company Secretary's Office as and when the need arises and is a platform for the Board and Management

to deliberate and exchange views as well as opinions in formulating strategic plans and to chart the direction of the Group, including the reporting of its progress.

During the Financial Year under review in embracing the challenges ahead in the industry/market, four (4) BBOs were held to discuss the following matters:

DATE	TOPIC OF DISCUSSION
6 March 2019	Malaysia Electricity Supply Industry (MESI) 2.0: Developing the Future Electricity Sector Blueprint
12 March 2019	TNB Participation in Telco and National Fiberisation and Connectivity Plan (NFCCP)
8 April 2019	Needle Project Phase 2A-Key Design Concepts
15 April 2019	Malaysia Electricity Supply Industry (MESI) 2.0: Developing the Future Electricity Sector Blueprint

**Identifying and managing principal risks affecting the Company**

The Board, through the BRC, is responsible for overseeing the effectiveness and adequacy of the Group's risk management framework and to ensure that it forms part of the Group's corporate culture. The BRC's key responsibilities include approving the risk management framework and policies on behalf of the Board and deliberating the Group's strategic and key operating risks as well as ensuring appropriate mitigations are implemented to manage these risks.

During the Financial Year under review, there were eight (8) BRC sittings. The BRC reviewed

the Statement on Risk Management and Internal Control, which summarised the risk management practices and internal controls implemented by Management. It also deliberated Key Risk Indicators that were developed in alignment with BRC's and management's risk appetite. Additionally, the BRC reviewed the Group's insurance programmes and recommended improvements for an adequate and effective risk transfer mechanism in the interests of the Group.

The BRC cascaded its mandate and tone from the top with regard to the importance of integrated risk management in organisational processes through

**Reviewing the adequacy and integrity of the Company's internal control system**

The Board is responsible for ensuring that a sound reporting framework of internal controls and regulatory compliance is in place throughout the Company. Based on the evaluation for the Financial

Year under review, the Board collectively concurred that it has discharged its roles through the BRC/BAC whereby regular meetings were held in reviewing the effectiveness of the Company's internal control system.

**Overseeing and evaluating the conduct and performance of the Company's businesses**

The President/CEO is responsible for managing the day-to-day operations of the Company and implementing the Group strategies and policies as agreed by the Board. In doing so he is well

supported by the respective Management Committees. The performance of Management is measured through the Company's and Group's quarterly financial reports. The Board, on a

**Succession Planning**

The Board, through the BNRC is entrusted to review potential candidates for Top Management positions and establish their remuneration. The Group's nomination, selection and succession policies are formulated by the BNRC.

During the Financial Year under review, there were two (2) new additions to the Board, duly appointed by the BNRC/Board.

Taking the helm as President/CEO, Datuk Seri Amir Hamzah bin Azizan was appointed with effect from 2 April 2019, as Appointed Director of the Minister of Finance (Incorporated) (MoF Inc.), the Special Shareholder of TNB. While Dato' Roslina binti Zainal was appointed with effect from 15 March 2019 as Non-Independent Non-Executive Director.

Recent appointment to the Board, Dato' Cheok Lay Leng has been appointed as Independent Non-Executive Director with effect from 2 March 2020.

Their mix of skills, experience, expertise and qualification are analysed prior to their respective appointments.

The selection of candidates and appointment of Independent Non-Executive Directors by the BNRC/Board are made with the assistance of independent consultant.

During the Financial Year under review, Datuk Ir. Husaini bin Husin was appointed as Chief Grid Officer with effect from 1 February 2019.



## LINK TO STRATEGY

During the BBOs, the Management shared with the Board on Needle Project (the Proposed Internal Reorganisation) of its restructuring design, overview of its implementation, detailed financial impacts and final transaction components. Apart from that, the Management and the Board deliberated on MESI 2.0, its Challenges and Future as well as the moving forward plan of TNB participation in Telco and NFCP.

In return, the Management gained constructive inputs/guidance from the Board on way forward of these investments and regulatory landscapes & challenges of utility industry in Malaysia. More information on the Strategic Direction is available in the Strategic Review on pages 34 to 60 of the Integrated Annual Report.

Half-year reviews of the business plan and the budget were conducted whereby comparison of approved targets against the Company's actual performance was made.

The Board on 29 July 2019, had approved the Proposed Internal Reorganisation which involves

the transfer by TNB of its domestic power generation and electricity retail businesses to two (2) new wholly-owned subsidiaries of TNB of which are TNB Power Generation Sdn. Bhd. and TNB Retail Sdn. Bhd. The Proposed Internal Reorganisation is expected to improve the efficiency, agility and performance of the business segments of the TNB group of companies (TNB Group or Group) and promote ownership, entrepreneurship and innovation within the Group. The Proposed Internal Reorganisation is in line with TNB's strategic transformation plan, Reimagining TNB, and is envisaged to improve TNB Group's performance and returns to the shareholders of TNB in the medium to long-term.

The Proposed Internal Reorganisation was approved by the shareholders at the Court Convened Meeting duly held on 11 February 2020.

Based on the evaluation for Financial Year under review, the Board collectively concurred that it has reviewed the Company's strategic and financial plan as well as monitored its implementation, including the setting of suitable KPIs in achieving the Company's objectives.

the Top Management Risk Forum attended by approximately 100 members of top management from across the Group.

The BRC is assisted by the Chief Risk Officer and the Risk Management Department (RMD) in discharging its duties and responsibilities. The RMD is responsible for the effective implementation of the TNB Risk Management Framework for informed decision-making. The framework is developed in alignment with ISO 31000:2018. In the year under review, the framework was revised to ensure alignment with the second edition of the standard and was approved by the BRC.

The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision making for the achievement of the Group's strategic outcomes and long-term objectives.

Based on the evaluation for the Financial Year under review, the Board collectively agreed that it has discharged its roles in identifying principal risks and in ensuring that the Group has put in place an adequate risk management framework to effectively monitor and manage the risks of its operational businesses.

Details of the Company's internal control system and its effectiveness are provided in the Statement on Risk Management and Internal Control in this Corporate Governance & Financial Statements 2019.

continuous basis, is well informed of the progress of Company's strategic initiatives and critical operational issues as well as of the Group's performance based on approved KPIs.

As part of TNB internal reorganisation, Mohd Shahazwan bin Mohd Harris was appointed as Chief International Officer with effect from 1 July 2019, to lead the International Asset Group, to steer its business growth forward. While Mohamad Ariff bin Zainol is made Chief Global Business Solutions with effect from 18 January 2019 to head TNB Global Business Solutions Division.

Recent appointment to the Top Management, Amir Mahmod bin Abdullah has been appointed as Chief Procurement Officer with effect from 1 January 2020.

The Board/BNRC deliberated on the succession planning for critical positions in TNB, intended to surface and manage the development of TNB's future leaders.

The Board is satisfied that the BNRC has efficiently discharged its duties pertaining to the nomination, remuneration and succession management functions as set out in its TOR.

The BNRC annually evaluates the performance of the President/CEO and the Top Management, whose remunerations are directly linked to their respective KPIs. The President/CEO's remuneration package is reviewed by the BNRC to reflect the contributions made towards the Group's achievements for the year. The BNRC's views and recommendations on this are submitted to the Board for its decision/approval. Based on the evaluation for the Financial Year under review, the Board collectively concurred that succession planning for the President/CEO and Top Management as well as for the Company's future leaders has been appropriately developed.

- Grid of the Future
- Future Proof Regulations
- Future Generation Sources
- Winning the Customer

- Future Proof Regulations

- Future Proof Regulations

- Grid of the Future
- Future Generation Sources
- Winning the Customer

- Winning the Customer

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Leadership & Effectiveness****BOARD MEETINGS**

The Board schedules meetings on a monthly basis. Additional meetings are held to discuss specific issues that require deliberation in between the scheduled meetings. The Board held 19 Board meetings during the Financial Year under review.

The calendar for Board and Board Committee meeting is scheduled well in advance, which include the BBO, Pre-Board meetings and Annual General Meeting (AGM), with dates for the year circulated to the Board in the month of October of the preceding year to give the Directors ample time to plan their attendance. A Pre-Board meeting is held prior to any Board meetings for the Management to provide the Chairman with insights into the papers that will be deliberated.

The agenda of Board meetings is drawn up after consultation between the Chairman, President/CEO and Company Secretary at the Pre-Board meeting. Copies of the agenda and Board papers are circulated to Board Members via an advanced meeting software of which allows the Directors to securely access, read and review Board/Committees Documents and collaborate with Directors and Company Secretary electronically or in hard copies at least five (5) working days prior to the meetings. This permits prior review by the Directors and if necessary, the provision of further information for deliberation at the meeting to ensure informed decision-making. Any Director may request matters to be included in the agenda.

The Directors may participate in the Board/Committee Meeting by means of teleconference, video conference or any other communication channel, that allows the Board's participation in the meeting, as permitted by TNB's Constitution.

Top Management and external advisors may be invited to attend Board meetings to advise the Board when matters under their purview are being considered, or as otherwise requested by the Board to enable informed decision-making. In the event a Director is unable to attend a meeting, his/her views are sought in advance and put to the meeting to facilitate a comprehensive discussion. Thereupon, each Director makes himself/herself available to fellow Directors and may contribute to all major decisions before the Board.

A comprehensive Board paper comprises of the objectives, background, issues, implications, risks, appropriate analysis/statistics, recommendations and other relevant information is prepared to enable the Board to make informed and effective decisions.

The Board and Board Committee meetings are also held at various business operating units or sites of major/new projects to allow the Board to better assess progress made and note any other important issue(s) raised. As at the date of this Statement, the Board has visited the following business operations/on-going projects:

DATE	BUSINESS ESTABLISHMENT
22 April 2019	Prai Power Plant, Prai, Pulau Pinang
16 December 2019	45MWp Large Scale Solar Project, Bukit Selambau, Kedah

Decisions of the Board and Board Committees are made by consensus, except under certain circumstances. These decisions and conclusions are recorded in the Board minutes. In the case of a tied vote, the Chairman has a second or casting vote. The Board's decisions may also be obtained via circulation depending on the urgency and availability of the Directors as well as the nature of the proposal/subject matter.

Minutes of the meetings are circulated earlier to all Directors for their perusal prior to the meetings. The Directors may request for clarification or raise comments on the minutes prior to their confirmation. After the Directors' confirmation, the Chairman of the meeting signs the minutes as a correct record of the proceedings. The Directors are also informed immediately of announcements made to Bursa Malaysia Securities Berhad for their notification.

**SUPPLY OF INFORMATION AND ACCESS TO ADVICE**

The Board receives accurate, timely and clear information five (5) working days prior to meetings to enable it to effectively discharge its duties and responsibilities. Thus, it has separate and independent access to information to assist it with its deliberations, including the opportunity to request supplementary or explanatory information from Management. The Management provides information to the Board on an on-going basis to allow the Board to effectively discharge its responsibilities.

The Board recognises the importance of independent judgement and constructive debate on all issues under consideration. Where necessary, the Board collectively and individually has the right to obtain external independent legal, accounting or other professional advice at the Company's expense to assist with its decision-making process.

# Board Nomination and Remuneration Committee Report



## BOARD NOMINATION AND REMUNERATION COMMITTEE

### CHAIRMAN

**Juniwati Rahmat Hussin**

Independent Non-Executive Director

### MEMBERS

**Amran Hafiz bin Affifudin**

Non-Independent Non-Executive Director

**Noraini binti Che Dan**

Senior Independent Non-Executive Director

**Tan Sri Ahmad Badri Mohd Zahir**

Non-Independent Non-Executive Director

(Ceased as Member w.e.f. 12 March 2020)

### KEY RESPONSIBILITIES

To identify and recommend new nominees to the Board, Board Committees and Boards of TNB Group.

To consider/review the Executive Director and Top Management's succession planning framework.

To review the Board's required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

To implement the process formulated by the Board to assess the effectiveness of the Board, the Board Committees, Self and Peer.

To determine and recommend to the Board the remuneration packages of Non-Executive Directors/Executive Directors/Top Management.

The BNRC's duties and responsibilities are set out in its TOR which is also available on the Company's website at [www.tnb.com.my](http://www.tnb.com.my).

### ROLE OF COMMITTEE

The Committee has a dual role. Firstly, the Committee ensures that there is a formal and appropriate procedure for the appointment of new Directors to the Board. The Committee is responsible for leading this process and making recommendations to the Board. Secondly, the Committee determines and makes recommendations to the Board on the Company's framework and policy for the remuneration of the Non-Executive Directors, the Executive Director and Top Management.

### SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR UNDER REVIEW

Juniwati Rahmat Hussin, an Independent Non-Executive Director, chairs the BNRC and is well supported by three (3) Members.

During the Financial Year under review, the BNRC held 12 meetings to deliberate on matters including the following:

- Appointment of new Board Members and Top Management;
- Established Board Skills Matrix;
- Findings of Annual Independence Assessment of Independent Non-Executive Directors;
- Findings of BEA of the Board of Directors, its Committees, Self and Peer;
- Reviewed composition of the Board Committees;
- Reviewed composition of the Boards of TNB Group of Companies;
- Reviewed and assessed the performance and made recommendation to the Board with regards to Directors who sought re-election at the AGM;
- Assessed and recommended to the Board the renewal of service contracts of Top Management;
- Recommended/Reviewed the appointment, succession planning framework and performance evaluation of President/CEO and Top Management.

The BNRC annually reviews the size, composition and diversity of the Board as well as the mix of existing and desired competencies of Members, and reports its conclusions to the Board.

Through its annual assessment and recommendations made by the BNRC, the Board believes that the current size and composition of the Board is conducive to appropriate decision-making and incorporates a diversity of perspectives and skills in order to represent the best interests of the Company as a whole.

In view of the need to ensure proper processes are in place to manage succession issues at the Board level, an appropriate process for the selection, nomination and appointment of suitable candidates to the Board has been put in place.

The BNRC is entrusted with the responsibility of assessing and considering the capabilities, commitment and qualities of candidates to be appointed as Board Members as well as members of Committees, taking into account the required mix of skills, background, experience/expertise/knowledge relevant to Company's business, existing commitment and potential conflict of interest prior to recommending to the Board.

Following each appointment, a letter of appointment will be issued and the Company Secretary shall undertake the necessary as authorised by the Board, so as to ensure the appointment is in accordance with the statutory requirements and as prescribed by the MMLR. All necessary information will be obtained from the newly appointed Director for the Company's records and for meeting the statutory requirements and other applicable rules and regulations.

As part of TNB's commitment in upholding utmost standard of integrity and ethics, each newly Appointed Director is required to undertake Integrity Pledge.

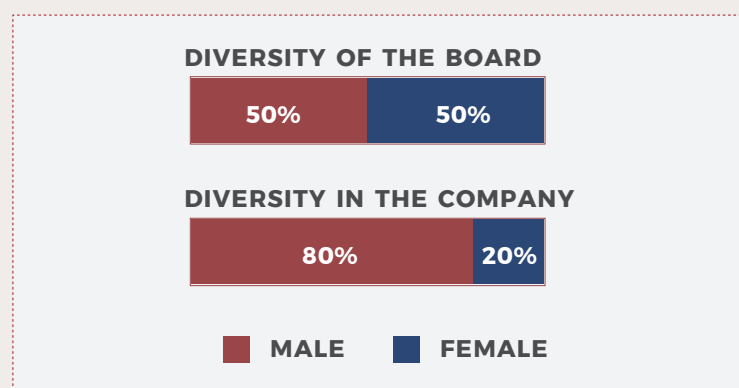
## Board Nomination and Remuneration Committee Report

### BOARD DIVERSITY

TNB strongly supports diversity within its Board of Directors, including gender, age, professional diversity as well as diversity of thought. The Board currently comprises of individuals from a diverse range of skills, industries, backgrounds and experience, which enables a broad evaluation of all matters considered by the Board and contributes to collaborative and constructive discussion.

To date, five (5) women remain on the Board, namely Noraini binti Che Dan, Gee Siew Yoong, Juniwati Rahmat Hussin, Ong Ai Lin and Dato' Roslina binti Zainal representing 50% of the Board, exceeding the Government's target of having 30% women on the Board.

For the Financial Year under review, the gender mix of the Board and throughout the Company is illustrated by the diagram below:



### SUCCESSION PLANNING

The Board assisted by the BNRC is responsible for developing plans to identify the necessary and desirable competencies and skills of Directors and succession plans to ensure there is appropriate dynamics of skills, experience, expertise and diversity on the Board. In addition, the Board/BNRC also oversee the appointment as well as succession planning of the Top Management.

### BOARD COMPOSITION

TNB Board currently consists of 10 members; one (1) Executive Director and nine (9) Non-Executive Directors, six (6) of whom are Independent Directors. The Independent Directors exceed the minimum number as prescribed by the MMLR. These Directors are considered by the Board to be independent of Management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement.

With the addition of Dato' Cheok Lay Leng, the Board is now comprised a majority of Independent Directors in accordance with Practice 4.1 of MCCC for Large Companies. With his expertise/experience that he may bring to the Board, shall further strengthen the Board composition and dynamics.

The Board shall continue to assess and consider the capabilities, commitment and qualities of candidates to be appointed as Board Members in accordance with TNB's Constitution, taking into account the required mix of skills, background, experience/expertise/knowledge relevant to Company's strategic plan and business/industry.

The Board may appoint a new Director either to fill a casual vacancy or to add to the existing Directors. The MoF Inc., being the Special Shareholder of TNB also possesses the right to appoint up to six (6) Directors. The Company's Constitution provides that the Company must have at least two (2) Directors but not more than 12 Directors.

The Directors believe that the Board presently has an appropriate balance of skills, experience, knowledge and independence to deliver the Group's strategy, to enable the Non-Executive Directors to effectively challenge the views of the Management and to satisfy the requirements of good governance.

### BOARD SKILLS MATRIX

For the Financial Year under review, the BNRC embarked on developing and reviewing the Board Skills Matrix, which serves to identify the skills, knowledge, experience and capabilities desired of the Board to enable it to meet both, current and future challenges of the Company. It reflects the appropriate mix of skills, expertise and experience required to address existing and emerging business and governance issues, to enable Directors to effectively review the Management's performance.

The Board Skills Matrix consists of several criterias, which are Leadership/Stewardship, Regulatory Experience & Network, General Management, Sector/Service Experience, Entrepreneurship and Other Factors relevant/tailored to the Company.

The Board Skills Matrix was later verified by the Board. The Board at its meeting on 27 June 2019 being guided by the matrix, had approved the BNRC's recommendation that in order to strengthen the Board composition to be more dynamic, the skills and gaps that have been identified as critical and need to be filled are technical experience, international experience and customer centric.

The Board at its meeting on 28 February 2020, had agreed that Dato' Cheok Lay Leng had met the above required skills, thus, appointed him to the Board, with effect from 2 March 2020.



## RE-ELECTION OF DIRECTORS

Amran Hafiz bin Affifudin and Noraini binti Che Dan being Directors who are retiring by rotation in accordance with Clause 64(1) of the Company's Constitution and being eligible, have offered themselves for re-election.

A new addition to the Board, Dato' Cheok Lay Leng who was appointed with effect from 2 March 2020, shall retire at the forthcoming AGM in accordance with Clause 63(2) of the Company's Constitution, and being eligible, has offered himself for re-election.

The Board recognises that Directors' performance are used as a basis in recommending to the shareholders for their re-election. This, in turn, is determined through their annual evaluation and independence assessment, which are assessed by the BNRC before any recommendation is made to the Board for deliberation and approval.

Based on the annual independence assessment of all Independent Directors inclusive of Noraini binti Che Dan, the BNRC/Board are satisfied that these Independent Directors have complied with the independence criteria as set out by the MMLR and continue to bring independent and objective judgement to the Board.

Amran Hafiz bin Affifudin is Appointed Director by Khazanah Nasional Berhad, the major shareholder of TNB. He has exercised due care diligence as a Director in the best interest of the Company and the shareholders.

Amran Hafiz bin Affifudin and Noraini binti Che Dan through the BEA including Self and Peer Assessment, have met the performance criteria required of an effective and high performance Board. Having considered their professionalism, vast experience, material relationship, competency, commitment and individual contribution in performing their respective duties, the Board and BNRC are satisfied that all Directors who are seeking re-election at 30<sup>th</sup> AGM have met the Board's expectation by continuously discharging their duties diligently as Directors of the Company.

Gee Siew Yoong has expressed her intention of not to seek for re-election and shall retain office until the conclusion of the Company's 30<sup>th</sup> AGM.

With that the Board and BNRC collectively resolved to recommend the re-election of each Director who is standing for re-election at the 30<sup>th</sup> AGM.

## INDEPENDENCE ASSESSMENT OF INDEPENDENT DIRECTORS

It is vital for the Board to assess the independence of its Independent Directors. This is done annually with reference to the key criteria developed by the BNRC inclusive of independence from the Management and the absence of any business relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the Independent Director's judgement. The Directors are also assessed on their ability to provide strong, valuable contributions to the Board's deliberations, without interference to and acting in the best interest of TNB.

The Board has considered the independence of each Independent Non-Executive Director in office for Financial Year under review and has concluded that each Independent Non-Executive Director has met the independence criteria as set out in the MMLR. The Board is generally satisfied that each Independent Non-Executive Director remains independent in character and judgement and is free from relationships or circumstances which are likely to affect or could appear to affect the Director's judgement.

In reaching this conclusion, the Board has considered all relevant facts and circumstances, which include whether the Independent Director:

- (a) is a major shareholder of the Company or an officer of, or otherwise associated directly with, a major shareholder of the Company;
- (b) is employed, or has previously been employed within the last two (2) years in an executive capacity by the Company;
- (c) has been engaged as an adviser by the Company or is presently a partner, director (except an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company; or
- (d) has engaged in any transaction with the Company or is presently a partner, director or major shareholder, as the case may be, of a firm or corporation which has engaged in any transaction with the Company.

The Board also concurred that the continuous contributions of the Directors are beneficial to the Board and the Company as a whole.

The BNRC annually assess the independence of Independent Non-Executive Directors. The independence status of Independent Non-Executive Directors standing for re-election is disclosed in the Notice of the 30<sup>th</sup> AGM.

The Board adopts a policy that limits the tenure of its Independent Non-Executive Directors to nine (9) years, pursuant to Step Up 4.3 of MCCG.

Currently, none of the Independent Non-Executive Directors has served the Board for more than nine (9) years.

## Board Nomination and Remuneration Committee Report

### BOARD DEVELOPMENT

The Board is conscious of the need to keep themselves properly briefed and informed about current issues. The Board on a continuous basis attends internal and external training programmes, in ensuring they remain updated with the development of the Company's business and industry that may affect their roles and responsibilities. Topics covered at sessions attended by the Directors during the Financial Year under review were economics, regulatory developments, risk management, finance, investment, governance, ethics and sustainability that are considered relevant and beneficial for the Directors to discharge their duties efficiently.

The Company Secretary assists the Board Continuing Development by facilitating the orientation of new Directors and co-ordinating internal training programmes, as well as arranging for external training programmes.

### INDUCTION

Newly-appointed Directors receive appropriate induction and training on the Company's business, corporate governance and reporting procedures, on which they are continuously updated. In addition, the Directors are advised on policies and procedures of the Board and Board Committees' meetings and their rights and responsibilities.

In addition, the Directors receive a comprehensive information pack containing the Board Charter, the Non-Executive Directors' Handbook, the Company's Constitution, relevant Acts affecting the Company, the latest Integrated Annual Report, TNB's Procurement & Supply Chain Policy and Procedures, Procurement Code of Conduct & Code of Ethics and TNB Corporate Integrity Management System (TCIMS) Handbook in order to facilitate the discharge of their duties.

New Board Members are provided with the opportunity to experience the Company's operations first-hand and to meet and discuss all aspects of this with the Top Management. The Company Secretary facilitates the induction programme by providing the new Board Members with access to information on areas such as operations, finance, treasury and risk management, as required.

As a matter of practice, induction sessions are arranged by the Company Secretary's Office between the Directors and the respective Top Management to better assist them in understanding the Company's core businesses and its whole operation.

As of to date, two (2) induction sessions have been conducted, for Dato' Cheok Lay Leng, the newly appointed Director, with the respective Top Management. The details of the induction sessions are as follows:

DATE	INDUCTION SESSIONS
<b>10 March 2020</b>	<ul style="list-style-type: none"> <li>○ Briefing on TNB operation by President/CEO</li> <li>○ Generation Division: Overview, Performance &amp; Challenges by Chief Generation Officer</li> <li>○ Energy Ventures Division Overview Briefing by Chief Ventures Officer</li> <li>○ Grid Division Overview Briefing by Chief Grid Officer</li> <li>○ Distribution Network Division Overview Briefing by Chief Distribution Network Officer</li> <li>○ Realising Retailer of Choice by Chief Retail Officer</li> <li>○ Group Finance Division Overview Briefing by Chief Financial Officer</li> </ul>
<b>13 March 2020</b>	<ul style="list-style-type: none"> <li>○ Strategy &amp; Regulatory Division Overview Briefing by Chief Strategy &amp; Regulatory Officer</li> <li>○ Risk Management Department Overview Briefing by Chief Risk Officer</li> <li>○ TNB Global Business Solutions Division Overview Briefing by Chief Global Business Solutions</li> <li>○ Procurement &amp; Supply Chain Division Overview Briefing by Chief Procurement Officer</li> <li>○ Group Internal Audit Department Overview Briefing by Chief Internal Audit</li> <li>○ International Asset Group Overview Briefing by Chief International Officer</li> <li>○ Information &amp; Communication Technology Division Overview Briefing by Chief Information Officer</li> <li>○ Group Human Resource Division Overview Briefing by Chief People Officer</li> </ul>

In addition, TNB Operational Briefing was held on 14 March 2020 to update Tan Sri Ahmad Badri Mohd Zahir, the newly appointed Chairman, on the latest information/progress of TNB operation, which was attended by Top Management, led by the President/CEO. The briefing was presented by Generation & Energy Ventures Divisions, Grid Division, Distribution Network Division, Group Finance Division, International Asset Group, TNB Global Business Solutions Division and Group Human Resource Division,

## PROFESSIONAL TRAINING

Directors are encouraged to develop and refresh their knowledge and skills on an on-going basis with developmental needs reviewed as part of the annual Board evaluation process and the necessary resources made available should any Director request additional training. For the Financial Year under review, the Board participated in various technical updates and briefings, including sessions between Directors and members of Top Management.

During the Financial Year under review, all Board Members including Datuk Seri Amir Hamzah bin Azizan and Dato' Roslina binti Zainal completed the Mandatory Accreditation Programme for Directors of Public Listed Companies (MAP) accordingly as prescribed under Paragraph 15.08 by the MMLR.

The Board also participates in the annual Board Technical Visit, either locally or abroad, with the aim of enhancing its understanding and knowledge of the technical and operational aspects of the power sector as well as to keep abreast of the latest technologies.

The Company Secretary's Office facilitates the Board in organising internal and arranging external programmes, training sessions, briefings, workshops and seminars that are relevant to the Directors. These include the annual Board Development Programme (BDP) which is organised in-house as part of TNB's Board Continuing Development Programme.

In 2019, a BDP was held on 25 July 2019, focused on Malaysian Financial Reporting Standards (MFRS) 16 'Leases' and Directors & Officers Liability Insurance (DOLI), with the aim to better understand the MFRS new requirement and DOLI. The MFRS 16 'Leases' was presented by the representatives of Messrs PricewaterhouseCoopers PLT (PwC), Siew Kar Wai, Partner and Khairul Azhar Norhan, Executive Director, while DOLI was presented by Marie Yang, Commercial Directors & Officers and Financial Institutions Manager, Asia, of Liberty Specialty Markets Singapore Pte Ltd.

Details of Directors' Training, including the Company Secretary's for the Financial Year ended 31 December 2019:

NAME OF DIRECTOR	DATE	CONFERENCE/TRAINING ATTENDED
<b>Tan Sri Ahmad Badri Mohd Zahir</b> (Redesignated as Chairman w.e.f. 12 March 2020)	19 March 2019	Capital Market Directors Programme (CMDP) Module 1: Directors As Gatekeepers of Market Participants
	20 March 2019	CMDP Module 2B: Business Challenges and Regulatory Expectations: What Directors Need to Know (Fund Management)
	13 May 2019	CMDP Module 3: Risk Oversight and Compliance: Action Plan for Board of Directors
	14 May 2019	CMDP Module 4: Emerging and Current Regulatory Issues in The Capital Market (Part 2)
	15 September 2019	Seminar Percukaian Kebangsaan 2019
	26 September 2019	KWEST RE Discovery 2019
	22-24 October 2019	Pension & Investments' World Pension Summit: Shifting Powers + Sustainable Investment: Separating the Signal From the Noise
	11 November 2019	The Role of Boards in Fraud Risk Management
<b>Datuk Seri Amir Hamzah bin Azizan</b> (Appointed w.e.f. 2 April 2019)	25 July 2019	TNB BDP 2019
	9 August 2019	Re-Imagining MESI Industry Stakeholder Forum
	22-23 September 2019	AESIEAP CEO Conference 2019
	7-8 October 2019	Khazanah Megatrends Forum 2019: From The Past to The Future, Building Our Collective Brain
	29 October 2019	Singapore International Energy Week 2019
	6 November 2019	National Sustainable Development Goals Summit
<b>Amran Hafiz bin Affifudin</b>	11-13 March 2019	Executive Leadership Programme, McKinsey & Co
	5 April 2019	Khazanah Spokeperson Media Training
	10 April 2019	The State of Food in Malaysia
	14 June 2019	Firms in Transformation
	25 July 2019	TNB BDP 2019
	26 July 2019	Experiences With Dealing With Entrepreneurs
	19-20 August 2019	MESI Stakeholders Forum
	5 September 2019	Khazanah Integrity Event
	20-23 September 2019	Singapore Summit 2019, Connecting Asia & The World
	7-8 October 2019	Khazanah Megatrends Forum 2019: From The Past to The Future, Building Our Collective Brain
	12-14 November 2019	European Utility Week

## Board Nomination and Remuneration Committee Report

NAME OF DIRECTOR	DATE	CONFERENCE/TRAINING ATTENDED
<b>Noraini binti Che Dan</b>	5 March 2019	PNB Leadership Forum: From Governance to Performance
	12-13 March 2019	Chartered Professional in Islamic Finance
	9-10 April 2019	The Role of Audit Committees in Ensuring Organisational Integrity, Risk & Governance
	10 June 2019	Malaysian Anti-Corruption Commission (MACC) (Amendment) Act, 2018
	10 June 2019	Industrialised Building System
	9 July 2019	Global Conference on Enterprise Risk Management
	19 July 2019	Bank Islam Mega Conference
	25 July 2019	TNB BDP 2019
	26 September 2019	Tax Awareness Training For Directors
	7-8 October 2019	Khazanah Megatrends Forum 2019: From The Past to The Future, Building Our Collective Brain
	17 October 2019	Raising Defences: Section 17A MACC Act
	29 October 2019	BIMB Directors Conference
	30 October 2019	PNB Corporate Summit 2019: Rebooting Corporate Malaysia
<b>Gee Siew Yoong</b>	7 January 2019	Official Visit By YB Minister of Communication and Multimedia Malaysia to Telco Network Operation Centre
	22 January 2019	Directors' Duties and Responsibilities
	18 March 2019	Engagement Session With The Institutional Investors Council Malaysia (IICM)
	25 July 2019	TNB BDP 2019
	7-8 October 2019	Khazanah Megatrends Forum 2019: From The Past to The Future, Building Our Collective Brain
	30 October 2019	PNB Corporate Summit 2019: Rebooting Corporate Malaysia
<b>Juniwati Rahmat Hussin</b>	30 January 2019	Preparation for Corporate Liability On Corruption
	25 July 2019	TNB BDP 2019
	7-8 October 2019	Khazanah Megatrends Forum 2019: From The Past to The Future, Building Our Collective Brain
	17 October 2019	Raising Defences: Section 17A MACC Act
<b>Copala Krishnan K.Sundaram</b>	29 January 2019	The 2019 Malaysia Economic and Strategic Outlook Forum
	30 January 2019	Preparation for Corporate Liability on Corruption
	13 February 2019	A Boardroom Colloquium on Innovation Governance
	28 February 2019	Understanding Cryptocurrencies In An Era of Fiat Currencies
	1 March 2019	"Let's Get Real" on Anti Bribery
	29 April 2019	IMF Regional Economic Outlook (REO) & IMF Global Financial Stability Report
	29-30 April 2019	Asia Pacific Hub Conference 2019, Islamic Finance: A Catalyst for Financial Inclusion
	20 June 2019	CCIFM Luncheon Talk: FinTech
	8-11 July 2019	Global IERP Conference
	9-10 July 2019	Enterprise Risk Management Global Conference: Dealing With The New Wave
	25 July 2019	TNB BDP 2019
	20-21 August 2019	MARIM International Conference 2019
	7-8 October 2019	Khazanah Megatrends Forum 2019: From The Past to The Future, Building Our Collective Brain
	17 October 2019	Raising Defences: Section 17A MACC Act
<b>Ong Ai Lin</b>	14 March 2019	Reading the Signs: The next financial crisis and its potential impact on Asia
	26 March 2019	FIDE Forum Dinner Talk – Digital Assets: Global Trends Legal Requirements and Opportunities for Financial Institutions
	8 April 2019	BNM-FIDE Forum Dialogue with the Deputy Governor on the Draft Risk Management in Technology (RMiT) Policy
	10-11 April 2019	Islamic Finance for Board of Directors Training Programme
	30 April 2019	In-House Training, "Enhancing Corporate Brand Value"
	6 May 2019	In-House Training, "Risk Management in Islamic Banks: A Shariah Perspective"
	13 May 2019	In-House Training, "Directors' Guide to Governance, Risk & Compliance (GRC)"
	18 June 2019	In-House Training, "AML/CFT Training for BOD & GMC Members"
	17-19 June 2019	BNM's MyFintech Week
	25 July 2019	TNB BDP 2019
	1 August 2019	FIDE Forum-ISRA Programme – Value Based Intermediation: Directors Role
	6 August 2019	In-House Training, "Industry 4.0 and its Impact of Malaysian Capital Market"
	3 October 2019	In House Training, "Islamic Banking and Finance – Case Studies on Recent Court Decisions"
	16 October 2019	In-house Training, "The Corporate Liability Provision under Section 17A of MACC (Amendment) Act, 2018"
	17 October 2019	Raising Defences: Section 17A MACC Act
	22-23 October 2019	MIA International Accountants Conference 2019



NAME OF DIRECTOR	DATE	CONFERENCE/TRAINING ATTENDED
<b>Dato' Roslina binti Zainal</b> (Appointed w.e.f. 15 March 2019)	25 July 2019	TNB BDP 2019
	7-8 October 2019	Khazanah Megatrends Forum 2019: From The Past to The Future, Building Our Collective Brain
	30 October 2019	PNB Corporate Summit 2019, Rebooting Corporate Malaysia
	3 December 2019	3 <sup>rd</sup> Forum on Women in Energy (FoWIE 2019)
<b>Tan Sri Leo Moggie</b> (Cessation of Office as Chairman w.e.f. 12 March 2020)	4 July 2019	IT Risk Management Training for Board Members of Member Companies'
	25 July 2019	TNB BDP 2019
	22 August 2019	Briefing on MACC Act
	7 October 2019	Khazanah Megatrends Forum 2019: From The Past to The Future, Building Our Collective Brain
	30 October 2019	PNB Corporate Summit 2019: Rebooting Corporate Malaysia

NAME	DATE	CONFERENCE/TRAINING ATTENDED
<b>Norazni binti Mohd Isa</b>	10 April 2019	Company Secretaries Training Programme Significant 2.0
	14 August 2019	Disclosures by Directors and Shareholders
	16 August 2019	Technical Briefing for Company Secretaries of Listed Issuers 2019
	5 November 2019	Corporate Governance in The Capital Market
	18-19 November 2019	Governance Convention 2019 – Rising Beyond Principles and Policies

## BOARD EVALUATION

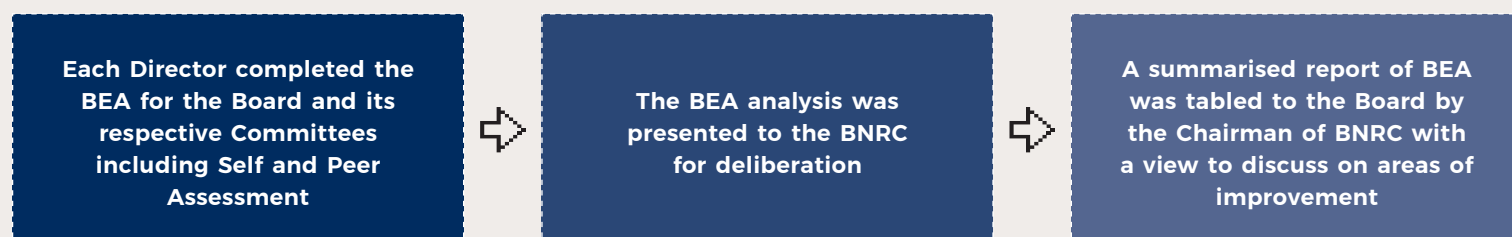
The Board recognises that an objective and well-managed board evaluation process can lead to substantial improvement in Board effectiveness, bringing significant benefits to the Company. This is achieved through annual performance evaluations, induction programmes for new Board members and on-going Board development activities.

In 2019, the Board with the assistance of BNRC, undertook a formal and extensive BEA of its own performance, its Committees and Individual Directors, for the Financial Year under review.

These evaluations were conducted through the BEA questionnaires and the results were subsequently collected and analysed. The BEA questionnaires towards an Effective Board covered the following parameters:

Responsibility and Conduct	Process and Administration	Composition
Business Strategy governance and implementation	Board and Committee Charters	Diversity
Risk management and integrity	Agenda and frequency of meetings	Competencies of the Members
Implementation of strategies and policies	Sufficient information availability and on a timely basis	Board and Committee compositions

## This year's process



## Board Nomination and Remuneration Committee Report

### 2019 BOARD EVALUATION ASSESSMENT RESULTS

Based on the 2019 BEA results, it is clear that the effectiveness of both the Chairman and President/CEO is reflective of the Board's confidence in them indicating, a strong leadership helping the Company.

With the leadership portrayed by Tan Sri Leo Moggie, the effectiveness of Chairman of the Board was recorded as outstanding, in average. While the effectiveness of President/CEO was recorded as Exceed Expectation in average, the Board agreed that Datuk Seri Amir Hamzah bin Azizan has demonstrated good leadership, has strong grasp of issues faced by TNB and regarded as refreshing change to TNB Management.

Overall the Board operates effectively as a team as evident in the synergies of its Members whereby it has remained highly effective and has consistently met high performance standards and all expectations. This indicates that the Directors have continuously fulfilled their responsibilities as Members of the Board. The Board also has identified some areas of improvements for the effectiveness of its operation which included among others, managing the regulatory outcome and industry reformation, the Company's restructuring, the succession planning of Board and Top Management and skills acquired based on Board Skills Matrix.

The respective Board Committees in average have been acknowledged as very effective in assisting the Board to carry out its duties. This indicates that each Committee member has continuously fulfilled his/her responsibilities as Member of the Board Committee.

The BEA 2019 is also inclusive of Directors' Self and Peer Assessment whereby the results in general reflected the Board's consensus that each of the Director's level of performance was good and that they had also met the prescribed performance criterias.

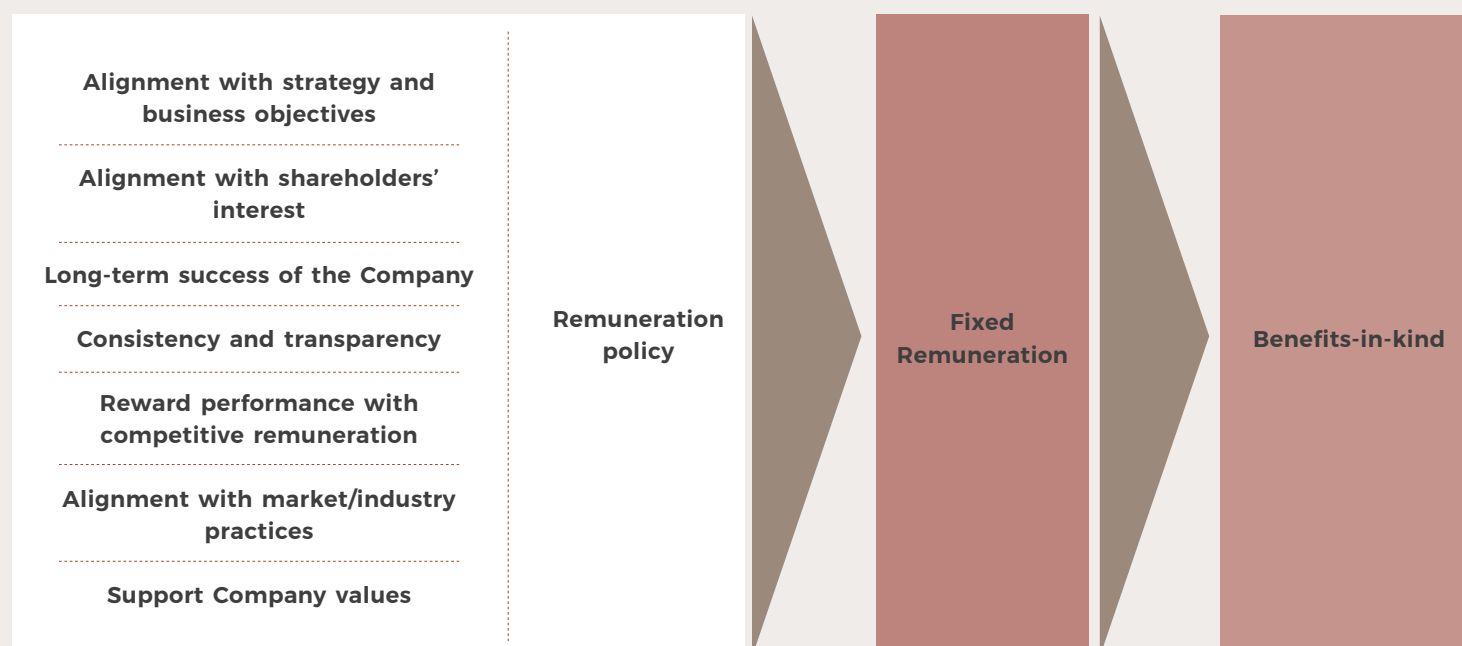
In conclusion, the Board and Board Committees are satisfied with their existing composition and are of the view that, with the current mix of skills, knowledge, experience and strength of the existing Directors, the Board and respective Board Committees are able to discharge their duties effectively.

The performance of each Director who is retiring at the next AGM is taken into account by the Board in determining whether or not the Board should support the re-election of the Director.

### OUR REMUNERATION APPROACH

The overall objectives of the BNRC are to determine an appropriate remuneration policy that aligns remuneration with strategy to drive the long-term success of the Company and ensures that the Company can continue to attract, retain and motivate quality leaders.

The Directors' Remuneration Policy is shaped by the following underlying principles:



## EXECUTIVE DIRECTOR AND TOP MANAGEMENT REMUNERATION

The remuneration package for the Executive Director is structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. A significant portion of an Executive Director's compensation package has been made variable and is determined by performance during the year against individual KPIs in a scorecard aligned with the corporate objectives as approved by the Board. The Executive Director recuses himself from deliberation and voting on his remuneration at Board meetings.

The BNRC reviews the performance of the Executive Director annually and submits views/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the Executive Director's contributions towards the Group's achievements for the year.

The GEMC on 20 September 2019 agreed to adopt Practice 7.2 of MCCG on the disclosure on named basis, the top five (5) Senior Management's remuneration components including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000. The said disclosure and further details on the Top Management remuneration are available in TNB Corporate Governance Report 2019.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

The Board as a whole shall determine and recommend the remuneration of the Non-Executive Directors for shareholders' approval at the AGM. The Non-Executive Directors are remunerated through fixed monthly fees, meeting allowances and benefits-in-kind, inclusive of the reimbursement of electricity bills, telephone bills and business peripherals.

The level of remuneration of Non-Executive Directors reflects the current demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively, as well as the complexity of the Company's operations and the industry. The last increment of the Non-Executive Directors remuneration/benefits was made in 2013.

Based on the study conducted by Willis Towers Watson (WTW) in 2018 of the Non-Executive Directors' Remuneration with the aim to determine its market competitiveness and alignment with the latest regulations/corporate governance guidelines in Malaysia, overall, TNB is at par with the market for most of the compensation elements offered to the Non-Executive Directors.

With that the current remuneration framework of TNB Non-Executive Directors will be retained, to be reviewed in the next one (1) or two (2) years time to ensure its market competitiveness, as recommended by WTW.

## DISCLOSURE ON DIRECTORS' REMUNERATION

Details of each Director's remuneration for the Financial Year ended 31 December 2019:

Name of Directors	Salary (RM)	Director's Fees		Meeting Allowances		Emoluments <sup>1</sup> (RM)	Benefits-in-Kind <sup>2</sup> (RM)	Total (RM)
		Company (RM)	Subsidiaries (RM)	Company (RM)	Subsidiaries (RM)			
Executive Directors								
Datuk Seri Amir Hamzah bin Azizan (Appointed w.e.f. 2 April 2019)	1,183,600.00	-	-	-	-	446,898.33	57,748.34	1,688,246.67
Datuk Seri Ir. Azman bin Mohd (Resigned w.e.f. 31 March 2019)	720,000.00	-	-	-	-	5,396,787.53	28,634.72	6,145,422.25
	1,903,600.00	-	-	-	-	5,843,685.86	86,383.06	7,833,668.92
Non-Executive Directors								
Tan Sri Leo Moggie	-	360,000.00	336,000.00	73,500.00	43,400.00	24,000.00 <sup>3</sup>	39,890.57	876,790.57
Tan Sri Ahmad Badri Mohd Zahir	-	240,000.00	-	63,500.00	-	-	15,511.44	319,011.44
Amran Hafiz bin Affifudin	-	240,000.00 <sup>4</sup>	-	86,500.00 <sup>4</sup>	-	-	42,680.06	369,180.06
Noraini binti Che Dan	-	240,000.00	-	112,000.00	-	-	13,456.30	365,456.30
Gee Siew Yoong	-	240,000.00	-	69,500.00	-	-	21,631.65	331,131.65
Juniwati Rahmat Hussin	-	240,000.00	-	105,000.00	-	-	6,276.70	351,276.70
Gopala Krishnan K.Sundaram	-	240,000.00	-	81,500.00	-	-	24,671.25	346,171.25
Ong Ai Lin	-	240,000.00	-	72,500.00	-	-	11,151.80	323,651.80
Dato' Roslina binti Zainal (Appointed w.e.f. 15 March 2019)	-	190,967.74	-	70,500.00	-	-	6,789.35	268,257.09
Total	1,903,600.00	2,230,967.74	336,000.00	734,500.00	43,400.00	5,867,685.86	268,442.18	11,384,595.78

### Notes

<sup>1</sup> Contribution to EPF, Bonus, Car Allowance, Flexi Benefits, Ex-Gratia and Gratuity.

<sup>2</sup> Utilities Bills, Business Peripherals, Purchase of Handphone, Uniforms, Club Membership, Medical and Travelling Expenses.

<sup>3</sup> Payment made by a Subsidiary.

<sup>4</sup> Paid to Khazanah Nasional Berhad, in respect of Director's Fees and Meeting Allowances provided for Amran Hafiz bin Affifudin.

# Board Audit Committee Report

THE BOARD AUDIT COMMITTEE (BAC) WAS ESTABLISHED ON 9 DECEMBER 1990 BY THE BOARD OF DIRECTORS TO ASSIST THE DIRECTORS TO CARRY OUT THEIR RESPONSIBILITIES. THE BAC IS GUIDED BY ITS TERMS OF REFERENCE WHICH WAS LAST REVIEWED IN MAY 2019.

## MEMBERSHIP AND MEETINGS

The details of BAC members and their attendance records at the BAC meetings held during Financial Year (FY) 2019 are as follows:

No.	Name	Status of Directorship	Independent	No. of Meetings Attended
1.	Noraini binti Che Dan <i>Chairman</i>	Non-Executive Director	Yes	14/14
2.	Gopala Krishnan a/l K.Sundaram <i>Member</i>	Non-Executive Director	Yes	14/14
3.	Ong Ai Lin <i>Member</i>	Non-Executive Director	Yes	13/14
4.	Dato' Roslina binti Zainal <i>Appointed as member w.e.f 28 March 2019</i>	Non-Executive Director	No	9/10
5.	Gee Siew Yoong <i>Ceased as member w.e.f 1 January 2019</i>	Non-Executive Director	Yes	-

The BAC comprises three (3) Independent and one (1) Non-Independent Directors as at 31 December 2019, all of whom are Non-Executive Directors. This composition is aligned with Paragraph 15.09 (1) (a) and (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR), which states that the audit committee must be composed of not fewer than 3 members and all the members must be non-executive directors, with a majority of them being independent directors.

The Chairman of BAC, Noraini binti Che Dan, is not the Chairman of TNB Board which is in line with the MCCG. Two (2) members of the BAC fulfil the requirements of Paragraph 15.09 (1) (c) (i) of MMLR. Noraini binti Che Dan and Ong Ai Lin are members of the Malaysian Institute of Accountants (MIA).

During the FY2019, 14 BAC meetings were held. This satisfies Paragraph 8.1 of the BAC Terms of Reference which requires the Committee to meet at least six (6) times a year.

The Company Secretary who is the secretary to the BAC and the Chief Internal Auditor (CIA) were in attendance during the meetings. The President/Chief Executive Officer and other officers were invited to the meetings to deliberate on matters within their purview.

After each meeting, the BAC Chairman submits a report on matters deliberated to the Board for information and attention. Matters reserved for the Board's approval are tabled at the TNB Board meetings. Action sheets are issued by the Company Secretary on the decisions made and actions required. These are circulated to Management for their action.

## MAIN ACTIVITIES OF THE BOARD AUDIT COMMITTEE

Principal activities performed by the BAC during the FY2019 are summarised below:

### Internal Audit

#### (1) Internal Audit Reports

- Deliberated on the internal audit reports for TNB and its subsidiaries issued by Group Internal Audit (GIA) on the effectiveness and adequacy of governance, risk management, and internal controls, audit recommendations and Management responses towards the issues highlighted in the presence of Management. Amongst the reports presented during the year were verification works at operation and maintenance, cyber security strategy, personal computers leasing management, ICT system, production and quality assurance, corporate governance compliance, procurement and contract management, project management, environmental management, mobility solution projects, group relamping, data centers, management of private security companies, dispensary management, project implementation and collection management.
- BAC took note on the status of actions taken by Management on matters arising from previous meetings.
- Two (2) BAC meetings were held at Sabah Electricity Sdn. Bhd. (SESB) on 11 March 2019 and 4 October 2019 to deliberate internal audit reports of SESB related to infrastructure readiness, verification works at civil and



building services, rentice management, management of feed in tariff, major projects, anti-bribery management system and corporate audit division.

- Reviewed TNB's State of Internal Controls tabled by GIA quarterly i.e. in February 2019, May 2019, August 2019, and December 2019. The matters reported included status of audit plan coverage, audit scope and risks covered as of the report date, summary of audit rating for completed audits, overall Group results, significant audit findings, findings escalated for management's immediate action, status of corrective actions and design review results.

## (2) GIA's Annual Audit Plan

- Approved the revised FY2019 Annual Audit Plan which was presented quarterly in April 2019, August 2019 and December 2019 to ensure pertinence and in view of changes in the business requirements as well as to meet requests from BAC and Management.
- Approved the 2020 Group Internal Audit (GIA) Annual Audit Plan in December 2019 in which 176 audits were proposed to be conducted. The plan consists of audits in the form of full scope, surprise audits, external assessments and follow up audits.

BAC reviewed GIA's methodology in assessing the risk levels of the various auditable areas based on high and significant risk rating, TNB's strategic objectives, business landscape, regulatory requirements and inputs from BAC and Senior Management.

- The approved plan was established based on an estimated requirement of 9,712 mandays and projected operating cost of RM19.6 million.

## (3) Internal Audit Governance

- BAC took note on GIA's Charter which was reviewed as part of its annual exercise. There were no changes made to the Internal Audit Charter as the existing Charter is deemed adequate and consistent with the International Professional Practices Framework (IPPF) requirements.
- Reviewed and endorsed the draft Revised Terms of Reference (TOR) for the Board's approval. The changes made to the TOR took into consideration the requirement set in Chapter 15 of the MMLR and implementation of best practices stipulated in the MCCG.
- BAC reviewed GIA's organisational independence declaration for the FY2019 which was prepared as required in the IIA Standard 1100 (Independence and Objectivity). It was brought to BAC's attention that there have been no conflict of interest situations arising from audit engagements for the FY2019.

- BAC reviewed and endorsed the Key Performance Indicators (KPI) for Chief Internal Auditor (CIA) for the FY2019.
- BAC was updated on GIA's overall performance in February 2019, May 2019, August 2019, and December 2019 which included percentage completion of the audit plan, cycle time of audit completion, and contribution to the Company in terms of cost saving/recoveries or business process improvements.

Amongst other matters included in the report are utilisation of data analytics in audit, results of Auditee Satisfaction Survey, status of budget utilisation, summary of trainings attended by auditors, number of auditors with/currently pursuing professional certifications, and improvement initiatives undertaken by GIA.

- BAC took note on status of GIA's Quality Assurance and Improvement Programme (QAIP) for FY2019 which was established based on improvement opportunities highlighted in the internal assessment results for 2018 and GIA's three-year Strategic Plan.
- Approved the revised audit rating methodology for implementation which was designed to assist Management in prioritising urgent actions required. There are two (2) types of audit rating, namely, (i) rating for every audit issue i.e. critical and non-critical and (ii) rating for overall audit area reviewed i.e. Good, Satisfactory, Needs Improvement, Unsatisfactory. Previously, an audit rating was assigned to every audit scope based on four (4) categories i.e. Satisfactory, Need Improvement, Unsatisfactory and Unacceptable.

## External Audit

- Deliberated and recommended for the Board's approval, the external auditor's 2019 Audit Plan encompassing the proposed audit approach, areas of audit emphasis, nature and scope for the year's audit, audit fees and reporting schedule. The external auditor informed that focus will be placed on the areas of:
  - Gains or losses from the transactions and balances of the financial currency translations.
  - Accruals of Imbalance Cost Pass Through (ICPT).
  - Recoverability of TNB's overseas investments.
  - Accounting for new acquisition.
  - Capitalisation of cost in relation to the National Fiberisation and Connectivity Plan (NFCP).
  - New IT risks as a result of new business process and technology.
  - Revenue recognition following billing errors.
  - Enhancement of smart meter billing systems.

## Board Audit Committee Report

- Reviewed audit fees for quarterly review of the unaudited consolidated results and annual statutory audit of TNB and its subsidiaries for the Board's approval.
- Reviewed the overall performance of the external auditor for the period from 1 January 2018 to 31 December 2018.

A survey was coordinated by GIA and assessments on the effectiveness of the external auditor was performed by members of BAC and Management. The external auditor's (1) quality of service, (2) sufficiency of resources, (3) communication and interaction, and (4) independence, objectivity and professional scepticism were assessed.

- Deliberated and endorsed the proposed TNB Implementation Guideline on Provision of Services by External Auditors which supersede the existing TNB Implementation Guideline on External Auditors Independence.
- Assessed the independence and objectivity of external auditor by reviewing the fees and list of non-audit services provided by external auditor to TNB and the Group on a quarterly basis.
- BAC exercised its rights, as stipulated in the Terms of Reference, to hold meetings with the external auditor without the presence of management to enable open discussion with the BAC.

During the year, two (2) meetings were held with the external auditor without Management's presence on 28 February 2019 and 29 August 2019.

### Financial Results

- In February 2019, BAC endorsed and recommended the audited financial statement of the Company and Group for year ended 31 December 2018 for the Board's approval.
- Reviewed the quarterly Unaudited Financial Results of the Group and the draft announcements before recommending them for Board's approval upon taking into account:
  - Key developments during the quarter.
  - Significant accounting and review matters including adoption of new standards, compliance with Incentive Based Regulation (IBR), revocation of Long Term Incentive Plan (LTIP) shares, recoverability of investment in associate companies, and matters arising from subsidiaries.
  - Other matters such as revenue from sales of electricity, defaulted scheduled repayment, reinvestment allowance claims, and Goods and Services Tax (GST) input tax claims.

### Related Party Transactions

- In February 2019, BAC reviewed related party/recurring related party transactions entered into by TNB Group for the year ended 31 December 2018 for recommendation to the Board that TNB complies with Bursa Malaysia Securities Berhad's Main Market Listing Requirements the MMLR.

### Annual Reporting

- BAC reviewed and endorsed the BAC Report, Statement on Internal Audit Function, TNB Sustainability Statement, Corporate Governance Overview Statement and Corporate Governance Report, and Statement of Risk Management and Internal Control for Board's approval.

### Others

- Reviewed the proposal for granting and forfeit vesting of performance shares as well as restricted shares under the Long Term Incentive Plan (LTIP) for the Board's approval.
- Discussed other key operational matters, as follows;
  - Action plans to reduce the risk of regulatory non-compliance and the mitigation actions related to compliance with Health, Safety and Environment (HSE) regulations for TNB and its subsidiaries.
  - Collection Strategy for Revenue Protection (CSRP) to improve collection efficiency and reduce aged-debt-to-revenue ratio by approaching/prioritising TNB customers and understanding customer's needs.
  - The ranking of TNB's subsidiaries based on five (5) selected performance metrics i.e. (i) Earnings Before Interest and Tax, (ii) economic spread, (iii) dividend, (iv) importance of role, and (v) internal control recommendation.



**NORAINI BINTI CHE DAN**

Chairman, Board Audit Committee  
Senior Independent Non-Executive Director

# Board Risk Committee Report

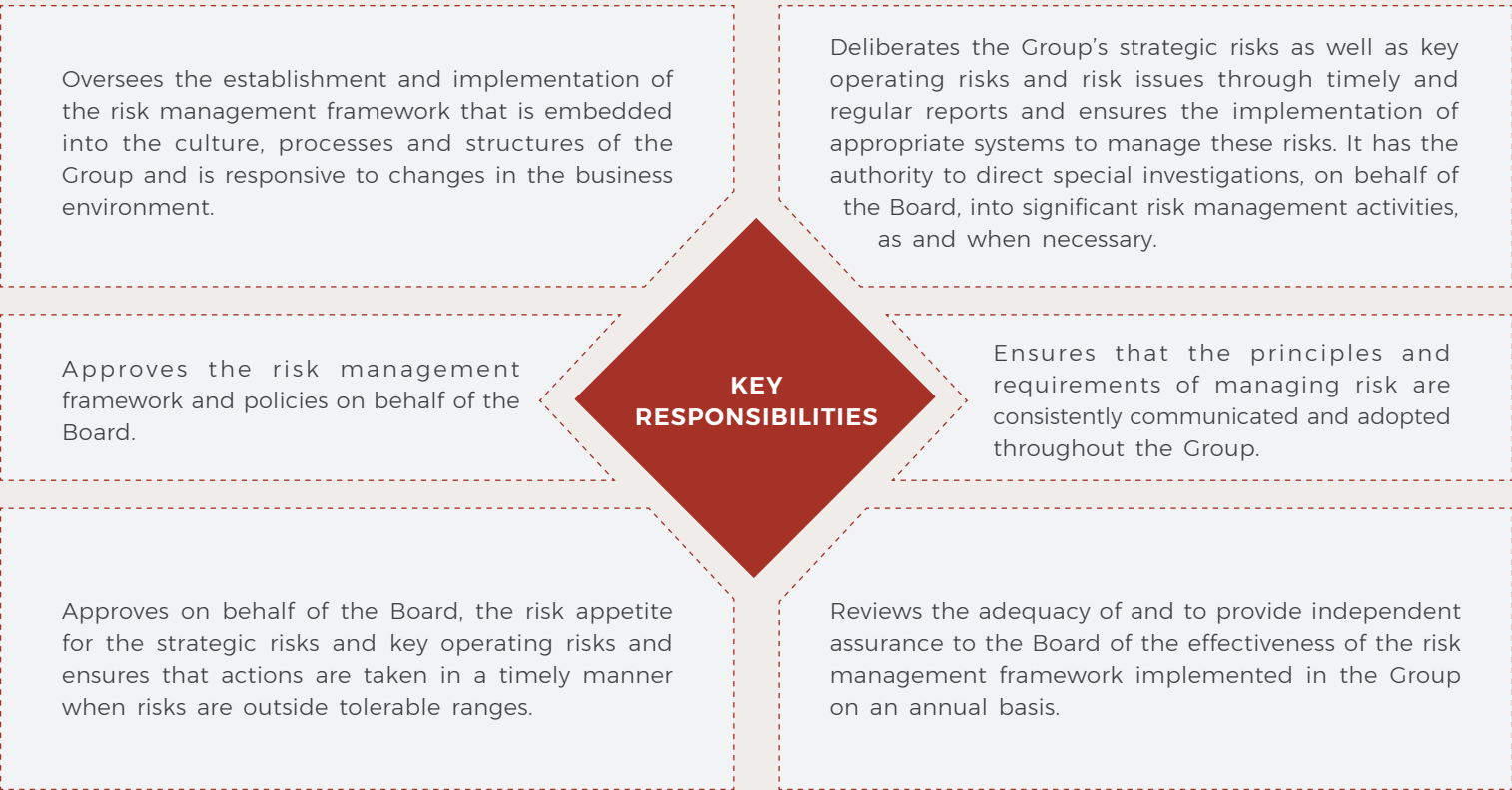
## BOARD RISK COMMITTEE MEMBERS

No.	Name	Status of Directorship	Independent
1.	Gee Siew Yoong	Non-Executive Director	Yes
2.	Noraini binti Che Dan	Non-Executive Director	Yes
3.	Juniwati Rahmat Hussin	Non-Executive Director	Yes
4.	Gopala Krishnan K.Sundaram	Non-Executive Director	Yes
5.	Ong Ai Lin	Non-Executive Director	Yes

## ROLE OF COMMITTEE

The Board Risk Committee (BRC) was established on 5 June 2013 by the Board of Directors (Board) to assist the Board to carry out its responsibilities. The Board, through the BRC, is responsible for overseeing the effectiveness and adequacy of the Group’s risk management framework and to ensure that it forms part of the Group’s corporate culture. This is in line with the requirements stated in the Malaysian Code on Corporate Governance and Bursa Malaysia’s Main Market Listing Requirements.

The main role of the BRC is to assist the Board in ensuring that the Group has in place a sound and robust enterprise risk management framework and that such framework has been effectively implemented to enhance the Group’s ability to achieve its strategic objectives.



## Board Risk Committee Report

### HOW THE COMMITTEE OPERATES

The BRC meetings are pre-determined for the following financial year and the schedule is tabled to the Board. It is thereafter communicated to the members with the specific meeting agenda prior to each meeting.

In the FY2019, there were eight (8) BRC sittings. Prior to the meeting, BRC members were provided with papers approved for tabling and updates of outstanding matters from previous meetings for the members' perusal.

The Chief Risk Officer and Company Secretary, who is also secretary to the BRC, attended the meetings. Other attendees, internal or external, were invited to deliberate on matters within their purview.

Action sheets were issued by the Company Secretary on decisions made and action required. These were circulated to Management for their further action. The BRC Chairman Reports were tabled at the Board meetings for notification and/or further deliberation on matters within the purview of the Board.

### SUMMARY OF ACTIVITIES FOR FY2019

The BRC's principal activities in the year under review are summarised below:

- Cascaded its mandate and tone from the top with regard to the importance of integrated risk management in organisational processes through the Top Management Risk Forum attended by 75 members of top management from across the Group.
- Reviewed the Statement of Risk Management and Internal Control, which summarised the risk management practices and internal controls implemented by Management. Assurances from the President/Chief Executive Officer and Chief Financial Officer were given to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.
- Deliberated the Group's key operational risks and key controls taken to manage the risks. Additional mitigations to strengthen the management of existing and emerging risks were recommended for further action.
- Reviewed and deliberated Key Risk Indicators that were reported through a Quarterly Risk Dashboard. Relevant business units reported the status of action taken to mitigate potential adverse impacts.
- Reviewed reports on risk incidents and deliberated the adequacy and effectiveness of preventive and corrective action.

- Reviewed the risk profiles and mitigation plans for projects and proposed investments with recommendations for further action and/or study of the feasibility and commerciality of the projects and investments in meeting the Group's strategic objectives.
- Reviewed the Group's insurance programmes and recommended improvements for an adequate and effective risk transfer mechanism in the interests of the Group.

### RISK MANAGEMENT

The BRC is assisted by the Chief Risk Officer and the Risk Management Department (RMD) in discharging its duties and responsibilities.

The RMD is responsible for the effective implementation of the TNB Risk Management Framework for informed decision-making. The objective of the TNB Risk Management Framework is to set out a structured and consistent approach to risk management across the Group. The framework is developed in alignment with the ISO 31000 international standard and was revised in the year under review to ensure alignment with the second edition of the standard. The framework implementation is subject to the independent assurance and assessment of the Group Internal Audit Department.

The TNB Risk Management Framework describes the TNB Risk Assessment Process, which is a step-by-step process of risk identification, analysis evaluation and treatment in view of business objectives. The RMD provides advisory and facilitation to the Group in the application of the process through meetings or workshops with relevant risk owners. The risks identified or reviewed are thereafter, registered and approved by relevant risk owners in the online and real-time TNB Risk Information System (TRIS), which functions as a platform for monitoring and reporting.

The TNB Investment Risk Assessment (TIRA) was developed by the RMD in 2015 with the objective of providing a standardised risk assessment methodology for investment proposals that reflects the risk appetite of the BRC. In the year under review, the TIRA guideline was applied for four (4) investment proposals.

Key risk indicators (KRI) that provide early warning or signals of increasing risk exposures and potential risk events have been developed by business units. These KRIs are developed in alignment with BRC's and management's risk appetite and the status are reported to the BRC on a quarterly basis. The KRIs are reviewed on an annual basis to ensure KRIs remain relevant to present business objectives as well as responsive to changes in the external environment.



In accordance with the TNB Risk Management Structure, risk matters are deliberated at the quarterly Group Risk Management Working Committee and Subsidiaries Risk Management Working Committee meetings. These committees function to ensure that a risk environment (i.e., leadership commitment, structure, process, monitoring, review and reporting) is firmly established at each division/department/subsidiary and sufficient resources are committed to the effective implementation and integration of risk management in all processes. The RMD, together with the Investment Management Department of the Group Finance Division, as secretariats of these committees, collates and reports the risk profiles, Key Risk Indicators, lessons learned from risk events and emerging risks.

In the year under review, the RMD assessed the risk maturity of 13 business units with the objective of gauging the effectiveness of the implementation of the TNB Risk Management Framework and providing value-added recommendations for risk management improvements. The maturity assessment criteria was revised in the year under review to continually improve the assessment of effective risk management implementation.

The RMD continually develops the competencies of its personnel to ensure quality risk and insurance advisory are provided to all business units. Two (2) RMD personnel are certified by the Risk and Insurance Management Society (RIMS) as Certified Risk Management Professionals (RIMS-CRMP) and thirteen (13) RMD personnel certified with the Certificate of MII – Insurance (CMII) by The Malaysian Insurance Institute. Additionally, risk management trainings for TNB personnel were conducted by the RMD with the aim to increase the competency of risk practitioners across the Group in applying the TNB Risk Management Framework. In the year under review, the RMD conducted risk management trainings at fundamentals level for 142 executives and at intermediate level for 26 executives.

Additionally, in an effort to inculcate a risk-thinking mentality amongst TNB employees, two (2) risk conferences attended by 241 executives were organised in Ipoh and Kuala Lumpur with the theme “TNB’s Risks: Discover! Own! Manage!”. A total of 316 non-executives also attended three (3) risk forums held across Peninsular Malaysia. Besides learning lessons from case studies, the non-executives had the opportunity to brainstorm potential risks and mitigations related to their areas of responsibility.

A structured approach in managing business continuity enables prompt, coordinated and effective response in managing crisis and ensures continuity of essential activities while protecting human life, assets, brand and reputation. The TNB Business Continuity Management (BCM) Framework was established for that purpose and the TNB Corporate BCM document details the implementation of the TNB BCM Framework. In the year under review, the TNB Corporate BCM document was revised to ensure alignment with Management’s risk appetite. Crisis triggers, escalation process, crisis command structure and crisis communication were revised and/or improved to increase preparedness in addressing crisis.

This framework is the focal point of reference for business units in formulating and implementing their BCM strategy and practices that are tailored to their business objectives and critical functions. The effectiveness of the framework is tested through drills and in the year under review, two (2) communication drills, one (1) functional drill and one (1) full-scaled drill were carried out at the corporate level. Drills to test preparedness of business units are carried out according to plan and improvements identified in post-mortem reports are implemented to improve promptness of response.

Additionally, the RMD establishes appropriate insurance programmes as an effective risk transfer mechanism for the Group.

## CONCLUSION

The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision making for the achievement of the Group’s strategic outcomes and long-term objectives.

This statement was made in accordance with the resolution of the Board of Directors dated 28 February 2020.

# Internal Audit Function

TNB's internal audit function, which is under the purview of Group Internal Audit Department (GIA), is established by the Board to provide independent, objective assurance and consulting services designed to add value and improve TNB's operations.

GIA is currently headed by Rosli bin Mohd Rose who is the Chief Internal Auditor (CIA). He joined GIA as the Deputy CIA (Core Business) in 2006 and was appointed as the CIA in 2014. He holds a Degree in Electrical and Electronic Engineering from Brighton Polytechnic (now known as University of Brighton), United Kingdom and a Master of Engineering Management from Universiti Tenaga Nasional. Prior to joining GIA, he has had extensive experience in various aspects of TNB operations such as operation and maintenance, project management, asset management, human resource, and business development. He is also an associate member of the Institute of Internal Auditors Malaysia.

## PRACTICES AND FRAMEWORK

GIA endeavours to enhance and protect organisational value by providing independent, risk-based and objective assurance, advice and insight. GIA helps TNB to accomplish its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

GIA is guided by internal policies and procedures, Internal Control Framework of Committee of Sponsoring Organisation of the Treadway Commission (COSO) and Control Objectives for Information and Related Technologies (COBIT) in assessing and reporting the adequacy and effectiveness of the design and implementation of the organisation's overall system of internal control, risk management and governance.

Additionally, to effectively manage its functions and perform the audit engagements, GIA adopts the standards and principles outlined in the International Professional Practices Framework (IPPF) of Institute of Internal Auditors, which comprises Core Principles for the Professional Practice of Internal Auditing, International Standards for the Professional Practice of Internal Auditing, the definition of Internal Auditing, and Code of Ethics.

## SCOPE AND COVERAGE

GIA formulated the annual audit plan using a risk-based approach, taking into consideration TNB's strategic objectives, business landscape, regulatory requirements as well as inputs from BAC and senior management.

The audit universe covered during the year includes, but is not limited to, generation, grid, retail, distribution network, procurement, projects, engineering, accounting and finance, human resources, information and communication technology, strategy and regulatory, corporate communications, energy ventures, global and property ventures, and subsidiaries.

### Amongst the key areas reviewed during Financial Year (FY) 2019 are:

Corporate governance compliance	Vehicle management	Dispensary management
Insurance management	Fraud and bribery management	Medical benefit management
Customer data integrity	Supply application and billing management	Collection management
Disconnection management	Financial management	Pricing mechanism in subsidiaries
Smart meter management	Procurement and contract management	Project management
Fuel and coal procurement	Warehouse management	Implementation of personal data protection
Management of feed in tariff	Incentive based regulation management	Business continuity management
Cyber security strategy	Cloud computing management	Safety management
	Operation and maintenance	

Based on the audits carried out in the FY2019, amongst the key risks covered are non-compliance with regulatory requirements, non-compliance with procedures, ineffective project management, poor plant performance, fire or explosion, fraud, breach of cyber security, loss of market share, ineffective cash flow management, ineffective management of Incentive Based Regulation, and loss of reputation.

During the FY2019, GIA issued a total of 166 reports arising from 80 planned audits, 6 ad-hoc audits, 6 surprise audits, 2 external assessments of compliance/audit functions, and 72 follow-up audits. Internal audit reports with significant improvement opportunities were presented to the BAC for deliberation whilst others were reported in the quarterly reporting to BAC including the status of follow up audits. GIA continuously monitors the implementation of corrective actions.

In providing value to the Company, the internal auditors' key performance indicators include value creation in terms of cost saving/recoveries or business process improvements.

In addition to the audit engagements performed, GIA was also actively involved in strengthening the compliance functions in the Company through assessment of their processes and sharing of best practices.

## RESOURCES

The internal audit activities in the FY2019 were performed in-house by a group of 64 internal auditors with diverse disciplines, as summarised below:

Discipline	No. of Auditors	Percentage (%)
Accounting, Finance and Business	32	50
Engineering	22	34
Quantity Surveying	3	5
System and Data Analyst/Computer Science/Information Technology	7	11
<b>Total</b>	<b>64</b>	<b>100</b>

The total cost incurred in managing the internal audit function for the FY2019 is RM16.14 million, comprising mainly staff costs and audit activities related spending, as follows:

Category	RM (Million)	% of Total Cost
Staff costs	12.84	80
Operating costs	3.30	20
<b>Total</b>	<b>16.14</b>	<b>100</b>

## PROFESSIONAL QUALIFICATIONS AND COMPETENCY DEVELOPMENT

GIA continuously encourages auditors to uphold proficiency by obtaining relevant professional certifications, namely, Certified Internal Auditor (CIA), Certified Information System Auditor (CISA), Certification in Risk Management Assurance (CRMA), Chartered/ Public Accountant, Professional Engineer and Certified Fraud Examiner (CFE).

As at 31 December 2019, there are 20 staff with a total of 37 professional certifications as shown below:

Certification	No. of Auditors
CIA	11
CISA	3
CRMA	3
CPA/ACCA/CIMA/MICPA/MIA	7
Professional Engineer	2
CFE	1
CCNA	4
RedHat Linux Certificate	1
Cybersecurity Certification by ISACA	1
Certified COBIT 5 by ISACA	4
<b>Total</b>	<b>37</b>

Note: CPA – Certified Public Accountant, ACCA – Association of Chartered Certified Accountant, CIMA – Chartered Institute of Management Accountant, MICPA – Malaysian Institute of Certified Public Accountant, MIA – Malaysian Institute of Accountants, CCNA – CISCO Certified Network Associate.

## Internal Audit Function

In addition to the above, 33% (21 auditors) are in the midst of pursuing their professional certifications at various levels.

GIA commits to ensure that the level of auditors' skills, knowledge and competencies are maintained as stipulated in GIA's Charter. These are accomplished through the following:

- Involvement of auditors in conferences and trainings in the areas of auditing skills, technical skills, leadership and communication skills, business acumen, and personal development.
- Participation in knowledge sharing sessions with other government-linked companies and presentation at national level (internal audit conference) and international level (Heads of ASEAN Power Utilities/Authorities, HAPUA internal audit workshop) about Governance, Risk and Control in Zettabyte World as well as Internal Audit Challenges.

As of 31 December 2019, GIA incurred a total cost of RM776,239 on trainings and conferences.

### SUMMARY OF GIA'S ACTIVITIES IN FY2019

The following are the activities undertaken by GIA in FY2019:

- Provided independent and objective assurance on the adequacy of internal controls implemented to mitigate risk exposures. The reports on audits performed which consist of observations, improvement opportunities, management responses, deadline and person in charge for implementation of corrective actions have been issued to respective auditees, Senior Management and the BAC.
- Presented the TNB's State of Internal Controls to the BAC on a quarterly basis to highlight on status of audit plan coverage, audit scope and risks covered, summary of audit rating, significant audit findings, findings escalated for Management's immediate action, and status of corrective actions.

- Performed follow-up audits on corrective actions agreed by management to assess if the actions have been implemented adequately and timely.
- Coordinated and attended meetings with Risk Management Department to deliberate on emerging risks and relevant mitigation plans. Coordination meetings were also conducted with the external auditor to discuss audit scope/issues to ensure adequate coverage or minimise duplication of effort.
- Developed and maintained a Quality Assurance and Improvement Programme (QAIP), which comprises all aspects of internal audit activities. The improvement initiatives identified as part of QAIP were derived based on:
  - (i) Improvements suggested during the internal assessment and
  - (ii) GIA's Strategic Plan.
- Conducted internal control training for subsidiaries in the areas of finance and procurement.



**ROS LI BIN MOHD ROSE**  
Chief Internal Auditor  
Tenaga Nasional Berhad



**NORAINI BINTI CHE DAN**  
Chairman  
Board Audit Committee  
Tenaga Nasional Berhad  
(Senior Independent Non-Executive Director)



# Relations with Stakeholders

## COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS

TNB's Investor Relations' (IR) structured engagement programmes are designed to build and maintain confidence within the investment community, both locally and internationally by delivering effective, comprehensive and timely communication. Furthermore, to ensure transparency and high standards of corporate disclosure, various extensive channels are used to facilitate TNB's engagement and communication programmes with the investment community. The channels include:

- Quarterly and Full Year Financial Results Announcements
- Engagement sessions with the investment community through one-on-one/group meetings, investor conferences and non-deal roadshows
- Interactive session with shareholders at the AGM
- Site Visits to TNB's power plants
- IR section in TNB's website
- IR Corporate Day
- Bursa filings & Press Release
- Annual Integrated & Sustainability reports

The investment community can also make inquiries on matters pertaining to investor relations matters throughout the year via [tenaga\\_ird@tnb.com.my](mailto:tenaga_ird@tnb.com.my).

These channels and programmes provide the perfect platform for the Senior Management and Investor Relations to engage with the investment community, which comprises shareholders, analysts, fund managers, rating agencies and others in order for IR to gauge their understanding and appreciation of the overall affairs of the Group. This includes keeping our shareholders up to date with the Group's sustainable growth strategies, business activities, financial performance as well as material matters to the shareholders, analysts and fund managers, allowing them to make informed investment decisions.

The Group believes that continuous effective engagement and building stronger relationships with the investment community are the fundamentals in value creation as well as maximising shareholders' value.

## CORPORATE DISCLOSURE POLICY

The Corporate Disclosure Policy, as well as associated guidelines, reinforce TNB's commitment to continuous disclosure and outline Management's accountabilities and the processes to be followed in ensuring compliance.

TNB's practice is to release all price-sensitive information to Bursa Malaysia Securities Berhad in a timely manner as required under the MMLR and to the market and community generally through announcements to Bursa Malaysia Securities Berhad, TNB's media releases, website and other appropriate channels.

For disclosure purposes, price-sensitive information is information that a reasonable person would expect to have material effect on the price or value of TNB's securities. The Company Secretary is responsible for reviewing proposed disclosures and making decisions in relation to the disclosure of information to the market. Each Division in TNB is required to inform the Company Secretary of any potential price-sensitive information concerning TNB as soon as this becomes known.

## ANNUAL GENERAL MEETING

The Board ensures that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the AGM. The AGM Notice includes explanatory notes that contain further information on the proposed resolutions.

TNB had its 29<sup>th</sup> AGM on 14 May 2019 whereby the Notice of AGM issued to the shareholders on 12 April 2019 was more than 28 days before the meeting. The Notice of AGM was also published in two (2) local English and one (1) Malay newspapers. Additionally, it was made available on TNB's website at [www.tnb.com.my](http://www.tnb.com.my).

It has been the Company's practice since 2017, to issue the Notice of AGM, at least 28 days prior to the meeting.

The 2019 AGM was attended by the Directors, all Top Management and 6,750 shareholders. A presentation of the Company's financial and technical/operational highlights was given by the President/CEO before the Chairman dealt with the formal business of the meeting. The Chairman was able to confine discussion within the scope of meeting and reasonable limits of time, to ensure that shareholders could effectively exercise their rights to express their opinions on issues concerning the Company and to consider and vote on the resolutions tabled.

The proceedings of the AGM was recorded in the minutes of the meeting and was made available on TNB's website at [www.tnb.com.my](http://www.tnb.com.my).

## Relations with Stakeholders

Shareholders are encouraged to attend the AGMs, to exercise their rights, to ask questions and provide views on the Company's performance during the Financial Year under review and to vote on the proposed resolutions including but not limited to the re-election of Directors of those retiring and the fixing of fees/remuneration of Directors.

TNB conducts its AGM by poll/e-voting in accordance with Paragraph 8.29A of the MMLR (voting by poll). The outcomes of voting on the proposed resolutions are disclosed to the market and posted on the Company's website after the AGM. The External Auditors attend the AGM to answer shareholders' questions on the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of auditors in the audit process.

In line with the on-going Group's commitment to the environment, in promoting sustainable practice as well as to achieve greater cost efficiencies, we will be discontinuing the mailing of Company's abridged Annual Report with CD-ROM. Consequently, TNB encourages shareholders to go paperless and access the digital copy of TNB Integrated Annual Report 2019 for perusal by downloading it from the Company's website at [www.tnb.com.my](http://www.tnb.com.my).

Nonetheless, we are forwarding copies of Notice of 30<sup>th</sup> AGM, Administrative Details of 30<sup>th</sup> AGM, Proxy Form to the shareholders, which are also available at the Company's website at [www.tnb.com.my](http://www.tnb.com.my).

### FINANCIAL REPORTING

The Board aims to provide a clear, balanced and comprehensive assessment of the Group's financial performance and prospects to shareholders, investors and relevant regulatory authorities via the quarterly financial reports, audited financial statements, annual reports and other reports or statements as well as through material disclosures made in accordance with the MMLR.

The BAC assists the Board in overseeing the integrity of the Group's financial reporting, including the operation of the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes are completed in accordance with applicable legal requirements and accounting standards and give a true and fair view of the Group's financial position.

### RELATIONSHIP WITH EXTERNAL AUDITORS

The Board maintains a transparent and professional relationship with the External Auditors, with the BAC responsible for recommending the appointment or removal of the External Auditors, the approval of their remuneration and the terms of their engagement to the Board.

As underlined by its TOR, the BAC shall meet the External and Internal Auditors or both at least twice a year to discuss issues arising out of audits and any matters that the auditors may wish to discuss in the absence of the Management.

For the Financial Year under review, two (2) sessions were held on 28 February 2019 and 29 August 2019 respectively between the BAC and the External Auditors in the absence of the Management for greater exchange of views and opinions between both parties in relation to financial reporting.

The Board and the BAC are responsible for reviewing, assessing and monitoring the performances, suitability and independence of External Auditors. The Board has set a policy on External Auditors which stipulates the guidelines and procedures for the Board and the BAC to assess and monitor the performances and independence of External Auditors.

The policy covers Selection and Appointment, Independence, Conflict of Interest, Non-Audit Services, Rotation of Audit Partner (applies to lead audit engagement partner), Annual Reporting, Annual Assessment and Audit Fees.

The appointed Audit Partner by the External Auditors is subject to rotation at least every five (5) financial years.

The External Auditors can also be engaged to perform non-audit services provided such services do not impair either in fact or appearance, the auditors' objectivity, judgment or independence.

The External Auditors are required to provide their written assurance of meeting the independence requirements for each non-audit service undertaken by them for the TNB Group.

The prohibition of non-audit services is based on three (3) basic principles namely, that the External Auditors cannot function in the role of Management; cannot audit their own work; and cannot serve in an advocacy role of TNB Group.

The External Auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services and if necessary, apply safeguards as stipulated in the By-Laws.

The BAC assists the Board in assessing whether the independence of the External Auditors has been maintained, having regard to any non-audit related services. The BAC has considered the provision of non-audit fees by the External Auditors for the non-audit services provided to the Group and the Company during the Financial Year and has concluded that the provision of these fees does not compromise and impair the External Auditors' independence or objectivity.

The Auditors' Remuneration including Non-Audit Fees for the Company and the Group for the Financial Year ended 31 December 2019 is as follows:

	Group RM 'Million	Company RM 'Million
Statutory Audit	4.3	1.5
Audit Related Services	2.2	2.1
<b>Total</b>	<b>6.5</b>	<b>3.6</b>
Non-audit Services:		
– Tax Related Services	0.2	0.1
– Other Non-Audit Services	2.9	2.9
<b>Total</b>	<b>3.1</b>	<b>3.0</b>

The Non-Audit Fees did not exceed 50% of the Audit Fees for the Financial Year under review, of which in line with TNB External Auditors Policy.

All services were procured competitively in accordance with TNB's Procurement & Supply Chain Policy and Procedures and External Auditors Policy. Non-audit services can be offered by the External Auditors of the Group if there are clear efficiencies and value added benefits to the Group.

Based on the External Auditors Assessment Results for the Financial Year 2019, overall the Company by 91% was highly satisfied/satisfied with the services provided by PwC in term of quality, sufficiency of resources, communication and interaction and independence, objectivity and professional skepticism. Comments to be forwarded to PwC to further improve their services.

With that, the Board/BAC are satisfied with the quality of service, sufficiency of resources, communication and interaction and independence, objectivity and professional skepticism demonstrated by PwC in carrying out their functions as External Auditors.

Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at the AGM.

## INSIDER TRADING

The Directors and Top Management of TNB are prohibited from trading in securities or any kind of price-sensitive information and knowledge which have not been publicly announced in accordance with the MMLR and relevant provisions of the Capital Markets & Services Act 2007. Where applicable, notices on the closed period for trading in TNB's securities are circulated to Directors and Top Management who are deemed to be privy to any price-sensitive information and knowledge, in advance of the closed period.

## PROMOTING SUSTAINABILITY

The Board recognises that the Company's stakeholders are increasingly interested in understanding its approach and performance in embedding sustainability in the organisation.

For this Financial Year, TNB has published a Sustainability Statement which discloses TNB's efforts and initiatives in managing its material economic, environmental and social risks and opportunities. The reporting is guided by the Global Reporting Initiative (GRI) standard. The Sustainability Statement is on pages 100 to 134 of the Integrated Annual Report.

## RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR UNDER REVIEW

The Board is fully accountable for ensuring the Audited Financial Statements are prepared in accordance with the Companies Act 2016 and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the Group's state of affairs and of the profit or loss and cash flow as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable approved accounting standards in Malaysia have been complied with and reasonable and prudent judgements and estimates have been made. The Audited Financial Statements are also prepared on a going concern basis as the Board has a reasonable expectation, after having made enquiries that the Group has adequate resources to continue its operational existence for the foreseeable future.

# Statement on Risk Management and Internal Control

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires a listed issuer to ensure that its board of directors makes a statement in its annual report about the state of internal control of the listed issuer as a Group. Accordingly, the TNB Board of Directors (Board) is pleased to provide the following statement that has been prepared, for purposes of disclosure, in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Malaysia Securities Berhad. This Statement outlines the nature and scope of the risk management and internal control systems within TNB Group during the year under review.

The scope of this disclosure excludes associated companies and joint ventures which are not under the control of the Group.

The Board affirms its overall responsibility for the adequacy and effectiveness of the Group's risk management and internal control systems. These systems are designed to manage rather than eliminate risks and provides therefore reasonable rather than absolute assurance against material losses, misstatements or other significantly adverse consequences.

Various Board Committees have been established to carry out the above responsibility. Each Committee plays its oversight role in promoting governance, transparency and accountability, as stipulated in its respective terms of reference. These Committees include the:

- Board Audit Committee
- Board Risk Committee
- Board Tender Committee
- Board Integrity Committee
- Board Nomination & Remuneration Committee
- Board Finance & Investment Committee
- Board Long Term Incentive Plan Committee

Subsequently, Management is responsible for implementing and executing the risk management and internal control systems in an effective and efficient manner for the achievement of the Group's short- and long-term business objectives. Various Management Committees are in place to carry out the said purpose. These include the:

- Group Executive Council Committee
- Group Executive Management Committee
- Energy Supply Committee
- Sustainability Development Committee
- Health, Safety and Environment Steering Committee
- Group Management Tender Committee

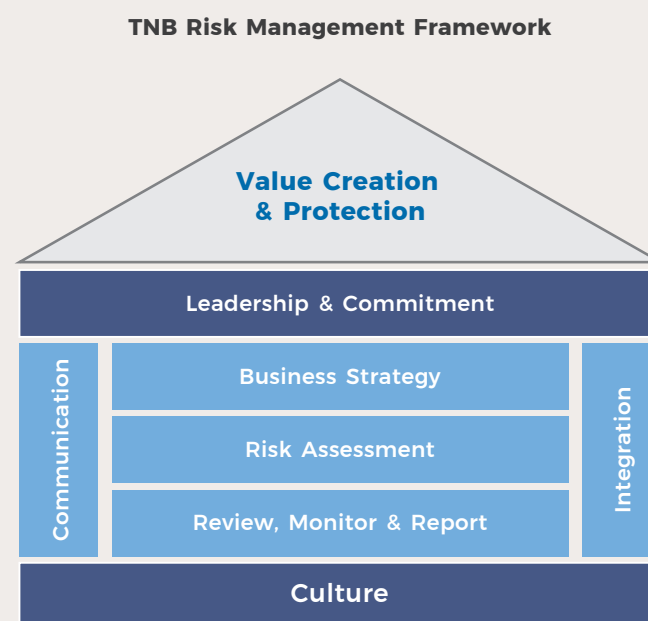
- Investment Executive Committee
- Commodity Procurement Executive Committee
- Information & Communication Technology Governance Council
- Incentive Based Regulation Council

## RISK MANAGEMENT

The Group adopts the principles and guidelines set out in ISO 31000:2018, 'Risk Management – Guidelines' in the design and implementation of the TNB Risk Management Framework.

The objective of the TNB Risk Management Framework is to provide a structured and consistent approach to risk management across the Group for informed decision-making. The purpose of risk management is to create and protect value and this is exemplified through each element in the TNB Risk Management Framework.

In the year under review, the framework was revised to ensure alignment with the second edition of ISO 31000:2018. The focal point of the revised framework highlights the intent of risk management, which is for value creation and protection in the achievement of objectives. In addition, the revised framework provides increased focus on leadership and integration of risk management into all organisational activities as well as emphasis on the responsibility of all employees to continually cultivate a risk culture that is transparent, collaborative and adaptive. The revised framework was approved by the Board Risk Committee (BRC) in January 2019 for implementation across the Group.



Leadership and Commitment

The establishment of the Board Risk Committee (BRC) reaffirms the Board’s commitment to ensure that the Group has in place a sound and robust enterprise risk management framework and that such framework has been effectively implemented to enhance the Group’s ability to achieve its strategic objectives. The BRC is supported by Management through the Group Executive Management Committee chaired by the President/Chief Executive Officer, the Group Risk Management Working Committee and the Subsidiaries Risk Management Working Committee, as well as the Risk Management Department, which is led by the Chief Risk Officer.



TNB Risk Management Structure

In the year under review, the BRC convened eight (8) sittings to deliberate risk issues and key risk indicators as well as to review the effectiveness of appropriate systems to manage risks. Business units had numerous opportunities to provide assurances to the BRC of their risk management efforts, assisting the Board in its decision-making, especially in the management of strategic risks that may prevent TNB from achieving its Reimagining TNB initiatives.

In addition, the BRC clearly cascaded its mandate and tone from the top with regard to the importance of integrated risk management in organisational processes through the Top Management Risk Forum. In the year under review, 75 members of top management from across the Group dialogued with the BRC members on risks and opportunities during the forum.

Risk Management Policy

The TNB Risk Management Policy is a statement of the overall intention and direction of the Group on risk management. It describes the commitment of the Group to assess risks in alignment to business objectives, integrating risk management in all decision-making processes, anticipating potential risks in response to changes in the internal and external environments and ensuring that risk information is communicated through a clear and robust monitoring and reporting structure.

The policy places emphasis on the role of all TNB employees, who are responsible and accountable to manage risks related to their actions and decisions by taking all reasonable care to minimise loss, maximise opportunity and ensure TNB’s reputation is upheld.



## Statement on Risk Management and Internal Control

### Risk Assessment Process

A structured risk assessment process is in place to guide the Group to identify, analyse, evaluate and treat risks. The business units apply the process on a systematic, iterative and collaborative manner, drawing on the knowledge and views of stakeholders to develop their respective risk profiles.

In the same manner, the Group's strategic risk profile was developed, reflecting six (6) risks that may prevent the Group from achieving its strategic and long-term objectives. Mitigations listed in the table below provide an indication of the strategies put in place to manage these strategic risks.

Risk	Description	Mitigation
1. Inability to keep pace with changing customers' expectations	In view of our Reimagining TNB initiatives, understanding changing customers' values and expectations is important to be successful in the beyond kWh business. Failing to keep pace with changing customers' expectations may lead to lost opportunities and deterioration of customer satisfaction.	<ul style="list-style-type: none"> <li>○ Establish customer analytics and market intelligence initiatives.</li> <li>○ Implement comprehensive and integrated communication plan for targeted customers to shape intended perception.</li> <li>○ Embark on Advanced Metering Infrastructure (smart meter installation).</li> </ul>
2. Competency mismatch to drive strategy	As a leading electricity utility for the past 70 years, TNB has continuously developed employees with the necessary skills and competencies. To accelerate growth in regulated and non-regulated businesses, it is essential that our personnel are equipped with strategic and operational capabilities for TNB to be successful in a competitive global business environment.	<ul style="list-style-type: none"> <li>○ Establish Leadership Development Programmes; e.g., Leadership Drive and General Management Programme, etc.</li> <li>○ Identify and place leaders in pivotal positions to drive Reimagining TNB initiatives.</li> <li>○ Implement "Return policy" for ex-TNB staff with required skill sets to bring value to TNB.</li> </ul>
3. Inability to adapt to changing market environment	In our quest towards becoming a top 10 global utility company, we must be agile and respond quickly in this volatile, uncertain, complex and ambiguous (VUCA) market environment, especially in the political, economic, social, technology, environment and legal (PESTEL) areas.	<ul style="list-style-type: none"> <li>○ Leverage on centralised intelligence information databases on country, partners, companies, individuals, etc. by relevant divisions.</li> <li>○ Collaborate with external parties through Memorandum of Understanding (MOU).</li> </ul>
4. Inability to leverage on available and new technology	TNB needs to capitalise and monetise the latest relevant technologies as value levers to drive the Reimagining TNB initiatives.	<ul style="list-style-type: none"> <li>○ Establish strategic affiliations with industry leaders, reputable utilities and Engineering Organisations; e.g., International Council of Large Electrical System (CIGRE), Electric Power Research Institute (EPRI), Institute of Electrical and Electronics Engineers (IEEE) etc., to gain market intelligence on latest available technology.</li> <li>○ Establish appropriate (fast and suitable) acceptance process for new technologies to be adopted by TNB.</li> </ul>

Risk	Description	Mitigation
5. Ineffective engagement and communication to stakeholders	It is vital that stakeholders at all levels (such as government, regulators, customers, investors, employees, etc.) are engaged and committed to bring about the success of Reimagining TNB initiatives. Failure to win the hearts and minds of stakeholders may lead to diminishing loyalty and lack of trust in TNB's brand.	<ul style="list-style-type: none"> <li>○ Establish and roll-down a comprehensive and integrated strategic communication &amp; engagement plan for Reimagining TNB initiatives.</li> <li>○ Expedite communication strategy, as and when required, through the Group Corporate Communication war room.</li> <li>○ Conduct assessment on the impact and effectiveness of the content of messages communicated and the medium/channel utilised.</li> </ul>
6. Regulatory constraints that can negatively impact TNB businesses	In domestic and international regulated business environments, TNB is governed by rules and regulations set by respective regulatory bodies. Constraints imposed by regulators may become significant hurdles in the pursuit of our growth strategies.	<ul style="list-style-type: none"> <li>○ Participate actively during engagement sessions with regulators.</li> <li>○ Strengthen international business intelligence through country reports, experienced advisors and strategic affiliation, M&amp;A activities, etc.</li> </ul>

### Monitoring, Review and Reporting

The risks assessed from applying the Risk Assessment Process are registered and monitored through the TNB Risk Information System (TRIS), an online real-time tool and database for risk management accessible by all employees. These risks are reviewed by respective risk owners and facilitated by the Risk Management Department when required.

Business units report their risk profiles on a half-yearly basis and highlights from these reports are respectively deliberated at the Group Risk Management Working Committee and the Subsidiaries Risk Management Working Committee. In addition, in the year under review, the Risk Management Department assessed the risk maturity of 13 business units. The objective of the assessment was to assess the effectiveness of the implementation of the TNB Risk Management Framework.

Key risk indicators (KRI) that provide early warning or signals of increasing risk exposures and potential risk events have been developed by business units. These KRIs are developed in alignment with the BRC's and Management's risk appetite and their status are reported to the BRC on a quarterly basis. The KRIs are reviewed on an annual basis to ensure KRIs remain relevant to present business objectives as well as responsive to changes in the external environment.

### Communication

Business units regularly communicate with internal and external stakeholders with up-to-date risk information and timely feedback is collated for opportunities for continual improvement. The Risk Management Department developed and implemented an annual risk and insurance communication plan throughout the year under review with the purpose of inculcating a risk-thinking mind-set among internal stakeholders and communicating TNB's risk management initiatives to relevant external stakeholders.

Specifically, two (2) risk conferences, with the theme "TNB's Risks: Discover! Own! Manage!", were attended by a total of 241 TNB executives. The executives had the opportunity to dialogue with several C-suites who shared their experiences and emphasised the importance and benefits of effective risk management in propelling the Group towards its aspirations. Additionally, 316 non-executives attended three (3) risk forums held across Peninsular Malaysia. Besides learning lessons from case studies, the non-executives had the opportunity to brainstorm potential risks and mitigations related to their areas of responsibility.

## Statement on Risk Management and Internal Control

### INTERNAL CONTROL

#### Group Policies and Procedures

Group-wide policies and procedures have been approved by Management and the Board to ensure ethics and internal control principles and mechanisms are embedded in business operations. These policies and procedures are consistently reviewed to ensure relevance and effectiveness.

Among others, the Group policies and procedures in place are:

TNB Code of Ethics	TNB Ethics & Integrity Policy	TNB Limits of Authority
TNB Risk Management Policy	TNB Confidentiality Policy	TNB Asset Management Policy
TNB Safety & Health Policy	TNB Environmental Policy	TNB Communication Policy
TNB Disciplinary Procedures	TNB ICT Codes of Practice and Guidelines	TNB Personal Data Protection Policy
TNB Procurement and Supply Chain Policy and Procedures	TNB Group Financial Policies and Procedures	TNB Group Human Resource circulars and guidelines

#### Financial and Operational Control Framework

TNB Group Financial Policies and Procedures (GFPP) serves as a compulsory source of reference for the Group in conducting its operations to manage associated risks. The Group has acted in accordance with generally accepted accounting principles and the Malaysian Financial Reporting Standards. Periodic reviews of actual performance versus budgets, targets, and performance in prior periods for key functions and major initiatives are carried out and appropriate mitigating and follow-up action are taken.

The Board Audit Committee (BAC) reviews the Group's quarterly financial performance together with Management, and these are subsequently reported to the Board. The quarterly reviews enable the BAC to deliberate and assess the Group's financial results and operational performance.

TNB continues to proactively engage with relevant stakeholders for smooth implementation of the Incentive Based Regulation (IBR) framework and Imbalanced Cost Pass-Through (ICPT)

mechanism. The performance of the regulated business is meticulously monitored through the IBR performance indicators and dashboards. These are reported regularly to relevant decision-making councils and committees to ensure effective implementation of the IBR framework as well as to the Energy Commission in compliance to the IBR guidelines.

The procedures for critical functions and key activities are documented, communicated to employees and periodically reviewed. Relevant divisions, departments and subsidiaries have been consistently maintaining its certification in ISO 9001, ISO 14001, ISO 27001, ISO 37001, ISO 45001 and ISO 55001. Internal audits are conducted to ensure compliance with relevant standards and procedures.

#### Human Resource Management and Development

Job descriptions and responsibilities of approved positions are clearly defined and communicated through the internal online platform, People Matters. Work force requirement planning is carried out and led by Group Human Resource, mirroring the budget planning cycle with the aim of optimising staffing levels and increasing productivity. Employee training needs are regularly assessed and various programmes are in place to address competency gaps.

In the year under review, Group Human Resource continued to roll out the Wellness Programme, which is aimed at educating and influencing employees to live a healthy lifestyle. Among the initiatives of the programme implemented throughout the year were the establishment of gymnasiums in TNB premises, the move towards healthy cafeterias, monitoring of employees' Body Mass Index and organisation of sports events.

#### Tenaga Safety Culture

The Tenaga Safety Culture programme is implemented across the Group to inculcate four (4) core behaviours among employees, namely 'Assess', 'Comply', 'Intervene' and 'Actively Caring'. The aim of the programme is to promote safety as part of the everyday working culture, transforming it from a mere compliance activity. In addition, Spiritual Hour has been embedded in the programme to align good safety practices with religious teachings as an additional emphasis on the value of safety as a lifestyle.

#### Management Information Systems

Leveraging on information and communication technology is vital in promoting effective and efficient business operations as well as timely and accurate communication with internal and external stakeholders. Key information systems utilised by the Group for that purpose are:

- Enterprise Resource Management System (ERMS)
- Enterprise Human Resources Management System (EHRMS)
- Corporate Geospatial Information System (CGIS)

- Supervisory Control and Data Acquisition System (SCADA)
- TNB Outage Management Systems (TOMS)
- Billing Customer Relation Management (BCRM)
- Employee Self Service (ESS)

Super User Privilege Management and Governance, Risk and Compliance systems have been implemented to control and govern access to core systems and servers. This is to ensure that access to critical information systems and confidential information is adequately monitored and controlled. Annual disaster recovery tests are carried out at the data centres and ICT security assessments are regularly carried out on IT systems at the business units. In addition, various enhancements are implemented to strengthen cyber security for Information Technology and Operational Technology systems. In the event of system failure, various mitigations are in place to minimise disruption to TNB operations.

### Personal Data Protection

TNB is committed to safeguard customers' privacy rights and personal data. TNB was an active contributor in the development of The Personal Data Protection Code of Practice for The Utilities Sector (Electricity), which serves as a guide for the processing and handling of customers' personal data. The code of practice is aligned to the Personal Data Protection Act 2010 (Section 23) (PDPA), which protects personal information of an individual being processed for commercial transaction purposes. The Legal Services Department is committed to consistently educate and communicate the requirements of the PDPA and the Code of Practice across the Group to heighten awareness and compliance as well as enhance controls.

### TNB Corporate Integrity Management System

TNB had embarked on an initiative to greater embed its shared value, "Integrity", across the Group through the implementation of the TNB Corporate Integrity Management System (TCIMS). The objective of TCIMS is to improve TNB's integrity culture, reduce the impact of corruption or mismanagement and position TNB at par internationally through a strategic and structured integrity management system. In addition, TNB is certified with ISO 37001:2016 Anti-Bribery Management Systems and has put in place a management system designed to help prevent, detect and respond to bribery and comply with anti-bribery laws and voluntary commitments applicable to its activities.

### Customer Feedback

Customer feedback is regularly collated and analysed with appropriate follow-up action. The TNB One Stop Engagement Centre offers a single point of contact to respond to customer enquiries and feedback on billing and account related matters. A variety of channels utilising online infrastructure and social media is made available for customers to submit queries or report problems.

### Business Continuity Management

The objective of the TNB Business Continuity Management (BCM) Framework is to provide a structured approach in managing business continuity in the Group. It enables a prompt, coordinated and effective response to a crisis and maintaining continuity of essential activities while protecting human life, assets, brand and reputation. This framework is the focal point of reference for business units in formulating and implementing their BCM strategy and practices that are tailored to their business objectives and critical functions. The effectiveness of the framework is tested through drills and in the year under review, two (2) communication drills, one (1) functional drill and one (1) full-scaled drill were carried out at the corporate level. Drills to test preparedness of business units are carried out according to plan and improvements identified in post-mortem reports are implemented to improve promptness of response.

### CONCLUSION

The Board has obtained assurances from the President/Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. Where weaknesses are identified, rectification steps have been put in place.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement for inclusion into the annual report, is adequate and effective to safeguard shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 28 February 2020.

# Additional Compliance Information

## (1) UTILISATION OF PROCEEDS RAISED FROM ANY CORPORATE PROPOSAL

Utilisation of Proceeds Raised from Corporate Proposals by the Company during the Financial Year under review:

### A Multicurrency Sukuk Issuance Programme of USD2.5 billion (Or its Equivalent In Other Currencies) by TNB Global Ventures Capital Berhad with TNB as the Obligor

First Issuance on 10 October 2016	USD750.0 million
Total utilisation as at 31 December 2019	USD620.5 million
Balance of proceeds as at 31 December 2019	USD129.5 million
Second Issuance on 1 November 2018	USD750.0 million
Total Utilisation as at 31 December 2019	USD342.0 million
Balance of proceeds as at 31 December 2019	USD408.0 million

### Establishment of Sukuk Wakalah Programme of up to RM5.0 billion by TNB

First issuance on 3 August 2017	RM2.0 billion
Second issuance on 29 August 2018	RM3.0 billion
Utilisation of proceeds as at 31 December 2019	Partly utilised to finance TNB's capital expenditure, investment, general corporate purposes, working capital requirements and settlement of fees and expenses related to the sukuk programme

## (2) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its Subsidiaries involving the interest of the Directors or Major Shareholders, either still subsisting at the end of the Financial Year or, if not then subsisting, entered into since the end of the previous Financial Year.

## (3) RELATED PARTY TRANSACTIONS

The Group has established appropriate procedures to ensure it complies with the MMLR with regards to related party transactions. All related party transactions are reviewed by the Group Internal Audit Department, following which a Group-Wide Report is submitted to BAC on quarterly basis for monitoring purposes.

The Group did not seek any mandate of its shareholders pertaining to related party transactions during the Financial Year under review.

## STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017

(Pursuant to paragraph 15.25 of the MMLR)

The Board has reviewed, deliberated and approved this Statement. The Board is pleased to report to its shareholders that to the best of its knowledge, the Company 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 and all other applicable laws.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 February 2020.



**NORAINI BINTI CHE DAN**

Senior Independent Non-Executive Director



# Ethics, Integrity & Trust

In 2017, TNB, as one of the first listed corporation to embark on the ISO 37001:2016 Anti Bribery Management System (ABMS) certification. Towards achieving the certification, TNB launched the TNB Corporate Integrity Management System (TCIMS) to drive an integrity based culture and a high level of compliance with local and international anti-bribery standards. TNB on 15 November 2018 was awarded with the ABMS Certification from SIRIM and further in reinforcing this culture, launched TCIMS Handbook.

TNB has a well-thought-out set of Shared Values made publicly available and communicated to the workforce. First among the TNB Shared Values is Integrity. The five (5) Principles of Integrity are:

## 5 PRINCIPLES OF INTEGRITY

### PRINCIPLE 1

Adhere to all set rules, regulations and guidelines

### PRINCIPLE 2

Perform to our best ability with very high standards whilst continuously improving the quality of our services

### PRINCIPLE 3

Adopt an open and honest attitude in all aspects

### PRINCIPLE 4

Deliver products and services to customers as pledged

### PRINCIPLE 5

Have pride in contributing towards TNB's success

The Handbook covers five (5) TCIMS policies which are Anti Bribery Policy, Gifts, Hospitality and Related Benefits Policy, Conflicts of Interest Policy, Whistleblowing Policy and Integrity Pact and Committee Integrity Pledges Policy.

During the Financial Year under review, TNB Procurement & Supply Chain Division and three (3) wholly owned subsidiaries of TNB, namely Malaysia Transformer Manufacturing Sdn. Bhd., TNB Repair And Maintenance Sdn. Bhd. and TNB Fuel Services Sdn. Bhd. were ISO 37001 Anti-Bribery Management System certified by SIRIM.

A number of trainings & awareness were conducted during the Financial Year by the Integrity Department to better equip the Company for the implementation of Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009, among others are as follows:

Six (6) sessions of Corruption Risk Management Workshops.

Four (4) sessions of ISO 37001 Internal Audit Training.

E-learning module developed for all staff.

All staff are required to sign the integrity pledge and declare their conflict of interest via Employee Self Services On-line System.

ISO 37001 Internal Audit carried out by the identified division/department.

Enhanced the Whistle Blowing Information System.

53 sessions of Integrity & TCIMS Training.

Three (3) sessions of *Rasuah & Liabiliti Korporat* Awareness with MACC.

One (1) session on Integrity and Financial Management with *Agensi Kaunseling dan Pengurusan Kredit (AKPK)*.

Two (2) sessions on *Kursus Kemahiran Jawatankuasa Tatatertib TNB*.

Issued 10 integrity bulletins and two (2) bulletins on TCIMS.

## LIMITS OF AUTHORITY

The Limits of Authority outlines principles to govern decision making within the Group, including appropriate escalation and reporting to the Board. The Board has also delegated to the President/CEO, and through the President/CEO to other Executives, responsibility to manage the Company's day-to-day activities. The Limits of Authority encompasses both monetary and non-monetary limits of authority for recommending and approving operational and management decision-making activities prior to its execution. This allows for balanced effective oversight with appropriate empowerment and accountability of the Management.

## Ethics, Integrity & Trust

### CODE OF ETHICS

The Board of Directors is guided by a high standard of ethical conduct in accordance with the Code of Ethics for Company Directors as established by the Companies Commission of Malaysia.

Each Non-Executive Director is supplied with the Non-Executive Directors' Handbook as reference of their professional responsibilities as well as the terms and conditions of their service. The Non-Executive Directors' Handbook is updated as and when the need arises to reflect any changes of the applicable rules and regulations as well as in the policies/procedures that govern the conduct of the Directors.

TNB has a Code of Ethics to govern the conduct of its employees. The provisions set out in the Code of Ethics ensure compliance with laws and regulations, sound employment practices, confidentiality and privacy. It also includes provisions on conflicts of interest, giving and accepting business courtesies and the protection and proper use of TNB's assets and resources.

TNB's Code of Ethics also defines how TNB relates to its shareholders, employees, customers, suppliers and the communities in which it operates. It includes TNB's general principles on business integrity. All employees are expected to conduct business in accordance with the applicable laws, rules and regulations and in a manner so as to enhance and protect the reputation of TNB.

TNB's Procurement Code of Conduct guides TNB's Directors and employees as well as all existing and potential suppliers/contractors including their directors and employees. TNB believes that all supplier/contractor relationships should be based on principles of good governance such as integrity, accountability, fairness and a zero-tolerance rule towards bribery and corruption. These principles are enforced in the Procurement Code of Conduct, which is constantly revised to reflect changes in regulations, reputational demands and business challenges.

The Procurement & Supply Chain Policy and Procedures provides a set of general policy and procedures as guidance in executing procurement within TNB. The Policy and Procedures enables TNB to obtain the best value in procurement, adopt leading business practice, advance TNB's business priorities, add value to customers and uphold good corporate governance.

TNB's Code of Ethics and Procurement Code of Conduct are available at their respective sections of the Company's website at [www.tnb.com.my](http://www.tnb.com.my).

### CONFLICTS OF INTEREST

To foster ethical and independent decision-making, the Company requires Directors with any direct or indirect interest in a proposal or transaction being considered by the Board or its Committees to declare that interest and recuse himself/herself from the deliberations. The affected Director will take no part in the decision-making.

As practised by TNB, which was initiated by Procurement & Supply Chain Division in collaboration with Integrity Department to further strengthen our effort towards enhancing integrity and transparency in dealing with the Company's procurement activities, at each Board Meeting, each Director shall sign Integrity Pact, declaring his/her interest involving procurement/matters to be discussed at the Meeting, to prevent corruption, conflict of interest and to maintain confidentiality of information.

### WHISTLE BLOWING PROCEDURE

The Whistle Blowing Procedure embodies TNB's commitment to maintaining an open working environment in which employees, contractors and members of the public are able to report instances of unethical, unlawful or undesirable conduct on a confidential basis without any fear of intimidation or reprisal. An independent investigation team investigates all reported concerns and where applicable, provides feedback regarding the investigation's outcome.

The objectives of the Whistle Blowing Procedure are as follows:

- to detect and address unacceptable conduct;
- to provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to TNB; and
- to protect people who report unacceptable conduct in good faith.

Reporting Channels:

- Online Whistle Blowing Information System (WBIS) – <https://wbis.tnb.com.my/>
- Email to one (1) of the designated officers by using the Whistle Blowing Complaint Form, available in Malay & English:

NAME	DESIGNATION	E-MAIL ADDRESS
Noraini binti Che Dan	Senior Independent Non-Executive Director	<a href="mailto:norainicd.integrity@tnb.com.my">norainicd.integrity@tnb.com.my</a>
Datuk Lim Tong Kang	Chief Risk Officer	<a href="mailto:ltk.integrity@tnb.com.my">ltk.integrity@tnb.com.my</a>
Norazni binti Mohd Isa	Company Secretary	<a href="mailto:norazni.integrity@tnb.com.my">norazni.integrity@tnb.com.my</a>
Kalivann Palanivelu	Chief Integrity Development Officer	<a href="mailto:kalivann.integrity@tnb.com.my">kalivann.integrity@tnb.com.my</a>
Hasbah binti Hasbullah	Head, Integrity Development & Culture	<a href="mailto:hasbahh.integrity@tnb.com.my">hasbahh.integrity@tnb.com.my</a>

- Toll free number: 1-800-888-862

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	Note 21: Deferred Taxation	Note 46: Financial Instruments
	Note 22: Long Term Receivables	Note 47: Capital Risk Management
	Note 23: Amounts Due from/(to) Subsidiaries	Note 48: Effects of Changes in Accounting Policies
	Note 24: Leases	Note 49: Significant Acquisitions During the Preceding Financial Year
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# Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 16 to the financial statements, which also includes the details of the subsidiaries of the Group.

There have been no significant changes in these activities during the financial year.

## FINANCIAL RESULTS

	Group RM'million	Company RM'million
Profit for the financial year attributable to:		
– Owners of the Company	4,529.2	1,965.0
– Non-controlling interests	(84.2)	0
Profit for the financial year	4,445.0	1,965.0

## DIVIDENDS

The dividends paid or declared since the previous financial year ended 31 December 2018 were as follows:

	RM'million
In respect of the financial year ended 31 December 2018:	
Final single tier dividend of 23.0 sen per ordinary share, paid on 11 April 2019	1,308.0
In respect of the financial year ended 31 December 2019:	
Interim single tier dividend of 30.0 sen per ordinary share, paid on 11 October 2019	1,706.1

The Directors have approved a final single tier dividend of 20.0 sen per share and a special dividend of 50.0 sen per share on 5,686,888,771 ordinary shares in respect of the financial year ended 31 December 2019 amounting to a total of RM3,980.8 million. The books closure and payment dates will be announced in due course.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## ISSUE OF SHARES

During the financial year, no new shares were issued by the Company.

### TENAGA NASIONAL BERHAD'S LONG TERM INCENTIVE PLAN ('LTIP')

The Company implemented a LTIP on 30 April 2015 for a period of 10 years. The LTIP is governed by the by-laws, which were approved by the shareholders at an Extraordinary General Meeting on 18 December 2014.

The main features and details of the number of grants over the shares of the Company are set out in Note 7 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia via letter dated 31 January 2020 from having to disclose in this report the names of the persons to whom LTIP have been granted under the scheme and details of their holdings pursuant to Section 255(1) and Paragraph 5, Part 1, Fifth Schedule of the Companies Act 2016 except for information on employees who were granted the offering of up to 164,700 and more ordinary shares under the LTIP scheme.

The employees of the Company who were granted the offering of up to 164,700 and more ordinary shares under the LTIP scheme are as follows:

	Number of ordinary shares granted under PS*	Number of ordinary shares granted under RS**	Total
Datuk Fazlur Rahman bin Zainuddin	175,300	104,300	279,600
Datuk Wira Roslan bin Ab Rahman	171,600	102,100	273,700
Dato' Muhammad Razif bin Abdul Rahman	169,200	100,600	269,800
Dato' Nor Azman bin Mufti @ Jaafar	166,100	98,700	264,800
Datuk Ir. Baharin bin Din	163,200	97,000	260,200
Nazmi bin Othman	112,200	87,400	199,600
Fazil bin Ibrahim	122,600	76,600	199,200
Datuk Ir. Husaini bin Husin	94,600	74,400	169,000
Ismail bin Mohd Din	89,200	79,600	168,800
Ir. Kamaliah binti Abdul Kadir	87,000	77,700	164,700

\* PS – Performance Share Grant

\*\* RS – Restricted Share Grant

None of the subsidiaries' employees were granted offering representing 164,700 or more ordinary shares under the LTIP scheme.



## Directors' Report

### DIRECTORS

The Directors who have held office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Ahmad Badri bin Mohd Zahir	Redesignated as Chairman w.e.f. 12 March 2020
Datuk Seri Amir Hamzah bin Azizan	Appointed w.e.f. 2 April 2019
Amran Hafiz bin Affifudin	
Noraini binti Che Dan	
Gee Siew Yoong	
Juniwati Rahmat Hussin	
Gopala Krishnan a/l K.Sundaram	
Ong Ai Lin	
Dato' Roslina binti Zainal	Appointed w.e.f. 15 March 2019
Dato' Cheok Lay Leng	Appointed w.e.f. 2 March 2020
Datuk Seri Ir. Azman bin Mohd	Resigned w.e.f. 31 March 2019
Tan Sri Leo Moggie	Cessation of Office as Chairman w.e.f. 12 March 2020

The Directors of subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of the report are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made part thereof.

### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits shown under Directors' Remuneration below and in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a partner, or with a company in which the Director has a substantial financial interest.

### INDEMNITY AND INSURANCE COSTS

TNB Group and Company have their own Directors and Officers Liability Insurance at a premium of RM283,125 to cover the liability of Directors and Officers in discharging their duties for the period of 1 November 2019 until 31 October 2020.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	As at 2.4.2019	Acquired	Disposed	As at 31.12.2019
Datuk Seri Amir Hamzah bin Azizan	0	15,000*	0	15,000

\* Through nominees of Cimsec Nominees (Tempatan) Sdn. Bhd.

	As at 15.3.2019	Acquired	Disposed	As at 31.12.2019
Dato' Roslina binti Zainal	18,400	0	0	18,400

## DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-Executive Directors' fees	2,566,968	2,390,753	2,230,968	2,057,419
Non-Executive Directors' other emoluments	983,959	2,563,106	916,559	2,444,806
Executive Directors' remuneration and other emoluments	7,833,669	11,499,461	7,833,669	11,499,461
	11,384,596	16,453,320	10,981,196	16,001,686

In respect of the Directors or past Directors of the Company, there were benefits receivable by the Directors from the Company and its subsidiaries as Directors' other emoluments for their services. The estimated monetary value of benefits received by the Directors was RM240,459 (2018: RM512,806) for the Group and Company.

## Directors' Report

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report:
- (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.
- (d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and its subsidiaries to meet their obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in Notes 6, 16 and 18 to the financial statements; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Details of the auditors' remuneration are set out in Note 6 to the financial statements.

This report was approved by the Board of Directors on 17 March 2020. Signed on behalf of the Board of Directors:



**TAN SRI AHMAD BADRI BIN MOHD ZAHIR**  
CHAIRMAN



**DATUK SERI AMIR HAMZAH BIN AZIZAN**  
PRESIDENT/CHIEF EXECUTIVE OFFICER

# Consolidated Statement of Profit or Loss

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Revenue	5	<b>50,939.7</b>	50,392.5	<b>47,242.3</b>	47,063.3
Operating expenses	6	<b>(43,561.5)</b>	(43,854.7)	<b>(41,523.3)</b>	(41,845.5)
Net loss on impairment of financial instruments	46(b)	<b>(302.4)</b>	(487.3)	<b>(586.6)</b>	(466.7)
Other operating income	8	<b>1,131.0</b>	825.1	<b>1,430.2</b>	1,319.7
Operating profit		<b>8,206.8</b>	6,875.6	<b>6,562.6</b>	6,070.8
Foreign exchange gain/(loss)	9	<b>113.9</b>	(418.3)	<b>66.0</b>	(282.0)
Share of results of joint ventures	17(a)	<b>25.7</b>	27.2	<b>0</b>	0
Share of results of associates	18	<b>26.9</b>	(209.9)	<b>0</b>	0
Profit before finance cost		<b>8,373.3</b>	6,274.6	<b>6,628.6</b>	5,788.8
Finance income	10(a)	<b>525.1</b>	423.8	<b>384.7</b>	297.4
Finance cost	10(b)	<b>(3,382.7)</b>	(1,688.5)	<b>(4,122.8)</b>	(1,794.3)
Fair value changes of financial instruments	10(c)	<b>(38.0)</b>	36.7	<b>(18.0)</b>	22.2
Profit before taxation and zakat		<b>5,477.7</b>	5,046.6	<b>2,872.5</b>	4,314.1
Taxation and zakat	11	<b>(1,032.7)</b>	(1,301.6)	<b>(907.5)</b>	(1,095.5)
Profit for the financial year		<b>4,445.0</b>	3,745.0	<b>1,965.0</b>	3,218.6
Profit attributable to:					
- Owners of the Company		<b>4,529.2</b>	3,723.7	<b>1,965.0</b>	3,218.6
- Non-controlling interests ('NCI')		<b>(84.2)</b>	21.3	<b>0</b>	0
Profit for the financial year		<b>4,445.0</b>	3,745.0	<b>1,965.0</b>	3,218.6

		Sen	Sen
Earnings per share:			
- Basic	12(a)	<b>79.64</b>	65.62
- Diluted	12(b)	<b>79.64</b>	65.39

The notes set out on pages 78 to 217 form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Profit for the financial year		<b>4,445.0</b>	3,745.0	<b>1,965.0</b>	3,218.6
Other comprehensive (expense)/income					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefit plan actuarial loss		<b>(1,303.6)</b>	(204.3)	<b>(1,179.4)</b>	(50.7)
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		<b>(101.5)</b>	(13.1)	<b>0</b>	0
Financial assets at fair value through other comprehensive income ('FVOCI')		<b>(17.5)</b>	7.1	<b>(17.5)</b>	7.1
Share of other comprehensive income ('OCI') of associates accounted for using the equity method	18	<b>19.8</b>	74.3	<b>0</b>	0
Total other comprehensive expense		<b>(1,402.8)</b>	(136.0)	<b>(1,196.9)</b>	(43.6)
Total comprehensive income for the financial year		<b>3,042.2</b>	3,609.0	<b>768.1</b>	3,175.0
Attributable to:					
- Owners of the Company		<b>3,147.5</b>	3,587.7	<b>768.1</b>	3,175.0
- Non-controlling interests		<b>(105.3)</b>	21.3	<b>0</b>	0
Total comprehensive income		<b>3,042.2</b>	3,609.0	<b>768.1</b>	3,175.0

The notes set out on pages 78 to 217 form an integral part of these consolidated financial statements.



# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
NON-CURRENT ASSETS					
Property, plant and equipment	14	109,966.0	111,445.5	71,345.7	83,921.1
Right-of-use assets	15	38,264.0	0	70,806.3	0
Subsidiaries	16	0	0	6,796.9	8,603.8
Joint ventures	17(a)	177.4	166.0	0	0
Associates	18	1,264.0	1,543.7	50.6	59.9
Goodwill on consolidation	19	241.3	240.7	0	0
Investment in unquoted debt security	20	331.8	326.7	12.0	8.7
Tax recoverable		1,765.1	1,765.1	1,765.1	1,765.1
Deferred tax assets	21	124.3	87.7	0	0
Long term receivables	22	740.0	1,245.5	71.7	260.5
Amounts due from subsidiaries	23(a)	0	0	645.6	1,052.0
Finance lease receivables	24(a)	11.9	12.4	0	0
Prepaid operating leases	25(a)	0	5,944.1	0	5,934.9
Financial assets at FVOCI	26	58.9	76.4	58.2	75.7
Contract cost assets	27(a)	0	0.5	0	0
Financial assets at fair value through profit or loss ('FVTPL')	28	149.1	90.9	86.3	90.9
Derivative financial instruments	29	0	0.2	0	0
		153,093.8	122,945.4	151,638.4	101,772.6
CURRENT ASSETS					
Inventories	30	1,925.3	1,295.9	491.9	294.0
Receivables, deposits and prepayments	31	4,760.5	6,803.4	3,127.4	4,769.8
Contract assets	27(b)	3,508.2	3,361.8	3,356.8	3,205.0
Contract cost assets	27(a)	10.5	0	0	0
Tax recoverable		1,129.9	422.6	794.2	247.1
Finance lease receivables	24(a)	1.0	1.0	0	0
Prepaid operating leases	25(a)	0	164.8	0	156.5
Amounts due from subsidiaries	23(b)	0	0	2,957.5	3,702.9
Amounts due from joint ventures	17(a)	10.6	10.8	0	0
Amounts due from associates	18	155.8	364.9	2.6	7.5
Derivative financial instruments	29	0	1.2	0	0
Financial assets at FVTPL	28	7,959.9	9,652.4	7,248.1	5,133.7
Deposits, bank and cash balances	32	6,291.7	8,670.8	2,747.3	5,852.4
		25,753.4	30,749.6	20,725.8	23,368.9

## Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
CURRENT LIABILITIES					
Payables	33	(9,220.3)	(9,797.5)	(6,085.6)	(6,237.2)
Contract liabilities	27(c)	(354.4)	(347.4)	(281.1)	(227.9)
Derivative financial instruments	29	(8.6)	(44.0)	(0.2)	0
Lease liabilities	24(b)	(3,403.3)	(357.8)	(4,904.5)	(1,096.1)
Amounts due to subsidiaries	23(b)	0	0	(867.7)	(1,459.4)
Amounts due to associates	18	(286.6)	(656.3)	(278.6)	(646.4)
Amount due to joint venture	17(a)	(0.1)	(0.5)	0	0
Current tax liabilities		(70.2)	(96.2)	(43.3)	(72.2)
Employee benefits	34	(758.2)	(777.0)	(739.0)	(759.6)
Consumer deposits	35	(6,220.9)	(5,761.6)	(5,880.5)	(5,442.4)
Short term borrowings	36	(3,479.3)	(3,927.8)	(999.7)	(2,252.2)
		(23,801.9)	(21,766.1)	(20,080.2)	(18,193.4)
NET CURRENT ASSETS		1,951.5	8,983.5	645.6	5,175.5
TOTAL ASSETS LESS CURRENT LIABILITIES		155,045.3	131,928.9	152,284.0	106,948.1
NON-CURRENT LIABILITIES					
Borrowings	37	(41,932.4)	(43,904.6)	(18,488.4)	(19,384.8)
Derivative financial instruments	29	(37.2)	(11.5)	0	0
Contract liabilities	27(c)	(3,430.0)	(2,902.9)	(2,709.0)	(2,354.9)
Government development grants	38	(1,031.3)	(1,005.0)	0	0
Lease liabilities	24(b)	(27,902.8)	(4,516.3)	(62,534.4)	(15,572.7)
Deferred tax liabilities	21	(7,783.0)	(8,009.3)	(6,486.4)	(6,665.4)
Other liabilities	39	(979.9)	(1,396.2)	(657.0)	(720.0)
Employee benefits	34	(12,666.6)	(11,131.2)	(11,914.1)	(10,520.2)
		(95,763.2)	(72,877.0)	(102,789.3)	(55,218.0)
TOTAL NET ASSETS		59,282.1	59,051.9	49,494.7	51,730.1
EQUITY					
Share capital	40	11,446.1	11,446.1	11,446.1	11,446.1
Other reserves	41	(7,763.8)	(6,392.7)	(6,510.3)	(5,324.0)
Retained profits		54,299.5	52,784.4	44,558.9	45,608.0
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		57,981.8	57,837.8	49,494.7	51,730.1
NON-CONTROLLING INTERESTS		1,300.3	1,214.1	0	0
TOTAL EQUITY		59,282.1	59,051.9	49,494.7	51,730.1

The notes set out on pages 78 to 217 form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to owners of the Company				Total equity RM'million
		Ordinary shares RM'million	Other reserves RM'million	Retained profits RM'million	Non-controlling interests RM'million	
<b>Group</b>						
<b>At 1 January 2019</b>		<b>11,446.1</b>	<b>(6,392.7)</b>	<b>52,784.4</b>	<b>1,214.1</b>	<b>59,051.9</b>
Profit for the financial year		0	0	4,529.2	(84.2)	4,445.0
Foreign currency translation reserve	41	0	(101.5)	0	0	(101.5)
Fair value of financial assets at OCI	41	0	(17.5)	0	0	(17.5)
Share of OCI of associates accounted for using the equity method	41	0	19.8	0	0	19.8
Employee benefits reserve	41	0	(1,282.5)	0	(21.1)	(1,303.6)
Total comprehensive (expense)/income for the financial year		0	(1,381.7)	4,529.2	(105.3)	3,042.2
LTIP:						
- Share-based payment expense	41	0	232.1	0	0	232.1
- Reversal of share-based payment expense	41	0	(221.5)	0	0	(221.5)
Dividends paid:						
- Final dividend for FY2018	13	0	0	(1,308.0)	0	(1,308.0)
- Interim dividend for FY2019	13	0	0	(1,706.1)	0	(1,706.1)
Dividend paid to NCI		0	0	0	(3.6)	(3.6)
Acquisition of additional equity by NCI		0	0	0	195.1	195.1
Total transactions with owners		0	10.6	(3,014.1)	191.5	(2,812.0)
<b>At 31 December 2019</b>		<b>11,446.1</b>	<b>(7,763.8)</b>	<b>54,299.5</b>	<b>1,300.3</b>	<b>59,282.1</b>
<b>At 1 January 2018</b>		<b>11,199.6</b>	<b>(6,373.0)</b>	<b>52,049.8</b>	<b>919.8</b>	<b>57,796.2</b>
Profit for the financial year		0	0	3,723.7	21.3	3,745.0
Foreign currency translation reserve	41	0	(13.1)	0	0	(13.1)
Fair value of financial assets at OCI	41	0	7.1	0	0	7.1
Share of OCI of associates accounted for using the equity method	41	0	74.3	0	0	74.3
Employee benefits reserve	41	0	(204.3)	0	0	(204.3)
Total comprehensive (expense)/income for the financial year		0	(136.0)	3,723.7	21.3	3,609.0
LTIP:						
- Share-based payment expense	41	0	267.8	0	0	267.8
- Shares issued	41	246.5	(246.5)	0	0	0
Dividends paid:						
- Final dividend for FPE 31.12.2017	13	0	0	(1,213.1)	0	(1,213.1)
- Interim dividend for FY2018	13	0	0	(1,718.8)	0	(1,718.8)
Dividend paid to NCI		0	0	0	(2.0)	(2.0)
Exercise of put option on shares of a subsidiary by NCI		0	95.0	(57.2)	(37.8)	0
Acquisition of additional equity by NCI		0	0	0	312.8	312.8
Total transactions with owners		246.5	116.3	(2,989.1)	273.0	(2,353.3)
<b>At 31 December 2018</b>		<b>11,446.1</b>	<b>(6,392.7)</b>	<b>52,784.4</b>	<b>1,214.1</b>	<b>59,051.9</b>

## Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to owners of the Company			Total equity RM'million
		Ordinary shares RM'million	Other reserves RM'million	Retained profits RM'million	
<b>Company</b>					
<b>At 1 January 2019</b>		<b>11,446.1</b>	<b>(5,324.0)</b>	<b>45,608.0</b>	<b>51,730.1</b>
Profit for the financial year		0	0	1,965.0	1,965.0
Fair value of financial assets at FVOCI	41	0	(17.5)	0	(17.5)
Employee benefits reserve	41	0	(1,179.4)	0	(1,179.4)
Total comprehensive (expense)/income for the financial year		0	(1,196.9)	1,965.0	768.1
LTIP:					
- Share-based payment expense		0	232.1	0	232.1
- Reversal of share-based payment expense		0	(221.5)	0	(221.5)
Dividends paid:					
- Final dividend for FY2018	13	0	0	(1,308.0)	(1,308.0)
- Interim dividend for FY2019	13	0	0	(1,706.1)	(1,706.1)
Total transactions with owners		0	10.6	(3,014.1)	(3,003.5)
<b>At 31 December 2019</b>		<b>11,446.1</b>	<b>(6,510.3)</b>	<b>44,558.9</b>	<b>49,494.7</b>
<b>At 1 January 2018</b>		<b>11,199.6</b>	<b>(5,301.7)</b>	<b>45,321.3</b>	<b>51,219.2</b>
Profit for the financial year		0	0	3,218.6	3,218.6
Fair value of financial assets at FVOCI	41	0	7.1	0	7.1
Employee benefits reserve	41	0	(50.7)	0	(50.7)
Total comprehensive (expense)/income for the financial year		0	(43.6)	3,218.6	3,175.0
LTIP:					
- Share-based payment expense		0	267.8	0	267.8
- Shares issued		246.5	(246.5)	0	0
Dividends paid:					
- Final dividend for FPE 31.12.2017	13	0	0	(1,213.1)	(1,213.1)
- Interim dividend for FY2018	13	0	0	(1,718.8)	(1,718.8)
Total transactions with owners		246.5	21.3	(2,931.9)	(2,664.1)
<b>At 31 December 2018</b>		<b>11,446.1</b>	<b>(5,324.0)</b>	<b>45,608.0</b>	<b>51,730.1</b>

The notes set out on pages 78 to 217 form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit for the financial year	<b>4,445.0</b>	3,745.0	<b>1,965.0</b>	3,218.6
Adjustments for:				
Taxation and zakat	<b>1,032.7</b>	1,301.6	<b>907.5</b>	1,095.5
Property, plant and equipment:				
- Depreciation	<b>6,421.7</b>	6,491.3	<b>4,611.0</b>	5,507.6
- Written off	<b>69.3</b>	83.4	<b>69.3</b>	75.8
- Gain on disposals	<b>(213.3)</b>	(6.2)	<b>(213.3)</b>	(6.2)
- Abandoned projects	<b>0.2</b>	2.8	<b>0.2</b>	2.8
Right-of-use assets:				
- Depreciation	<b>3,767.2</b>	0	<b>5,093.6</b>	0
- Gain on disposals	<b>(1.2)</b>	0	<b>(1.2)</b>	0
Provision for post-employment benefits	<b>725.7</b>	727.4	<b>673.9</b>	683.6
LTIP:				
- Share-based payment expense	<b>232.1</b>	267.8	<b>182.4</b>	205.5
- Reversal of share-based payment expense	<b>(221.5)</b>	0	<b>(174.8)</b>	0
Foreign exchange translation (gain)/loss	<b>(200.6)</b>	393.1	<b>(118.6)</b>	256.4
Gain on redemption of redeemable preference shares in subsidiaries	<b>0</b>	0	<b>(378.4)</b>	(213.9)
Loss/(Gain) on modification of Preferred Equity Certificate ('PEC')	<b>13.4</b>	(6.6)	<b>0</b>	0
Share of results of joint ventures	<b>(25.7)</b>	(27.2)	<b>0</b>	0
Share of results of associates	<b>(26.9)</b>	209.9	<b>0</b>	0
Dividend income	<b>0</b>	0	<b>(90.3)</b>	(90.4)
Finance income	<b>(525.1)</b>	(423.8)	<b>(384.7)</b>	(297.4)
Finance cost on:				
- Borrowings	<b>1,487.7</b>	914.0	<b>706.4</b>	503.4
- Lease liabilities	<b>1,727.2</b>	347.6	<b>3,270.3</b>	1,125.3
- Consumer deposits	<b>153.1</b>	136.4	<b>145.0</b>	128.9
- Others	<b>47.0</b>	317.9	<b>1.1</b>	36.7
Release of:				
- Customers' contributions	<b>(271.5)</b>	(263.4)	<b>(229.3)</b>	(229.4)
- Deferred income	<b>(330.4)</b>	(305.7)	<b>0</b>	0
Government development grants				
- Other operating income	<b>(59.9)</b>	(51.5)	<b>0</b>	0
- Finance cost	<b>(32.3)</b>	(27.4)	<b>0</b>	0
Impairment losses on:				
- Receivables	<b>306.1</b>	482.1	<b>240.4</b>	428.5
- Contract assets	<b>56.6</b>	83.7	<b>44.0</b>	78.4
- Amount due from subsidiaries	<b>0</b>	0	<b>538.7</b>	86.9
- Amount due from associates	<b>0</b>	7.1	<b>0</b>	0
- Financial guarantees	<b>134.6</b>	270.3	<b>135.1</b>	270.8
Reversal of impairment losses on:				
- Receivables	<b>(105.0)</b>	(279.5)	<b>(34.2)</b>	(242.4)
- Contract assets	<b>(89.8)</b>	(76.1)	<b>(78.4)</b>	(75.8)
- Amounts due from subsidiaries	<b>0</b>	0	<b>(258.9)</b>	(79.4)
- Amounts due from associates	<b>(0.1)</b>	(0.3)	<b>(0.1)</b>	(0.3)



## Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>				
Adjustments for: (continued)				
Impairment losses on investment in:				
– Subsidiaries	0	0	1,355.0	1,661.6
– Joint ventures	0.5	0	0	0
– Associates	198.3	802.7	0	0
Inventories:				
– Provision for obsolescence	122.9	293.4	116.7	292.9
– Write back of obsolescence	(89.2)	(278.6)	(89.2)	(278.6)
– Written off	38.4	27.6	37.8	23.1
Changes in fair value of financial instruments	38.0	(36.7)	18.0	(22.2)
Cash from operations before working capital changes	18,825.2	15,122.1	18,060.0	14,146.3
Inventories	(701.5)	(453.3)	(263.2)	(52.2)
Receivables	2,829.0	(721.6)	1,629.8	(1,985.0)
Contract balances	(103.9)	(302.5)	(117.4)	(279.3)
Payables	300.8	127.9	920.6	51.6
Subsidiaries balances	0	0	566.9	(402.1)
Associates balances	99.7	(75.4)	(102.6)	(35.0)
Joint ventures balances	(0.2)	(9.2)	0	0
Lease liabilities	(738.3)	(1.3)	(1,248.7)	(109.7)
Cash generated from operations	20,510.8	13,686.7	19,445.4	11,334.6
Post-employment benefits paid	(885.7)	(824.6)	(868.3)	(805.0)
Contract liabilities received	1,136.0	1,081.9	636.6	506.1
Consumer deposits received	306.2	415.9	293.1	402.6
Taxation and zakat paid	(1,609.6)	(1,324.5)	(1,243.7)	(887.1)
Net cash flows generated from operating activities	19,457.7	13,035.4	18,263.1	10,551.2
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of subsidiaries net of cash and cash equivalent	0	(401.1)	0	(28.0)
Additional investments in:				
– Subsidiaries	0	0	0	(23.9)
– FVTPL	(73,111.7)	(64,589.3)	(72,976.0)	(63,912.0)
– Joint venture	(1.4)	(1.0)	0	0
Proceeds from redemptions:				
– Redeemable preference shares in subsidiaries	0	0	1,293.3	700.0
– Redeemable preference shares in associates	40.4	10.4	9.3	10.4
Disposals of FVTPL	74,593.5	65,602.7	71,037.0	62,774.0
Dividend income received	57.3	44.9	90.3	90.4
Finance income received	226.0	203.9	95.2	57.4
Property, plant and equipment:				
– Additions	(10,759.5)	(11,287.1)	(7,499.6)	(7,407.9)
– Proceeds from disposals	51.7	27.6	36.4	54.1
Right-of-use assets:				
– Proceeds from disposals	1.2	0	1.2	0
Advances granted to subsidiaries	0	0	(62.4)	(426.6)
Repayment of advances from subsidiaries	0	0	0	158.9
Net cash flows used in investing activities	(8,902.5)	(10,389.0)	(7,975.3)	(7,953.2)

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Government development grants received	8.6	5.6	0	0
Long term borrowings:				
- Drawdowns	246.9	7,309.4	0	6,326.1
- Repayments	(2,853.7)	(1,087.4)	(1,990.5)	(305.5)
Short term borrowings:				
- Drawdowns	866.4	897.0	0	0
- Repayments	(903.2)	(867.0)	0	0
Finance cost paid:				
- Borrowings	(2,310.1)	(1,986.9)	(971.3)	(681.4)
- Others	(0.6)	(8.9)	(0.6)	(8.9)
Repayments of lease obligations:				
- Principal	(3,762.2)	(580.8)	(4,561.5)	(999.6)
- Interest	(1,209.8)	(101.9)	(2,830.5)	(1,138.1)
Dividends paid to shareholders	(3,014.1)	(2,931.9)	(3,014.1)	(2,931.9)
Dividends paid to NCI	(3.6)	(2.0)	0	0
Purchase of shares by NCI	0	57.8	0	0
Exercise of put option on shares of a subsidiary by NCI	0	(90.6)	0	0
Net decrease in debt reserve accounts	104.8	3.8	0	0
Net (increase)/decrease in cash at bank, held in trust	(118.2)	40.9	0	0
Net increase in restricted cash	(6.3)	(16.3)	0	0
Net increase in deposits maturing more than 90 days	(2,759.0)	(561.0)	(2,200.2)	0
Net cash flows (used in)/generated from financing activities	(15,714.1)	79.8	(15,568.7)	260.7
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,158.9)</b>	<b>2,726.2</b>	<b>(5,280.9)</b>	<b>2,858.7</b>
<b>EFFECTS OF CHANGES IN FOREIGN CURRENCY</b>	<b>1.1</b>	<b>(3.0)</b>	<b>(24.4)</b>	<b>(7.6)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>7,598.6</b>	<b>4,875.4</b>	<b>5,852.4</b>	<b>3,001.3</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (NOTE 32)</b>	<b>2,440.8</b>	<b>7,598.6</b>	<b>547.1</b>	<b>5,852.4</b>

The changes in liabilities arising from financing activities have been disclosed in Notes 24, 37 and 38 respectively.

# Notes to the Financial Statements

31 DECEMBER 2019

## 1 GENERAL INFORMATION

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 16 to these financial statements, which also includes the details of the subsidiaries of the Group.

There have been no significant changes in these activities of the Group and Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is Pejabat Setiausaha Syarikat, Tingkat 2, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia.

## 2 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, except as disclosed in Note 3 and respective notes in the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

- (a) New standard, interpretations, amendments and improvements to published standards that are effective and applicable to the Group and Company.

The Group and Company have applied the following new standard, interpretations, amendments and improvements to the published standards that are applicable to the Group and Company for the first time for the financial year beginning on 1 January 2019:

- (i) MFRS 16 'Leases' ('MFRS 16') supersedes MFRS 117 'Leases' ('MFRS 117')
- (ii) IC Interpretation 23 'Uncertainty over Income Tax Treatments' ('IC 23')
- (iii) Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' ('MFRS 128')
- (iv) Amendments to MFRS 9 'Financial Instruments' ('MFRS 9') on Prepayment Features with Negative Compensation
- (v) Amendments to MFRS 3 'Business Combinations' ('MFRS 3') in Annual Improvements to MFRS Standards 2015-2017 Cycle
- (vi) Amendments to MFRS 11 'Joint Arrangements' ('MFRS 11') in Annual Improvements to MFRS Standards 2015-2017 Cycle
- (vii) Amendments to MFRS 112 'Income Taxes' ('MFRS 112') in Annual Improvements to MFRS Standards 2015-2017 Cycle
- (viii) Amendments to MFRS 123 'Borrowing Costs' ('MFRS 123') in Annual Improvements to MFRS Standards 2015-2017 Cycle
- (ix) Amendments to MFRS 119 'Employee Benefits' ('MFRS 119') on Plan Amendments, Curtailment or Settlement

The Group and Company have adopted MFRS 16 retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the financial year 2018 have not been restated. The impact of the change in accounting policy is disclosed in Note 48.

The other amendments and improvements listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2 BASIS OF PREPARATION (CONTINUED)

- (b) New standard and amendments to the published standards that are applicable to the Group and Company but not yet effective.

The Group and Company will apply the new standard and amendments to the published standards in the following periods:

- (i) Financial year beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards are to update the references and quotations in these Standards so as to clarify the version of the Conceptual Framework these Standards refer to.

The Revised Conceptual Framework for Financial Reporting comprises a comprehensive set of concepts for financial reporting. It is built on the previous version issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful information are limited, but with improved wording to give more prominence to the importance of providing information needed to assess management's stewardship of the entity's economic resources.

Other improvements include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the following Standards which are applicable to the Group and Company are as follows:

- Amendments to MFRS 2 'Share-based Payments' ('MFRS 2')
- Amendment to MFRS 3
- Amendments to MFRS 101 'Presentation of Financial Statements' ('MFRS 101')
- Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' ('MFRS 108')
- Amendments to MFRS 134 'Interim Financial Reporting' ('MFRS 134')
- Amendment to MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' ('MFRS 137')
- Amendment to MFRS 138 'Intangible Assets' ('MFRS 138')
- Amendment to IC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments' ('IC 19')
- Amendment to IC 22 'Foreign Currency Transactions and Advance Consideration' ('IC 22')
- Amendments to IC Interpretation 132 'Intangible Assets – Web Site Costs' ('IC 132')

The amendments are effective for annual periods beginning or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by Amendments to References to the Conceptual Framework in MFRS Standards.

- Amendments to MFRS 3 on Definition of a Business clarify the definition to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important as an acquirer does not recognise goodwill in an asset acquisition.

The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities or assets is not a business.

The amendments shall be applied to business combinations with acquisition dates on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted and should be disclosed.

# Notes to the Financial Statements

31 DECEMBER 2019

## 2 BASIS OF PREPARATION (CONTINUED)

(b) New standard and amendments to the published standards that are applicable to the Group and Company but not yet effective. (continued)

(i) Financial year beginning on or after 1 January 2020 (continued)

- Amendments to MFRS 101 and MFRS 108 on Definition of material, refines the definition by including 'obscuring information' to address the issue of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

The amendments also align the definition of material across MFRS Standards and other publications.

These amendments shall be applied prospectively. Earlier application is permitted and should be disclosed.

(ii) Financial year beginning on or after 1 January 2021

- MFRS 17 'Insurance Contracts' ('MFRS 17') introduces consistent accounting for all insurance contracts based on a current measurement model. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. MFRS 17 also changes the financial statements presentations of insurance service results – insurance revenue is presented separately from insurance financial income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

MFRS 17 shall be applied with transitional reliefs available. Earlier application is permitted, provided the entities have applied MFRS 9 and MFRS 15 'Revenue from Contracts with Customers' ('MFRS 15') on or before the date of initial application of MFRS 17. If MFRS 17 is applied earlier, that fact should be disclosed.

(iii) Effective date yet to be determined by Malaysian Accounting Standards Board

- Amendments to MFRS 10 'Consolidated Financial Statements' ('MFRS 10') and MFRS 128 on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

There are no other standards, amendments and improvements to published standards and interpretations to existing standards that are not effective that would be expected to have a material impact on the Group and Company.



### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Subsidiaries and basis of consolidation

##### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. The existence and effect of potential voting rights are considered only when such rights are substantive when assessing control.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investment in subsidiaries.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statement of profit or loss.

##### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

The Group applies the acquisition method to account for business combinations. The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition date, fair value and the resulting gain or loss is recognised in the statement of profit or loss.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in the statement of profit or loss. Refer to Note 19 for accounting policy on goodwill.

NCI is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, NCI consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the NCI, even if the attribution of losses to the NCI results in a debit balance in the shareholders' equity.

# Notes to the Financial Statements

31 DECEMBER 2019

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Subsidiaries and basis of consolidation (continued)

#### (iii) Changes in ownership interest

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

### (b) Transactions with NCI

Transactions with NCI that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and NCI to reflect their relative interests in the subsidiary. Any differences between the amount of the adjustment to NCI and any consideration paid or received are recognised in equity attributable to owners of the Group.

### (c) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised in the statement of profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and its value in use ("VIU"). For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill previously impaired are reviewed for possible reversal of the impairment at each reporting date. Any subsequent increase in recoverable amount is recognised in the statement of profit or loss.

### (d) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit or loss as an expense as incurred.

Expenditure on development activities, whereby the application research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only when all the following criteria are fulfilled:

- (i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) Management intends to complete the intangible asset and use or sell it;
- (iii) There is an ability to use or sell the intangible asset;
- (iv) It can be demonstrated how the intangible asset will generate probable future economic benefits;
- (v) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (vi) The expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalised development costs are recognised as intangible assets and amortised from the point at which the asset is ready for use on a straight line method over its useful life.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the assets for its intended use. Other development expenditure is recognised in the statement of profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

All other significant accounting policies are disclosed in their respective notes.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equate to the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group and Company's results and financial position are tested for sensitivity to changes in the underlying parameters.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Revenue recognition

Electricity revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the financial year end of the Group and Company (unread and unbilled). An assessment is also made on any factors that are likely to materially affect the ultimate economic benefits which will flow to the Group and Company, including bill cancellations and adjustments. These assessments will have a corresponding adjustment to trade receivables. To the extent that the economic benefits are not expected to flow to the Group and Company, the value of that revenue is not recognised.

Included in the receivables, deposits and prepayments balance is the estimated under-recovery of costs under the Imbalance Cost Pass-Through ('ICPT') mechanism. The Group and Company continuously assess the balances by considering factors such as changes in the applicable regulatory implementation guidelines and political environment, the ability to recover costs through regulated rates, and the status of any pending or potential deregulation legislation. Based on this continuous assessment, the Company believes the existing balances reflect the best estimates of the Company's receivable from the Government. This assessment reflects the current political and regulatory climate, and may be subject to change in the future.

(b) Estimated useful lives of Property, Plant and Equipment ('PPE')

The Group and Company regularly reviewed the estimated useful lives of PPE based on factors such as business plans and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of PPE would increase the recorded depreciation and decrease the net book value ('NBV') of PPE.

(c) Impairment of PPE

The Group and Company assess impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e., the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its VIU. The VIU is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

In particular for TNB Liberty Power Limited ('LPL'), as disclosed in Note 14(a), the appropriateness of the assumptions required for impairment purpose is dependent on the extension of the Gas Supply Agreement ('GSA') by the Government of Pakistan where the subsidiary is operating, till the end of the Power Purchase Agreement ('PPA') term. The Government of Pakistan through its Economic Coordination Committee ('ECC') has approved the extension for gas allocation from Oil and Gas Development Company Limited ('OGDCL') Qadirpur gas field until the end of the PPA in 2026. Accordingly, the Group is of the view that the carrying amount of the subsidiary's PPE is recoverable.

# Notes to the Financial Statements

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## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (continued)

### (d) Impairment of subsidiaries and associates

The Group and Company assess impairment of its investment in subsidiaries and associates whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable i.e. the carrying amount is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell and its VIU. The VIU is the net present value of the projected future cash flow derived discounted at an appropriate discount rate.

Projected future cash flows are based on the Group and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

### (e) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy and whenever events or change in circumstances indicate that this is necessary within the financial period. This requires an estimation of the VIU of the Group as the cash generating unit to which the goodwill is allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the Group and also to apply a suitable discount rate in order to calculate the present value of those cash flows. The assumptions used, results and sensitivity of the impairment assessment of goodwill are disclosed in Note 19 to the financial statements.

### (f) Measurement of expected credit loss ('ECL') allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and Company use judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group and Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of key assumptions and inputs used are disclosed in Note 46.

### (g) Lease accounting

Previously, the Group and Company determined whether an arrangement was or contained a lease under IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease' ('IC 4'). The Group and Company now assess whether a contract is or contains a lease based on the new definition of a lease under MFRS 16. A contract is, or contains, a lease if the contract conveys a right-of-use ('ROU') of an identified asset for a period of time in exchange for consideration.

As a result of adopting MFRS 16, as a lessee, all of the Group and Company's power purchase agreements which were previously classified as operating leases are now accounted for in the statement of financial position of the Group and Company as lease liabilities and corresponding ROU assets. Details of key assumptions and inputs used are disclosed in Note 24.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group and Company is typically reasonably certain to extend (or terminate)
- The Group and Company consider other factors including historical lease durations and the costs and business disruption required to replace the leased asset

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group and Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee.

For certain contracts there is the obligation to remove the asset after the end of the contract and restore the site to its original condition. The estimates of the restoration costs are based on quotation from the contractor for a particular asset. The ratio of this restoration costs to the construction costs of that asset is then applied to the total construction costs of the asset involved.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (continued)

(h) Fair value of derivatives and other financial instruments

Certain financial instruments such as investments and derivative financial instruments are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of profit or loss.

Fair values are estimated by reference in part to the published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The Group and Company use its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting periods, as disclosed in Note 46 to the financial statements.

(i) Estimation of income taxes

(i) Income tax

Income tax is estimated based on the rules governed under the Income Tax Act, 1967.

Differences in determining the capital allowances, deductibility of certain expenses and subsequent utilisation of reinvestment allowance may arise during the estimation of the provision for income tax between tax calculated at the statement of financial position date, and the final submission to the tax authority as a result of obtaining further detailed information that may become available subsequent to the statement of financial position date.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions and deferred tax balance in the period in which such determination is made.

The Group and Company have recorded tax recoverable for which the Group and Company believe that there is a reasonable basis for recognition. Where the final tax outcome of this matter is different from the amount that was initially recorded, such difference may cause a material adjustment to the carrying amount of the tax recoverable balance recorded in the period in which such determination is made.

On 23 November 2015, the Inland Revenue Board ('IRB') had disallowed the Company's reinvestment allowance ('RIA') claims for the Years of Assessment 2013 and 2014 and had issued notices of additional assessments ('Notices') of RM2,068.2 million to the Company. The Company had filed an appeal to the Special Commissioners of the Income Tax ('SCIT') against the Notices.

Subsequently, on 28 November 2019, the IRB has also disallowed the Company's RIA claims for the Years of Assessment 2015, 2016 and 2017 by issuing Notices of RM3,977.9 million to the Company. The Company has commenced a judicial review application to the High Court against the said Notices.

As at 31 December 2019, the Group and Company recorded a tax recoverable of RM1,765.1 million from the IRB arising from the resubmission of tax computations for the Years of Assessment 2003 to 2006 and Years of Assessment 2008 to 2012 pursuant to the explicit approval given by the IRB on 21 January 2013 on the eligibility of the Company in claiming the RIA.

In addition, the Group and Company have not recorded the potential additional tax liability arising from the tax impact if the RIA claimed is disallowed and the Company loses its appeal. The realisation of this tax recoverable and the potential tax liability is dependent on the outcome of judgement on the RIA claims by the SCIT and by the Kuala Lumpur High Court, including if there is a subsequent appeal by either party, as disclosed in Note 43 to the financial statements.

The Directors have performed an assessment on the tax recoverable of RM1,765.1 million and the potential tax liability based on legal view obtained from external legal counsel and the facts surrounding its RIA claims. The Directors have exercised judgement that there is sufficient evidence and case law to support the Company's appeal against the Notices.



## Notes to the Financial Statements

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### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (continued)

(i) Estimation of income taxes (continued)

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

(j) Post-employment employee benefits

The Group and Company provide both Retirement Benefit Plan and Post Retirement Medical Plan for certain employees. The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using certain assumptions. The key assumptions used in determining the net cost/(income) for the employee benefits include discount rate, medical claim inflation rate and salary increment rate. Any changes in these assumptions will impact the carrying amount of employee benefits obligations, as disclosed in Note 34.

- Discount rate

The Group and Company determine the appropriate discount rate at the end of each financial period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and Company consider the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefits obligation.

- Medical claim inflation rate

The medical claim inflation rate for general practitioner, hospitalisation, specialist and dialysis medical claims, as determined by the Group and Company are based on the annualised increase in average claims over the past 9 years.

- Salary increment rate

The salary increment rate for employees receiving the Retirement Benefit Plan as determined by the Group and Company is based on the average salary increment rate for the past 10 years and considerations for price inflation, real salary increase, promotions and Collective Agreement ('CA') negotiation.

(k) Fair value of LTIP

The Group introduced an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group.

The Group and Company measure the equity-settled share-based payments by reference to the fair value of the equity instruments at the date which they are granted, and revise the estimated number of shares that are expected to vest at the reporting period.

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model (i.e. Monte Carlo simulation model). The estimate requires determining the most appropriate inputs to the valuation model including the expected life of the share scheme, volatility and dividend yield and making assumptions about them, as disclosed in Note 7 to the financial statements.

## 5 REVENUE

### Accounting Policy

Revenue which represents income arising in the course of the Group and Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contracts with customers. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or services promised in the contract. Depending on the substance of the respective contract with the customer, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group and Company do not expect any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group and Company do not adjust any of the transaction prices for the time value of money.

#### (a) Electricity revenue

Revenue from the supply of electricity in Peninsular Malaysia is regulated based on certain formulae and parameters as set out in the regulatory implementation guidance under the Incentive Based Regulation ('IBR') framework and as agreed with the regulators.

The contract with customers is for the supply of electricity based on Tariff rates as set out in the provision of the Electricity Supply Act 1990. Collection of the contract consideration from customers is considered probable.

The promise to supply electricity represents a promise to transfer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. The performance obligation to deliver electricity is satisfied over time as the customers simultaneously received and consumed the benefits provided by the Group and Company's performance. Hence, electricity revenue is recognised over time by the Group and Company when electricity is consumed by customers.

Generally, customers are billed on a monthly basis. As the amount at which the Group and Company have a right to invoice corresponds directly with the value to the customer, the revenue from electricity sales is also recognised on a monthly basis. Payment should be made by customers within 30 days from the date the bill is issued. An interest charge will be imposed if payment is made later than 30 days after the bill date.

Electricity revenue includes an estimated value of the electricity consumed by customers from the date of their last meter reading and the reporting period end. Accrued unbilled revenues recognised as contract assets are reversed in the following month when actual billings occur.

ICPT, a mechanism established under the IBR allows the Company to pass through the volatility in fuel and other generation specific costs (termed as the 'Single Buyer Generation Cost') to the consumers, such that the Company remains financially neutral. The Company's claims and undertakings under the ICPT mechanism are such that any over or under-recovery of costs would be payable to or reimbursable from the Government, and would be recognised as part of revenue in the period the costs are incurred. Actual base tariff billed to the customers remains unchanged.

Included in the revenue, is the Annual Regulatory Adjustment ('ARA') for the over recovery of revenue and other income earned during the year. The Company has taken into account the principles laid out in the Guidelines on Electricity Tariff Determination under the IBR for Peninsular Malaysia 2018, where the allowed revenue in each year is calculated as the sum of actual revenue earned and any applicable adjustments, such as those related to the revenue-cap, price-cap and other income adjustment mechanisms as described in the Guidelines. Other income which is earned from services not directly related to electricity supply, but which are provided using the assets and/or staff of a licensee is deducted from the revenues to be earned from regulated tariffs.

# Notes to the Financial Statements

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## 5 REVENUE (CONTINUED)

### Accounting Policy (continued)

#### (b) Goods and services

##### (i) Sale of goods

Sale of goods is recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been transported to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term of an average between 30 to 60 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

##### (ii) Rendering of services

Revenue from providing services is recognised over the period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer received and uses the benefits simultaneously.

In cases of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payments, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes hourly fees, revenue is recognised at the amount to which the Group has a right to invoice. The amounts are billed within 60 to 180 days from satisfying the performance obligations and payment is expected within 30 days from the billing date.

#### (c) Construction contracts

Revenue from construction contracts is recognised over time or at a point in time in accordance with performance obligations being satisfied. Where revenue is recognised over time, the satisfaction of performance obligation is by reference to the stage of completion which is assessed by reference to the contract costs incurred over the total estimated costs for each contract as at the reporting date. Otherwise, revenue is recognised at a point in time when the customer obtains control of the assets. The related costs are recognised in profit or loss when they are incurred.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include sale of goods as a separate performance obligation, revenue from this sale is recognised at a point in time when the goods are delivered, the legal title has passed and the customer has accepted the goods.

When the consideration of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of profit or loss.

## 5 REVENUE (CONTINUED)

### Accounting Policy (continued)

#### (c) Construction contracts (continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The amounts will be billed within 60 to 180 days from satisfying the performance obligations and payment is expected within 30 days from billing date. Advances received are included in contract liabilities.

#### (d) Customers' contributions

Contributions received from customers consist of cash and assets in the form of PPE. It is an upfront capital contributions for the construction of assets, used to connect the customers to a network or to provide them with the service.

The customers' contributions are viewed as indirectly related to the promise of providing supply of electricity to the customers. Supply of electricity and customers' contributions are not distinct because the customers cannot benefit from these two services on their own. The connection infrastructures are to fulfil the obligation to supply electricity to the customers. Both the supply of electricity and customers' contributions are substantially the same, and have the same pattern of transfer to the customers.

Therefore, connection and the supply of electricity are one performance obligation. It is considered as part of the transaction price for the overall service provided to the customers and is recognised over time. The customers' contributions are deferred and recognised over the period the constructed assets are used to provide electricity to the customers. The contributions are recognised as contract liabilities and amortised over 20 years, being the estimated average useful life of the assets.

Disaggregation of revenue from contracts with customers for the Group and Company are categorised as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Sales:				
- Electricity*	<b>49,912.2</b>	49,487.4	<b>47,013.0</b>	46,833.9
- Goods and services	<b>694.6</b>	554.7	<b>0</b>	0
Construction contracts	<b>61.4</b>	87.0	<b>0</b>	0
Customers' contributions	<b>271.5</b>	263.4	<b>229.3</b>	229.4
	<b>50,939.7</b>	50,392.5	<b>47,242.3</b>	47,063.3
Over time	<b>50,675.1</b>	50,283.3	<b>47,242.3</b>	47,063.3
At a point in time	<b>264.6</b>	109.2	<b>0</b>	0
	<b>50,939.7</b>	50,392.5	<b>47,242.3</b>	47,063.3

\* Included in the sales of electricity are the net ICPT and other regulatory adjustments amounting to RM553.8 million (2018: RM1,689.8 million). In 2018, there was Government subsidy for Sabah Electricity Sdn. Bhd. ('SESB') tariff reduction amounting to RM32.2 million included in the sales of electricity. SESB also received tariff support subsidy from Federal Government amounting to RM362.9 million (2018: RM272.3 million), which the total claims were for the months of December 2018 until November 2019.

The revenue of the Group and Company are predominantly derived in Malaysia. The revenue derived from outside of Malaysia is regarded as not material.

## Notes to the Financial Statements

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### 6 OPERATING EXPENSES

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Cost of sales:				
- Energy cost	<b>30,638.0</b>	30,654.9	<b>29,553.9</b>	30,303.8
- Transmission cost	<b>1,908.5</b>	1,788.1	<b>1,753.4</b>	1,650.7
- Distribution cost	<b>6,377.0</b>	5,832.8	<b>6,037.9</b>	5,531.1
	<b>38,923.5</b>	38,275.8	<b>37,345.2</b>	37,485.6
Administrative expenses	<b>2,561.9</b>	2,441.1	<b>1,751.7</b>	1,535.7
Other operating expenses	<b>2,076.1</b>	3,137.8	<b>2,426.4</b>	2,824.2
	<b>43,561.5</b>	43,854.7	<b>41,523.3</b>	41,845.5

Operating expenses include the following items:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Purchases from Independent Power Producers ('IPPs') <sup>a</sup>	<b>13,564.6</b>	16,057.7	<b>21,474.7</b>	25,349.8
Fuel costs	<b>10,847.9</b>	11,634.0	<b>2,030.3</b>	2,714.7
Operating lease expenses	<b>0</b>	3,978.5	<b>0</b>	4,694.7
Directors' remuneration:				
- Fees and allowances	<b>3.4</b>	4.4	<b>3.0</b>	4.0
- Other emoluments	<b>0.2</b>	0.5	<b>0.2</b>	0.5
Auditors' remuneration:				
- PricewaterhouseCoopers PLT, Malaysia				
- Statutory audit	<b>3.4</b>	3.5	<b>1.5</b>	1.5
- Audit related services	<b>2.2</b>	2.6	<b>2.1</b>	2.6
- Member firm of PricewaterhouseCoopers International Limited				
- Statutory audit	<b>0.9</b>	0	<b>0</b>	0
- Others				
- Statutory audit	<b>0</b>	1.1	<b>0</b>	0
- Non-audit services				
- Tax related services	<b>0.2</b>	2.8	<b>0.1</b>	2.4
- Other non-audit services	<b>2.9</b>	4.8	<b>2.9</b>	4.4
Staff costs (Note 7)*	<b>3,747.7</b>	3,685.8	<b>2,782.2</b>	2,833.0
Property, plant and equipment:				
- Depreciation	<b>6,421.7</b>	6,491.3	<b>4,611.0</b>	5,507.6
- Written off	<b>69.3</b>	83.4	<b>69.3</b>	75.8
- Abandoned projects	<b>0.2</b>	2.8	<b>0.2</b>	2.8
Right-of-use assets:				
- Depreciation	<b>3,767.2</b>	0	<b>5,093.6</b>	0
Impairment losses on investment in:				
- Subsidiaries	<b>0</b>	0	<b>1,355.0</b>	1,661.6
- Joint ventures	<b>0.5</b>	0	<b>0</b>	0
- Associates	<b>198.3</b>	802.7	<b>0</b>	0

## 6 OPERATING EXPENSES (CONTINUED)

Operating expenses include the following items: (continued)

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Inventories:				
- Provision for obsolescence	122.9	293.4	116.7	292.9
- Write back of obsolescence	(89.2)	(278.6)	(89.2)	(278.6)
- Written off	38.4	27.6	37.8	23.1
Telecommunication expenses	69.2	56.3	67.4	56.2
Expenses arising from leases:				
- Low-value assets (Note 24)	17.3	0	16.8	0
- Rental expenses				
- Land and buildings	0	53.0	0	51.0
- Plant and machinery	0	15.1	0	15.1
Research and development expenses	129.4	157.7	129.4	157.7
Receipt of Government subsidies <sup>#</sup>	(270.1)	(124.7)	0	0

<sup>^</sup> These include amounts related to the Electricity Industry Fund amounting to RM55.8 million (2018: RM43.6 million).

<sup>\*</sup> This includes the remuneration of the Executive Directors amounting to RM7.8 million (2018: RM11.5 million).

<sup>#</sup> This represents the subsidies that SESB received for diesel and medium fuel oil from the Government of Malaysia. The total amount credited in the current year has been offsetted against energy cost.

The estimated monetary value of benefits received by the Directors was RM0.2 million (2018: RM0.5 million) for the Group and Company.

All non-audit services were procured competitively in accordance with TNB Procurement Policies and Procedures. Non-audit services can be offered by the external auditors of the Group if there are clear efficiencies and value added benefits to the Group.

## 7 STAFF COST

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Wages, salaries and bonuses	2,274.7	1,939.6	1,528.4	1,348.2
Defined contribution retirement plan	395.0	403.8	308.3	327.3
Long Term Incentive Plan	10.6	267.8	7.6	205.5
Retirement Benefit Plan	150.8	165.6	130.9	145.2
Post Retirement Medical Plan	574.9	561.8	543.0	538.4
Other employee benefits	341.7	347.2	264.0	268.4
	3,747.7	3,685.8	2,782.2	2,833.0

Details of the retirement benefit and post retirement medical plans of the Group and Company are set out in Note 34 to the financial statements.



## Notes to the Financial Statements

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### 7 STAFF COST (CONTINUED)

#### Long Term Incentive Plan ('LTIP')

The Group operates an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received in exchange for the grant of the Company's shares is recognised as an expense in the statement of profit or loss over the vesting period of the grant, with a corresponding increase in share-based payment reserve in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

Non-market vesting conditions are included in the assumptions to arrive at the number of shares that are expected to vest. At the end of the reporting period, the Group and Company revise its estimate of the number of shares that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the statement of profit or loss, with a corresponding adjustment to share-based payment reserve in equity.

The fair value of shares granted to employees of subsidiaries is allocated to the subsidiaries.

The Company implemented a LTIP on 30 April 2015 for a period of 10 years. The LTIP is governed by the by-laws, which was approved by the shareholders at an Extraordinary General Meeting on 18 December 2014. LTIP is intended to allow the Company to award the grant of new shares to be vested to selected employees for the attainment of identified performance objectives.

#### (a) The main features of the LTIP

The LTIP comprises a Restricted Share Grant ('RS Grant') and a Performance Share Grant ('PS Grant'). The main difference in the features of the RS Grant and the PS Grant is the eligibility of the selected employees in terms of their job grades in the Group and the performance targets and/or performance conditions to be met prior to the offer and vesting of the grant to the selected employees.

The details of the grant are as follows:

#### (i) RS Grant

The RS Grant is a restricted share grant for all eligible employees selected on a basis designated by the LTIP Committee. The RS Grant will be awarded annually to the selected employees to be vested over a period of 3 years on pro-rata basis and after fulfilment of individual performance targets based on the Group's performance management system (such as individual performance rating) and certain performance conditions (such as financial targets) as determined by the LTIP Committee from time to time at its discretion in accordance with the terms and conditions of the LTIP.

#### (ii) PS Grant

The PS Grant is a performance share grant for senior executives of the Group and Executive Director as well as key employees of the Group selected on a basis designated by the LTIP Committee. The PS Grant will be awarded annually to the selected employees to be vested at the end of the 3-year period and after fulfilment of certain performance targets and/or conditions at the time of grant and vesting, which may include, among other factors, total shareholders' return and the long term financial performance targets/ratios of the Group as determined by the LTIP Committee from time to time at its discretion in accordance with the terms and conditions of the LTIP. At the point of vesting, the final award of the PS Grant is based on a multiple of the initial grant whereby the multiple is determined according to the performance targets and/or conditions. In the event the performance targets and/or conditions are not met by the selected employees, the grant will not be vested to them at the end of the performance period.

The new ordinary shares to be allotted and issued upon the vesting of the ordinary shares pursuant to the RS Grant and PS Grant will not be subjected to any retention period or restriction on transfer.

## 7 STAFF COST (CONTINUED)

### Long Term Incentive Plan ('LTIP') (continued)

#### (a) The main features of the LTIP (continued)

##### (ii) PS Grant (continued)

In implementing the LTIP, the grant will be satisfied by way of allotment and issuance of new ordinary shares to the respective RS and PS grantees upon vesting of the grant.

The LTIP Committee shall decide from time to time at its discretion to determine or vary the terms and conditions of the offer, such as the eligibility criteria and allocation in each grant, the timing and frequency of the award of the grant, the performance targets and/or performance conditions to be met prior to the offer and vesting of the grant and the vesting period.

#### (b) Maximum number of new ordinary shares available under the LTIP

The maximum number of new ordinary shares which may be made available under the LTIP and/or allotted and issued upon vesting of the new ordinary shares under the LTIP shall not be more than 10.0% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any point in time during the duration of the LTIP.

#### (c) Basis of allocation and maximum allowable allotment

The total number of new ordinary shares that may be offered to any one of the selected employees and/or to be vested in any one of the grantees under the LTIP at any time shall be at the discretion of the LTIP Committee (subject to the by-laws and any applicable law).

#### (d) Eligibility

Employees of the Group and Company (including the Executive Director) who meet the following criteria as at the date of offer shall be eligible to be considered as an eligible employee to participate in the LTIP:

- (i) Has attained the age of 18 years;
- (ii) Has entered into a full-time or fixed-term contract of employment with, and is on the payroll of any company within the Group and has not served a notice of resignation or received a notice of termination;
- (iii) Whose service/employment has been confirmed in writing;
- (iv) Is not a non-executive or independent director of the Company; and
- (v) Has fulfilled any other eligibility criteria which has been determined by the LTIP Committee at its discretion from time to time, as the case may be.

The LTIP Committee may determine any other eligibility criteria for the purpose of selecting an eligible employee at any time and from time to time, at its discretion.

#### (e) Ranking of the new ordinary shares

The new ordinary shares to be allotted and issued pursuant to the LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued ordinary shares.

The new ordinary shares to be allotted and issued pursuant to the vesting of the grant under the LTIP shall not be entitled to any dividends, rights, allotments and/or any other distributions, for which the entitlement date is prior to the date on which the new ordinary shares are credited into the Central Depository System ('CDS') accounts of the respective grantees upon vesting of the grant under the LTIP.

#### (f) Alteration of share capital and adjustment

If the LTIP Committee so decides (but not otherwise), in the event of any alteration in the capital structure of the Company during the duration of LTIP, which expires on 29 April 2025, such corresponding alterations (if any) may be made to the LTIP in:

- (i) The number of unvested new ordinary shares comprised in a grant; and/or
- (ii) The method and/or manner in the vesting of the new ordinary shares comprised in a grant.

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### 7 STAFF COST (CONTINUED)

#### *Long Term Incentive Plan ('LTIP') (continued)*

The movement in the total number of share grants during the financial year is as follows:

	Group				Company			
	At 1.1.2019 '000	Granted '000	Forfeited '000	At 31.12.2019 '000	At 1.1.2019 '000	Granted '000	Forfeited '000	At 31.12.2019 '000

#### 2019

##### LTIP 2

RS Grant	4,565.5	0	(4,565.5)	0	3,573.3	0	(3,573.3)	0
PS Grant	1,600.9	0	(1,600.9)	0	1,429.2	0	(1,429.2)	0

##### LTIP 3

RS Grant	11,828.0	0	(6,735.6)	5,092.4	8,820.7	0	(5,080.7)	3,740.0
PS Grant	1,913.9	0	(337.0)	1,576.9	1,673.1	0	(285.7)	1,387.4

##### LTIP 4

RS Grant	18,030.9	0	(7,748.5)	10,282.4	13,685.1	0	(5,980.2)	7,704.9
PS Grant	1,984.7	0	(349.9)	1,634.8	1,758.8	0	(308.7)	1,450.1

##### LTIP 5

RS Grant	0	25,443.7	(660.6)	24,783.1	0	19,712.3	(513.9)	19,198.4
PS Grant	0	2,704.3	(129.0)	2,575.3	0	2,400.2	(101.4)	2,298.8

	Group						Company					
	At 1.1.2018 '000	Granted '000	Additional* '000	Forfeited '000	Vested '000	At 31.12.2018 '000	At 1.1.2018 '000	Granted '000	Additional* '000	Forfeited '000	Vested '000	At 31.12.2018 '000

#### 2018

##### LTIP 1

RS Grant	5,938.2	0	0	(398.6)	(5,539.6)	0	4,556.7	0	0	(365.0)	(4,191.7)	0
PS Grant	2,067.0	0	1,575.5	(473.9)	(3,168.6)	0	1,817.4	0	1,355.7	(416.7)	(2,756.4)	0

##### LTIP 2

RS Grant	10,619.6	0	0	(667.8)	(5,386.3)	4,565.5	8,446.6	0	0	(602.8)	(4,270.5)	3,573.3
PS Grant	1,883.1	0	0	(282.2)	0	1,600.9	1,697.8	0	0	(268.6)	0	1,429.2

##### LTIP 3

RS Grant	20,299.7	0	0	(1,663.7)	(6,808.0)	11,828.0	15,381.3	0	0	(1,322.6)	(5,238.0)	8,820.7
PS Grant	2,123.4	0	0	(209.5)	0	1,913.9	1,875.8	0	0	(202.7)	0	1,673.1

##### LTIP 4

RS Grant	0	18,571.6	0	(540.7)	0	18,030.9	0	14,148.3	0	(463.2)	0	13,685.1
PS Grant	0	2,058.1	0	(73.4)	0	1,984.7	0	1,822.0	0	(63.2)	0	1,758.8

\* The final amount of vesting under PS01 is in accordance with terms and condition approved by the Board Nomination and Remuneration Committee ('BNRC') LTIP/Board as stated in Note 7(a)(ii) above.

## 7 STAFF COST (CONTINUED)

### Long Term Incentive Plan ('LTIP') (continued)

The fair value of the share granted is estimated using the Monte Carlo Simulation Model with the following inputs:

	Group and Company									
	LTIP 1		LTIP 2		LTIP 3		LTIP 4		LTIP 5	
	RS Grant	PS Grant	RS Grant	PS Grant	RS Grant	PS Grant	RS Grant	PS Grant	RS Grant	PS Grant
Fair value at grant date	RM10.46- RM10.96	RM8.70 <sup>^</sup>	RM12.87- RM13.53	RM12.04 <sup>^</sup>	RM12.33- RM13.21	RM11.67 <sup>^</sup>	RM13.96- RM15.21	RM12.60 <sup>^</sup>	RM11.24- RM12.18	RM10.20 <sup>^</sup>
Share price at grant date	RM11.18	RM11.18	RM13.88	RM13.88	RM13.74	RM13.74	RM15.92	RM15.92	RM12.28	RM12.28
Expected volatility*	18.5%	18.5%	18.9%	18.9%	16.5%	16.5%	13.3%	13.3%	14.3%	14.3%
Expected dividend yield	2.3%	2.3%	2.5%	2.5%	3.6%	3.6%	4.4%	4.4%	4.1%	4.1%
Risk-free interest rate**	3.8%	3.8%	3.0%	3.0%	3.5%	3.5%	3.4%	3.5%	3.4%	3.4%
Grant date	3 August 2015	3 August 2015	1 April 2016	1 April 2016	28 March 2017	28 March 2017	18 April 2018	18 April 2018	30 April 2019	30 April 2019
Vesting date	28 November 2018		30 April 2019		30 April 2020		30 April 2021		30 April 2022	
- Tranche 1	15 November 2016	-	2 May 2017	-	30 April 2018	-	30 April 2019	-	30 April 2020	-
- Tranche 2	23 November 2017	-	30 April 2018	-	30 April 2019	-	30 April 2020	-	30 April 2021	-
- Tranche 3	28 November 2018	-	30 April 2019	-	30 April 2020	-	30 April 2021	-	30 April 2022	-

<sup>^</sup> Market considerations have been included in the consideration of fair value.

\* Expected volatility is based on TNB's 3 year average daily historical volatility.

\*\* Risk-free interest is based on Malaysian Government Securities yield.

## 8 OTHER OPERATING INCOME

### Accounting Policy

Other operating income are the non-core revenue received for sales of goods and services rendered by the Group and Company. Leasing income is accrued, unless collectability is in doubt. Dividend income is recognised when the shareholders' rights to receive payment is established. Interest on late payments is the 1.0% late payment interest charge imposed if payment of electricity bill is made later than 30 days after the bill date in accordance with the Licensee Supply Regulations 1990. Accounting policy on gain on disposals of PPE are disclosed in Note 14. All others are recognised upon completion of the rendering of services or sales of goods not in the ordinary course of the Group and Company's business.

## Notes to the Financial Statements

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### 8 OTHER OPERATING INCOME (CONTINUED)

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Dividend income from:				
– Subsidiaries	0	0	59.3	64.0
– Associates	0	0	31.0	26.4
Leasing income	34.4	27.1	33.7	19.4
Rental income	12.4	16.0	34.0	38.0
Release of Government development grants (Note 38)	59.9	51.5	0	0
Gain on disposals of PPE	213.3	6.2	213.3	6.2
Gain on disposals of ROU	1.2	0	1.2	0
Interest on late payments	184.8	247.6	181.9	240.6
Minimum charges	42.9	41.7	42.9	41.7
Gain on redemption of redeemable preference shares in subsidiaries	0	0	378.4	213.9
Sundry receipts	40.2	82.0	130.9	85.1
Project management and consultancy	0	0	11.9	277.1
Theft of electricity	234.9	163.1	233.0	162.2
Liquidated damages	154.8	18.8	9.3	18.8
Other income	152.2	171.1	69.4	126.3
	<b>1,131.0</b>	<b>825.1</b>	<b>1,430.2</b>	<b>1,319.7</b>

Other income comprises primarily income from sales of scrap and rechargeable works.

### 9 FOREIGN EXCHANGE GAIN/(LOSS)

#### Accounting Policy

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia ('RM'), which is the Company's functional and presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. However, exchange differences are deferred in OCI when they are attributable to items that form part of the net investment in a foreign operation.

## 9 FOREIGN EXCHANGE GAIN/(LOSS) (CONTINUED)

### Accounting Policy (continued)

#### (c) Group companies

The results and financial positions of the Group's entities (none of which has the currency of a hyperinflationary economy) that have functional currencies which are different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of profit or loss and OCI are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in OCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), the cumulative amount of the exchange differences relating to that foreign operation recognised in OCI, and accumulated in the separate component of equity, are reclassified from equity to profit or loss, as part of the gain or loss on disposal.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences recognised in OCI are re-attributed to NCI in that foreign operation, and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Foreign exchange gain/(loss) comprises:				
Translation gain/(loss) – foreign term loans	149.4	(185.8)	149.4	(185.8)
Translation gain/(loss) – others	51.2	(207.3)	(30.8)	(70.6)
Total foreign exchange translation gain/(loss)	200.6	(393.1)	118.6	(256.4)
Transaction loss – foreign term loans	(54.1)	(12.1)	(54.1)	(12.0)
Transaction (loss)/gain – others	(32.6)	(13.1)	1.5	(13.6)
	113.9	(418.3)	66.0	(282.0)



## Notes to the Financial Statements

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### 10 FINANCE INCOME/COST AND FAIR VALUE CHANGES OF FINANCIAL INSTRUMENTS

#### Accounting Policy

Finance income are interests and dividends received from investments or financial instruments.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Finance income is calculated by applying the effective interest method to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowances). The accounting policy on fair value changes are as per disclosed in Note 46.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily takes substantial period of time to get ready for their intended use. Other borrowing costs are expensed in the period in which they are incurred.

Accounting policy on finance charges under lease liabilities are disclosed in Note 24. Accounting policy for government grants is disclosed in Note 38.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
(a) Finance income:				
Interest from subsidiaries	0	0	45.1	46.0
Interest from deposits, staff loans and associates	569.5	531.8	339.6	251.4
Less: Reduction of borrowing costs capitalised into PPE	(44.4)	(108.0)	0	0
	525.1	423.8	384.7	297.4
(b) Finance cost:				
Finance cost on:				
- Borrowings	2,482.5	1,937.8	962.3	763.9
- Lease liabilities (Note 24)	1,727.2	347.6	3,270.3	1,125.3
- Consumer deposits	153.1	136.4	145.0	128.9
- Others	47.0	317.9	1.1	36.7
Release of Government grants (Note 38)	(32.3)	(27.4)	0	0
Less: Amount capitalised into PPE	(994.8)	(1,023.8)	(255.9)	(260.5)
	3,382.7	1,688.5	4,122.8	1,794.3
(c) Fair value changes of financial instruments:				
Gain/(Loss) on changes in fair value of financial assets	3.6	44.8	(17.9)	22.0
(Loss)/Gain on changes in fair value of financial liabilities	(41.6)	(8.1)	(0.1)	0.2
	(38.0)	36.7	(18.0)	22.2

## 11 TAXATION AND ZAKAT

### Accounting Policy

#### (a) Income tax

Current tax expense is determined by the expected income taxes payable in respect of the taxable profit for the financial year and is measured using the applicable tax rates according to the tax laws of the countries in which the Company and its subsidiaries operate and generate the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in OCI. In this case, the item is recognised in OCI, net of tax.

#### (b) Zakat

The Group and Company recognise its obligation towards the payment of zakat on business income in the statement of profit or loss. Zakat payment is an obligation and is accrued based on 2.5% of profit before tax and determined according to the percentage of Muslim shareholding in the Company.

The taxation and zakat for the Group and Company comprise:

	Note	Group		Company	
		2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Current tax:					
– Malaysian corporate income tax		<b>903.4</b>	960.5	<b>694.8</b>	597.5
Deferred tax	21	<b>110.1</b>	266.8	<b>193.5</b>	423.7
Tax expense		<b>1,013.5</b>	1,227.3	<b>888.3</b>	1,021.2
Zakat		<b>19.2</b>	74.3	<b>19.2</b>	74.3
		<b>1,032.7</b>	1,301.6	<b>907.5</b>	1,095.5

The analysis of the tax expense is as follows:

Current tax:

– Current financial year		<b>1,136.2</b>	962.8	<b>929.0</b>	581.4
– (Over)/Under accrual in prior financial years		<b>(232.8)</b>	(2.3)	<b>(234.2)</b>	16.1
		<b>903.4</b>	960.5	<b>694.8</b>	597.5

Deferred tax:

– Origination and reversal of temporary differences	21	<b>110.1</b>	266.8	<b>193.5</b>	423.7
		<b>1,013.5</b>	1,227.3	<b>888.3</b>	1,021.2

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### 11 TAXATION AND ZAKAT (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation and zakat is as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Profit before taxation and zakat	<b>5,477.7</b>	5,046.6	<b>2,872.5</b>	4,314.1
Tax calculated at the Malaysian corporate income tax rate of 24% (2018: 24%)	<b>1,314.6</b>	1,211.2	<b>689.4</b>	1,035.4
Tax effects of:				
- Share of results of associates and joint ventures	<b>(12.6)</b>	43.8	<b>0</b>	0
- Income not subject to tax	<b>(379.0)</b>	(284.2)	<b>(314.3)</b>	(215.5)
- Expenses not deductible for tax purposes	<b>489.2</b>	1,008.5	<b>802.8</b>	1,003.5
- Expenses qualifying for double deduction	<b>(43.7)</b>	(33.2)	<b>(43.7)</b>	(33.2)
- Current financial year unrecognised temporary differences and unused tax losses	<b>6.9</b>	27.6	<b>0</b>	0
- Foreign jurisdictions	<b>(16.5)</b>	31.8	<b>0</b>	0
(Over)/Under accrual of tax in prior financial years	<b>(232.3)</b>	(2.3)	<b>(234.2)</b>	16.1
Recognition and utilisation of previously unrecognised temporary differences	<b>(113.1)</b>	11.0	<b>(11.7)</b>	1.8
Zakat	<b>19.2</b>	74.3	<b>19.2</b>	74.3
Utilisation of reinvestment allowances	<b>0</b>	(786.9)	<b>0</b>	(786.9)
Tax and zakat charge	<b>1,032.7</b>	1,301.6	<b>907.5</b>	1,095.5
Average effective tax rate (%)	<b>18.9</b>	25.8	<b>31.6</b>	25.4

The tax charge relating to components of OCI is as follows:

	2019			2018		
	Before tax RM'million	Tax charged RM'million	After tax RM'million	Before tax RM'million	Tax charged RM'million	After tax RM'million
<b>Group</b>						
Defined benefit plan actuarial loss (Note 34)	<b>(1,676.6)</b>	<b>373.0</b>	<b>(1,303.6)</b>	(220.3)	16.0	(204.3)
Foreign currency translation differences	<b>(101.5)</b>	<b>0</b>	<b>(101.5)</b>	(13.1)	0	(13.1)
Financial assets at FVOCI	<b>(17.5)</b>	<b>0</b>	<b>(17.5)</b>	7.1	0	7.1
Share of OCI of associates accounted for using the equity method	<b>19.8</b>	<b>0</b>	<b>19.8</b>	74.3	0	74.3
	<b>(1,775.8)</b>	<b>373.0</b>	<b>(1,402.8)</b>	(152.0)	16.0	(136.0)
<b>Company</b>						
Defined benefit plan actuarial loss (Note 34)	<b>(1,551.9)</b>	<b>372.5</b>	<b>(1,179.4)</b>	(66.7)	16.0	(50.7)
Financial assets at FVOCI	<b>(17.5)</b>	<b>0</b>	<b>(17.5)</b>	7.1	0	7.1
	<b>(1,569.4)</b>	<b>372.5</b>	<b>(1,196.9)</b>	(59.6)	16.0	(43.6)

## 12 EARNINGS PER SHARE ('EPS')

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares issued during the financial year.

	Group	
	2019	2018
Profit attributable to owners of the Company (RM'million)	<b>4,529.2</b>	3,723.7
Weighted average number of ordinary shares in issue ('000)	<b>5,686,889</b>	5,674,992
Basic earnings per share (sen)	<b>79.64</b>	65.62

### (b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit attributable to owners of the Company for the financial year and the weighted average number of ordinary shares issued during the financial year has been adjusted for the dilutive effects of all potential ordinary shares such as the LTIP granted to employees.

	Group	
	2019	2018
Profit attributable to owners of the Company (RM'million)	<b>4,529.2</b>	3,723.7
Weighted average number of ordinary shares in issue ('000)	<b>5,686,889</b>	5,674,992
Adjustment for LTIP ('000)	<b>0</b>	19,726
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>5,686,889</b>	5,694,718
Diluted earnings per share (sen)	<b>79.64</b>	65.39

## 13 DIVIDENDS

	Group and Company	
	2019 RM'million	2018 RM'million
Interim single tier dividend for the financial year 2019 of 30.0 sen per share on 5,686,888,771 ordinary shares (2018: interim single tier dividend of 30.27 sen per share on 5,678,180,571 ordinary shares)	<b>1,706.1</b>	1,718.8
Approved final single tier dividend for the financial year 2019 of 20.0 sen per share and a special dividend of 50.0 sen per share on 5,686,888,771 ordinary shares (2018: final single tier dividend of 23.0 sen per share on 5,686,888,771 ordinary shares)	<b>3,980.8</b>	1,308.0
	<b>5,686.9</b>	3,026.8

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained profits in the financial year.

The Directors have approved a final single tier dividend of 20.0 sen per share and a special dividend of 50.0 sen per share on 5,686,888,771 ordinary shares in respect of the financial year ended 31 December 2019 amounting to a total of RM3,980.8 million. The books closure and payment dates will be announced in due course.

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### 14 PROPERTY, PLANT AND EQUIPMENT ('PPE')

#### Accounting Policy

PPE are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the construction or acquisition of the items and bringing them to the location and condition so as to render them operational in the manner intended by the Group. The Group allocates the cost of an item of PPE to its significant system and component parts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The cost of major overhaul/inspection is recognised in the asset's carrying amount as a replacement and the remaining carrying amount of the previous major overhaul/inspection is derecognised.

Major spare parts and standby equipment are recognised as assets when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of PPE, they are accounted for as PPE.

Gains or losses on disposal of PPE are determined by reference to their carrying amount and are included in profit or loss.

Freehold land and capital work-in-progress are not depreciated.

Other PPE are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

Buildings and civil works	10 – 60 years
Plant and machinery	3 – 40 years
Lines and distribution mains	10 – 60 years
Distribution services	20 years
Meters	10 – 15 years
Public lighting	15 – 20 years
Furniture, fittings and office equipment	3 – 15 years
Motor vehicles	5 – 15 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

The opening balance as at 1 January 2019 for PPE is impacted by the adoption of MFRS 16 as leasehold land and plant and machinery which are leased are reclassified to ROU assets.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (Note 3(c)).

## 14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	As previously reported 31.12.2018 RM'million	Effects of MFRS 16 adoption RM'million	As restated 1.1.2019 RM'million	Exchange rate adjustments RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi- fication/ Write offs RM'million	As at 31.12.2019 RM'million
<b>2019</b>								
<b>Group</b>								
<u>Cost</u>								
Freehold land	1,883.0	0	1,883.0	(0.2)	630.2	(29.1)	25.4	2,509.3
Long leasehold land	1,978.1	(1,978.1)	0	0	0	0	0	0
Short leasehold land	189.7	(189.7)	0	0	0	0	0	0
Buildings and civil works	22,068.2	0	22,068.2	(0.3)	20.4	(145.3)	2,366.5	24,309.5
	26,119.0	(2,167.8)	23,951.2	(0.5)	650.6	(174.4)	2,391.9	26,818.8
Plant and machinery:								
- Owned	72,074.6	0	72,074.6	9.3	253.4	(1,123.6)	12,281.0	83,494.7
- Leased	8,163.6	(8,163.6)	0	0	0	0	0	0
Lines and distribution mains	46,513.8	0	46,513.8	0	252.2	(83.5)	2,509.5	49,192.0
Distribution services	4,630.7	0	4,630.7	0	12.8	0	212.9	4,856.4
Meters	2,979.5	0	2,979.5	0	4.1	(8.1)	294.5	3,270.0
Public lighting	903.6	0	903.6	0	0	(0.4)	261.6	1,164.8
Furniture, fittings and office equipment	2,601.7	0	2,601.7	(0.9)	423.6	(8.3)	13.3	3,029.4
Motor vehicles	654.8	0	654.8	(0.2)	90.2	(15.9)	(0.9)	728.0
	164,641.3	(10,331.4)	154,309.9	7.7	1,686.9	(1,414.2)	17,963.8	172,554.1
Capital work-in-progress	23,324.1	0	23,324.1	0	9,486.0	(0.3)	(16,946.7)	15,863.1
	187,965.4	(10,331.4)	177,634.0	7.7	11,172.9	(1,414.5)	1,017.1	188,417.2

	As previously reported 31.12.2018 RM'million	Effects of MFRS 16 adoption RM'million	As restated 1.1.2019 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write offs RM'million	As at 31.12.2019 RM'million
<b>2019</b>						
<b>Group</b>						
<u>Accumulated depreciation</u>						
Long leasehold land	348.9	(348.9)	0	0	0	0
Short leasehold land	124.2	(124.2)	0	0	0	0
Buildings and civil works	6,966.1	0	6,966.1	635.0	(91.4)	7,509.7
	7,439.2	(473.1)	6,966.1	635.0	(91.4)	7,509.7
Plant and machinery:						
- Owned	33,882.9	0	33,882.9	3,351.2	(924.5)	36,309.6
- Leased	2,905.6	(2,905.6)	0	0	0	0
Lines and distribution mains	24,156.3	0	24,156.3	1,726.8	(66.3)	25,816.8
Distribution services	2,840.0	0	2,840.0	181.7	0	3,021.7
Meters	1,934.6	0	1,934.6	164.4	(5.6)	2,093.4
Public lighting	402.7	0	402.7	63.5	(0.4)	465.8
Furniture, fittings and office equipment	2,027.1	0	2,027.1	260.2	(7.7)	2,279.6
Motor vehicles	545.9	0	545.9	38.9	(15.8)	569.0
	76,134.3	(3,378.7)	72,755.6	6,421.7	(1,111.7)	78,065.6
<u>Accumulated impairment losses</u>						
Plant and machinery - owned	385.6	0	385.6	0	0	385.6



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### 14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	As at 1.1.2018 RM'million	Exchange rate adjustments RM'million	Acquisition of subsidiaries RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi- fication/ Write offs RM'million	As at 31.12.2018 RM'million
2018							
<b>Group</b>							
<u>Cost</u>							
Freehold land	1,478.2	(0.3)	0	405.1	0	0	1,883.0
Long leasehold land	1,889.1	0	0	100.0	(12.0)	1.0	1,978.1
Short leasehold land	186.6	0	0	0	0	3.1	189.7
Buildings and civil works	20,884.8	(0.5)	0	21.4	(131.0)	1,293.5	22,068.2
	24,438.7	(0.8)	0	526.5	(143.0)	1,297.6	26,119.0
Plant and machinery:							
– Owned	69,948.6	(112.2)	1,039.0	381.7	(1,324.3)	2,141.8	72,074.6
– Leased	8,163.6	0	0	0	0	0	8,163.6
Lines and distribution mains	44,215.2	0	0	72.8	(25.5)	2,251.3	46,513.8
Distribution services	4,411.7	0	0	8.2	0	210.8	4,630.7
Meters	2,812.3	0	0	6.1	(15.9)	177.0	2,979.5
Public lighting	688.4	0	0	0.1	(0.2)	215.3	903.6
Furniture, fittings and office equipment	2,221.3	(1.2)	0.2	386.1	(10.6)	5.9	2,601.7
Motor vehicles	647.3	0.8	0	26.8	(25.6)	5.5	654.8
	157,547.1	(113.4)	1,039.2	1,408.3	(1,545.1)	6,305.2	164,641.3
Capital work-in-progress	18,820.4	0	0	11,087.1	(35.8)	(6,547.6)	23,324.1
	176,367.5	(113.4)	1,039.2	12,495.4	(1,580.9)	(242.4)	187,965.4

	As at 1.1.2018 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write offs RM'million	As at 31.12.2018 RM'million
2018				
<b>Group</b>				
<u>Accumulated depreciation</u>				
Long leasehold land	332.2	28.4	(11.7)	348.9
Short leasehold land	117.0	7.2	0	124.2
Buildings and civil works	6,536.9	528.4	(99.2)	6,966.1
	6,986.1	564.0	(110.9)	7,439.2
Plant and machinery:				
– Owned	32,079.0	3,157.1	(1,353.2)	33,882.9
– Leased	2,393.2	512.4	0	2,905.6
Lines and distribution mains	22,507.3	1,663.0	(14.0)	24,156.3
Distribution services	2,664.8	175.2	0	2,840.0
Meters	1,797.4	145.8	(8.6)	1,934.6
Public lighting	356.8	46.1	(0.2)	402.7
Furniture, fittings and office equipment	1,859.0	186.3	(18.2)	2,027.1
Motor vehicles	530.7	41.4	(26.2)	545.9
	71,174.3	6,491.3	(1,531.3)	76,134.3
<u>Accumulated impairment losses</u>				
Plant and machinery – owned	385.6	0	0	385.6

## 14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	As previously reported 31.12.2018 RM'million	Effects of MFRS 16 adoption RM'million	As restated 1.1.2019 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi- fication/ Write offs RM'million	As at 31.12.2019 RM'million
2019							
Company							
Cost							
Freehold land	1,885.6	0	1,885.6	630.2	(29.1)	25.4	2,512.1
Long leasehold land	1,458.1	(1,458.1)	0	0	0	0	0
Short leasehold land	4.5	(4.5)	0	0	0	0	0
Buildings and civil works	17,273.1	0	17,273.1	0	(145.2)	1,028.8	18,156.7
	20,621.3	(1,462.6)	19,158.7	630.2	(174.3)	1,054.2	20,668.8
Plant and machinery:							
– Owned	44,114.4	0	44,114.4	0	(1,046.9)	2,089.1	45,156.6
– Leased	25,018.6	(25,018.6)	0	0	0	0	0
Lines and distribution mains	44,234.0	0	44,234.0	0	(83.3)	2,222.5	46,373.2
Distribution services	4,315.8	0	4,315.8	0	0	212.8	4,528.6
Meters	2,871.9	0	2,871.9	0	(8.0)	294.4	3,158.3
Public lighting	903.5	0	903.5	0	(0.4)	261.6	1,164.7
Furniture, fittings and office equipment	2,247.8	0	2,247.8	384.0	(3.5)	4.6	2,632.9
Motor vehicles	526.4	0	526.4	79.0	(15.7)	(1.1)	588.6
	144,853.7	(26,481.2)	118,372.5	1,093.2	(1,332.1)	6,138.1	124,271.7
Capital work-in-progress	9,198.4	0	9,198.4	6,793.3	(0.3)	(6,023.8)	9,967.6
	154,052.1	(26,481.2)	127,570.9	7,886.5	(1,332.4)	114.3	134,239.3

	As previously reported 31.12.2018 RM'million	Effects of MFRS 16 adoption RM'million	As restated 1.1.2019 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write offs RM'million	As at 31.12.2019 RM'million
2019						
Company						
Accumulated depreciation						
Long leasehold land	340.2	(340.2)	0	0	0	0
Short leasehold land	2.7	(2.7)	0	0	0	0
Buildings and civil works	5,709.1	0	5,709.1	452.9	(156.5)	6,005.5
	6,052.0	(342.9)	5,709.1	452.9	(156.5)	6,005.5
Plant and machinery:						
– Owned	23,507.9	0	23,507.9	1,885.5	(1,013.2)	24,380.2
– Leased	10,243.8	(10,243.8)	0	0	0	0
Lines and distribution mains	23,210.0	0	23,210.0	1,628.1	(66.3)	24,771.8
Distribution services	2,658.6	0	2,658.6	165.8	0	2,824.4
Meters	1,866.3	0	1,866.3	157.4	(5.6)	2,018.1
Public lighting	402.7	0	402.7	63.5	(0.4)	465.8
Furniture, fittings and office equipment	1,739.9	0	1,739.9	231.3	(3.7)	1,967.5
Motor vehicles	449.8	0	449.8	26.5	(16.0)	460.3
	70,131.0	(10,586.7)	59,544.3	4,611.0	(1,261.7)	62,893.6

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### 14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	As at 1.1.2018 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi- fication/ Write offs RM'million	As at 31.12.2018 RM'million
2018					
<b>Company</b>					
<u>Cost</u>					
Freehold land	1,480.5	405.1	0	0	1,885.6
Long leasehold land	1,431.7	26.7	(0.4)	0.1	1,458.1
Short leasehold land	4.5	0	0	0	4.5
Buildings and civil works	17,099.5	0	(130.6)	304.2	17,273.1
	20,016.2	431.8	(131.0)	304.3	20,621.3
Plant and machinery:					
– Owned	42,865.6	0	(1,203.2)	2,452.0	44,114.4
– Leased	25,018.6	0	0	0	25,018.6
Lines and distribution mains	42,040.1	0	(25.2)	2,219.1	44,234.0
Distribution services	4,118.3	0	0	197.5	4,315.8
Meters	2,710.5	0	(15.6)	177.0	2,871.9
Public lighting	688.4	0	(0.2)	215.3	903.5
Furniture, fittings and office equipment	1,892.8	362.0	(6.9)	(0.1)	2,247.8
Motor vehicles	520.2	21.3	(20.2)	5.1	526.4
	139,870.7	815.1	(1,402.3)	5,570.2	144,853.7
Capital work-in-progress	7,868.7	6,962.4	(44.4)	(5,588.3)	9,198.4
	147,739.4	7,777.5	(1,446.7)	(18.1)	154,052.1

	As at 1.1.2018 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write offs RM'million	As at 31.12.2018 RM'million
2018				
<b>Company</b>				
<u>Accumulated depreciation</u>				
Long leasehold land	320.7	19.5	0	340.2
Short leasehold land	2.6	0.1	0	2.7
Buildings and civil works	5,451.3	356.3	(98.5)	5,709.1
	5,774.6	375.9	(98.5)	6,052.0
Plant and machinery:				
– Owned	22,832.4	1,850.9	(1,175.4)	23,507.9
– Leased	9,067.5	1,176.3	0	10,243.8
Lines and distribution mains	21,645.9	1,578.1	(14.0)	23,210.0
Distribution services	2,498.8	159.8	0	2,658.6
Meters	1,735.9	138.8	(8.4)	1,866.3
Public lighting	356.8	46.1	(0.2)	402.7
Furniture, fittings and office equipment	1,594.1	152.7	(6.9)	1,739.9
Motor vehicles	440.8	29.0	(20.0)	449.8
	65,946.8	5,507.6	(1,323.4)	70,131.0

#### 14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Net book value				
Freehold land	<b>2,509.3</b>	1,883.0	<b>2,512.1</b>	1,885.6
Long leasehold land	<b>0</b>	1,629.2	<b>0</b>	1,117.9
Short leasehold land	<b>0</b>	65.5	<b>0</b>	1.8
Buildings and civil works	<b>16,799.8</b>	15,102.1	<b>12,151.2</b>	11,564.0
Total land and buildings	<b>19,309.1</b>	18,679.8	<b>14,663.3</b>	14,569.3
Plant and machinery:				
– Owned	<b>46,799.5</b>	37,806.1	<b>20,776.4</b>	20,606.5
– Leased	<b>0</b>	5,258.0	<b>0</b>	14,774.8
Lines and distribution mains	<b>23,375.2</b>	22,357.5	<b>21,601.4</b>	21,024.0
Distribution services	<b>1,834.7</b>	1,790.7	<b>1,704.2</b>	1,657.2
Meters	<b>1,176.6</b>	1,044.9	<b>1,140.2</b>	1,005.6
Public lighting	<b>699.0</b>	500.9	<b>698.9</b>	500.8
Furniture, fittings and office equipment	<b>749.8</b>	574.6	<b>665.4</b>	507.9
Motor vehicles	<b>159.0</b>	108.9	<b>128.3</b>	76.6
	<b>94,102.9</b>	88,121.4	<b>61,378.1</b>	74,722.7
Capital work-in-progress	<b>15,863.1</b>	23,324.1	<b>9,967.6</b>	9,198.4
	<b>109,966.0</b>	111,445.5	<b>71,345.7</b>	83,921.1

The title deeds of certain lands are in the process of being registered in the name of the Company and certain subsidiaries.

Net book value of PPE pledged as security for borrowings are disclosed in Note 37.

The effects of adoption of MFRS 16 to the PPE opening balance as at 1 January 2019 is as disclosed in Note 48.

Inclusive in the capital work-in-progress is interest capitalised during financial year 2019 for the Group and Company of RM950.4 million (2018: RM915.8 million) and RM255.9 million (2018: RM260.5 million) respectively.

The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 5.4% (2018: 5.8%).

(a) Impairment assessment for PPE

TNB Liberty Power Limited ('LPL') had recognised a provision for impairment totalling RM385.6 million in previous financial years. During the current financial year, management's assessment showed that no further impairment loss is required for the carrying amount of LPL's PPE. The carrying value of LPL's PPE at statement of financial position date is RM166.9 million (2018: RM227.2 million). The recoverable amount of the PPE is determined based on VIU.

## Notes to the Financial Statements

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### 15 RIGHT-OF-USE ('ROU') ASSETS

#### Accounting Policy

##### Recognition and measurement in financial year ended 31 December 2019

A lease is a contract, or part of a contract, whereby the lessor conveys to the lessee the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset under MFRS 16, the Group and Company assess whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier ('lessor') has a substantive substitution right, then the asset is not identified;
- The customer ('lessee') have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer ('lessee') have the right to direct the use of the asset. The lessee has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer ('lessee') has the right to direct the use of the asset if either the customer ('lessee') has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

(a) The Group and Company as lessees

(i) Initial recognition

The Group and Company recognise a ROU asset and a lease liability on 1 January 2019 for all leases conveying the right to control the use of an identified asset for a period of time, excluding short-term leases or leases for which the underlying asset is of low value.

The ROU assets recognised by the Group and Company are initially recorded at cost, which comprise of the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- Any initial direct costs incurred by the Group and Company; and
- An estimate of costs to be incurred by the Group and Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

The Group and Company lease various plant and machinery, office buildings and office equipment. These leases have average tenures between 3 and 25 years. Lease terms are generally negotiated on an individual basis.

Leasehold land is reclassified to ROU assets as at 1 January 2019 upon the adoption of MFRS 16. The remaining period of the respective leases is ranging from 5 to 99 years.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's incremental borrowing rate. Subsequent to the initial recognition, the Group and Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

## 15 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)

### Accounting Policy (continued)

#### (a) The Group and Company as lessees (continued)

##### (i) Initial recognition (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group and Company have elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease terms.

##### (ii) Subsequent measurement

After initial recognition, the Group and Company measure ROU assets at cost:

- Less any accumulated depreciation;
- Less any accumulated impairment losses; and
- Adjusted for any remeasurement of the lease liabilities.

A ROU asset and a corresponding lease liability are recognised at the date the leased asset is available for use by the Group and Company. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

##### (iii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

#### (b) The Group and Company as lessors

##### (i) Initial recognition

When the Group and Company act as lessors, they determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; otherwise, then it is an operating lease.

##### (ii) Subsequent measurement

The Group and Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term.



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### 15 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)

#### Accounting Policy (continued)

If an arrangement contains lease and non-lease components, the Group and Company apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

	Effects of MFRS 16 adoption as at 1.1.2019 RM'million	Additions RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2019 RM'million
<b>2019</b>				
<b>Group</b>				
<u>Cost</u>				
Long leasehold land	2,213.5	23.6	152.3	2,389.4
Short leasehold land	189.7	0	(165.0)	24.7
Buildings	103.0	4.1	0	107.1
	2,506.2	27.7	(12.7)	2,521.2
Plant and machinery	42,835.4	0	11.1	42,846.5
Furniture, fittings and office equipment	41.4	0.1	(0.1)	41.4
Motor vehicles	1.0	0.1	0	1.1
	45,384.0	27.9	(1.7)	45,410.2

	Effects of MFRS 16 adoption as at 1.1.2019 RM'million	Charged for the financial year RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2019 RM'million
<b>2019</b>				
<b>Group</b>				
<u>Accumulated depreciation</u>				
Long leasehold land	348.9	35.8	108.3	493.0
Short leasehold land	124.2	0.3	(110.5)	14.0
Buildings	0	43.1	0	43.1
	473.1	79.2	(2.2)	550.1
Plant and machinery	2,905.6	3,671.6	2.5	6,579.7
Furniture, fittings and office equipment	0	15.8	0	15.8
Motor vehicles	0	0.6	0	0.6
	3,378.7	3,767.2	0.3	7,146.2

**15 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)**

	Effects of MFRS 16 adoption as at 1.1.2019 RM'million	Additions RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2019 RM'million
<b>2019</b>				
<b>Company</b>				
<u>Cost</u>				
Long leasehold land	1,458.1	1.3	(6.9)	1,452.5
Short leasehold land	4.5	0	0	4.5
Buildings	89.9	1.2	0	91.1
	1,552.5	2.5	(6.9)	1,548.1
Plant and machinery	71,369.5	13,531.2	0	84,900.7
Furniture, fittings and office equipment	37.4	0	0	37.4
Motor vehicles	0.4	0	0	0.4
	72,959.8	13,533.7	(6.9)	86,486.6

	Effects of MFRS 16 adoption as at 1.1.2019 RM'million	Charged for the financial year RM'million	As at 31.12.2019 RM'million
<b>2019</b>			
<b>Company</b>			
<u>Accumulated depreciation</u>			
Long leasehold land	340.2	19.7	359.9
Short leasehold land	2.7	0.2	2.9
Buildings	0	36.1	36.1
	342.9	56.0	398.9
Plant and machinery	10,243.8	5,023.3	15,267.1
Furniture, fittings and office equipment	0	14.0	14.0
Motor vehicles	0	0.3	0.3
	10,586.7	5,093.6	15,680.3

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### 15 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)

	Group	Company
	2019 RM'million	2019 RM'million
Net book value		
Long leasehold land	1,896.4	1,092.6
Short leasehold land	10.7	1.6
Buildings	64.0	55.0
Total land and buildings	1,971.1	1,149.2
Plant and machinery	36,266.8	69,633.6
Furniture, fittings and office equipment	25.6	23.4
Motor vehicles	0.5	0.1
	38,264.0	70,806.3

The title deeds of certain lands classified as ROU assets are in the process of being registered in the name of the Company and certain subsidiaries.

Net book value of ROU pledged as security for borrowings are disclosed in Note 37.

The effects of adoption of MFRS 16 to the ROU opening balance as at 1 January 2019 is as disclosed in Note 48.

### 16 SUBSIDIARIES

	Note	Company	
		2019 RM'million	2018 RM'million
At cost:			
Unquoted ordinary shares	(a)(b)(c)	2,349.5	2,344.5
Redeemable preference shares	(d)(e)(f)(g)	8,269.0	8,728.9
Shares/Options granted to employees of subsidiaries		209.1	206.1
		10,827.6	11,279.5
Less: Accumulated impairment losses	(h)	(4,030.7)	(2,675.7)
		6,796.9	8,603.8

## 16 SUBSIDIARIES (CONTINUED)

Movement in investments in subsidiaries:

- (a) On 16 May 2019, the Company subscribed to an additional 1,198,753 new ordinary shares issued by TNB Global Captive (L) Ltd. ('TGC') by conversion of amounts due from TGC amounting to RM5.0 million.
- (b) On 1 August 2019, the Company subscribed to 2 ordinary shares in TNB Power Generation Sdn. Bhd., a wholly owned subsidiary of the Company, for RM2.00.
- (c) On 1 August 2019, the Company subscribed to 2 ordinary shares in TNB Retail Sdn. Bhd., a wholly owned subsidiary of the Company, for RM2.00.
- (d) On 29 March 2019, TNB Janamanjung Sdn. Bhd. ('TNBJ') redeemed 5,555,555 units of Redeemable Preference Shares ('RPS') from the Company for RM800.0 million.
- (e) On 26 August 2019, the Company subscribed to 4,550 new RPS issued by Jimah East Power Sdn. Bhd. ('JEP') by conversion of amount due from JEP amounting to RM455.0 million.
- (f) On 29 November 2019, TNBJ redeemed an additional 3,043,381 units of RPS from the Company for RM438.3 million.
- (g) On 9 December 2019, TNB Pasir Gudang Energy Sdn. Bhd. redeemed 1,250,000 units of RPS from the Company for RM55.0 million.
- (h) Impairment assessments for investments in subsidiaries
  - (i) Impairment assessment for TNB Prai Sdn. Bhd. ('PRAI')

During the financial year, the Company had undertaken the impairment assessment of its investment in PRAI, an Independent Power Producer ('IPP'). The assessment was triggered as the power plant in PRAI has been unable to reach the level of efficiency as stated in the PPA and is expected to generate lower profits by delivering energy at the set tariff.

Based on the impairment assessment, the carrying amount of the Company's investment in PRAI as at 31 December 2019 exceeded its recoverable amount by RM987.1 million, hence an impairment loss was recognised.

### *Key assumptions used*

The recoverable amount was determined based on VIU calculations, which apply a discounted cash flow model of PRAI for the period of the remaining useful life of the power plant, which is 17 years. The cash flows used in the calculations are the most recent forecasts and projections approved by the Board of Directors and management of PRAI.

The key assumptions used in determining the VIU were:

	%
Average Plant Capacity Factor	<b>68.0</b>
Cost of equity	<b>8.5</b>
Inflation growth rate	<b>2.5 - 5.0</b>

The cashflows were discounted using cost of equity based on the risk specific to the investment.

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### 16 SUBSIDIARIES (CONTINUED)

Movement in investments in subsidiaries: (continued)

(h) Impairment assessments for investments in subsidiaries (continued)

(i) Impairment assessment for TNB Prai Sdn. Bhd. ('PRAI') (continued)

*Key assumptions used (continued)*

The Company's review includes impact assessment of changes in key assumptions. The effects of the movement in the key assumptions to the recoverable amount are as follows:

	Changes in assumptions	Impact on recoverable amount	
		Increase RM'million	Decrease RM'million
Average Plant Capacity Factor	10.0%	0.2	0.7
Discount rate	1.0%	(15.2)	18.1
Inflation growth rate	1.0%	(4.1)	4.9

(ii) Impairment assessment for TNB Connaught Bridge Sdn. Bhd. ('TNBCB')

During the financial year, the Company had assessed for impairment of its investment in TNBCB, an IPP, triggered by similar circumstances as PRAI. Based on the impairment assessment, the carrying amount of the Company's investment in TNBCB as at 31 December 2019 exceeded its recoverable amount by RM178.4 million, hence an impairment loss was recognised.

*Key assumptions used*

The recoverable amount was determined based on VIU calculations, which apply a discounted cash flow model of TNBCB for the period of the remaining useful life of the power plant of 17 years. The cash flows used in the calculations are the most recent forecasts and projections approved by the Board of Directors and management of TNBCB.

The key assumptions used in determining the VIU were:

	%
Average Plant Capacity Factor	45.0
Cost of equity	8.5
Inflation growth rate	3.0

The cash flows were discounted using cost of equity based on the risk specific to the investment.

The Company's review includes impact assessment of changes in key assumptions. The effects of the movement in the key assumptions to the recoverable amount are as follows:

	Changes in assumptions	Impact on recoverable amount	
		Increase RM'million	Decrease RM'million
Average Plant Capacity Factor	10.0%	3.7	(3.8)
Discount rate	1.0%	(31.1)	34.5
Inflation growth rate	1.0%	(31.2)	28.3

## 16 SUBSIDIARIES (CONTINUED)

Movement in investments in subsidiaries: (continued)

(h) Impairment assessments for investments in subsidiaries (continued)

(iii) Impairment assessment for Power and Energy International (Mauritius) Ltd. ('PEIM')

During the financial year, the Company had undertaken the impairment assessment of its investment in PEIM, an investment holding company. The assessment was triggered by the operational constraints including coal supply disruption as well as unplanned outages experienced by PEIM's associate, GMR Energy Limited ('GEL'), which led to an impairment loss recognised at the Group level (Note 18 (b)). Based on the impairment assessment, the carrying amount of the Company's investment in PEIM as at 31 December 2019 exceeded its recoverable amount by RM189.7 million (2018: RM535.6 million), hence additional impairment loss was recognised.

### Key assumptions used

The recoverable amount was determined based on VIU calculations, which apply a discounted cash flow model of PEIM for the period of the remaining useful lives of the respective power plants of GEL Group ranging between 15 to 40 years. The cash flows used in the calculations are the most recent forecasts and projections approved by the management of PEIM.

The key assumptions used in determining the VIU were:

	%
<b>2019</b>	
Average Plant Availability Factor	<b>51.2</b>
Average Plant Load Factor	<b>50.0 - 85.0</b>
Cost of equity	<b>11.2 - 15.5</b>
<b>2018</b>	
Average Plant Availability Factor	47.2 - 51.2
Average Plant Load Factor	50.0 - 85.0
Cost of equity	14.1 - 19.3

The cash flows were discounted using cost of equity based on the risk specific to the investments. The key assumptions take into account the macroeconomic environment in India.

The Company's review includes impact assessment of changes in key assumptions. The effects of the movement in the key assumptions to the recoverable amount are as follows:

	Changes in assumptions	Impact on recoverable amount	
		Increase RM'million	Decrease RM'million
<b>2019</b>			
Plant Availability Factor	<b>5.0%</b>	<b>11.9</b>	<b>(12.1)</b>
Plant Load Factor	<b>10.0%</b>	<b>116.1</b>	<b>(121.5)</b>
Discount rate	<b>1.0%</b>	<b>(36.0)</b>	<b>41.3</b>
<b>2018</b>			
Plant Availability Factor	5.0%	27.7	(13.9)
Plant Load Factor	10.0%	169.0	(178.7)
Discount rate	1.0%	(55.6)	72.6



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### 16 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2019	2018		
TNB Janamanjung Sdn. Bhd.	<b>100%</b>	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
TNB Power Daharki Ltd.#	<b>100%</b>	100%	Investment holding company	Mauritius
TNB Fuel Services Sdn. Bhd.	<b>100%</b>	100%	Supplying fuel and coal for power generation	Malaysia
TNB Energy Services Sdn. Bhd.	<b>100%</b>	100%	Generating, distributing, supplying, dealing, selling of different kinds of energy sources and related technical services	Malaysia
TNB Research Sdn. Bhd.	<b>100%</b>	100%	Research and development, consultancy and other services	Malaysia
TNB Ventures Sdn. Bhd.	<b>100%</b>	100%	Investment holding company	Malaysia
TNB Engineering Corporation Sdn. Bhd.	<b>100%</b>	100%	Principally engaged as turnkey contractors, energy project development specialising in district cooling system and co-generation including operation and maintenance works	Malaysia
TNB Repair And Maintenance Sdn. Bhd.	<b>100%</b>	100%	Providing repair and maintenance services to heavy industries and other related services	Malaysia
TNB Capital (L) Ltd.	<b>100%</b>	100%	Investment holding company	Malaysia
Universiti Tenaga Nasional Sdn. Bhd.	<b>100%</b>	100%	Providing higher education	Malaysia
Malaysia Transformer Manufacturing Sdn. Bhd.	<b>100%</b>	100%	Principally engaged in the business of manufacturing, selling and repairing distribution, power and earthing transformers	Malaysia
Power and Energy International (Mauritius) Ltd.*	<b>100%</b>	100%	Investment holding	Mauritius
Orion Mission Sdn. Bhd.	<b>100%</b>	100%	Investment holding	Malaysia
Sabah Electricity Sdn. Bhd. ('SESB')	<b>83%</b>	83%	Business of generation, transmission, distribution and sale of electricity and services in Sabah and the Federal Territory of Labuan	Malaysia
Tenaga Switchgear Sdn. Bhd.	<b>60%</b>	60%	Principally engaged in the business of assembling and manufacturing of high voltage switchgears and contracting of turnkey transmission substations	Malaysia
Kapar Energy Ventures Sdn. Bhd. ('KEV')	<b>60%</b>	60%	Generate and deliver electricity energy and generating capacity to TNB	Malaysia
TNB Integrated Learning Solution Sdn. Bhd.	<b>100%</b>	100%	Providing training courses	Malaysia
TNB Prai Sdn. Bhd.	<b>100%</b>	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
TNB Pasir Gudang Energy Sdn. Bhd.	<b>100%</b>	100%	Carry business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia	Malaysia

## 16 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2019	2018		
TNB Manjung Five Sdn. Bhd.	<b>100%</b>	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
TNB Connaught Bridge Sdn. Bhd.	<b>100%</b>	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
Integrax Berhad	<b>100%</b>	100%	Investment holding company	Malaysia
Jimah East Power Sdn. Bhd. ('JEP')	<b>70%</b>	70%	Involved in power generation	Malaysia
Yayasan Tenaga Nasional	-	-	A trust established under the provision of Trustees (Incorporation) Act 1952 (Act 258), for promotion and advancement of education and for charitable purposes	Malaysia
Manjung Island Energy Berhad	-	-	Special purpose company to raise Islamic securities under the Islamic Securities Programme	Malaysia
TNB Global Ventures Capital Berhad	<b>100%</b>	100%	Investment holding company	Malaysia
Aruna Servicios Integrales S.L.U.*	<b>100%</b>	100%	Investment holding	Spain
TNB-IT Sdn. Bhd.	<b>100%</b>	100%	Provision of telecommunication and IT infrastructure solutions and operation and maintenance services on the telecommunication equipment and data centre	Malaysia
TNB International Sdn. Bhd.	<b>100%</b>	100%	Investment holding company	Malaysia
TNB Sepang Solar Sdn. Bhd.	<b>100%</b>	100%	Operation of generation facilities that produce electric energy	Malaysia
Southern Power Generation Sdn. Bhd.	<b>51%</b>	51%	To construct a 1,440MW combine cycle gas fired power plant in Pasir Gudang, Johor	Malaysia
TNBX Sdn. Bhd.	<b>100%</b>	100%	To act as the single-fronting entity for customers to purchase/obtain solutions beyond the meter. The solutions comprises of non-regulated products and services such as energy efficiency, renewable energy and smart cities	Malaysia
TNB Renewables Sdn. Bhd.	<b>100%</b>	100%	Investment holding company	Malaysia
Allo Technology Sdn. Bhd.	<b>100%</b>	100%	Information technology related services	Malaysia
TNB Global Captive (L) Ltd.	<b>100%</b>	100%	Insurance and reinsurance related business	Malaysia
TNB Topaz Energy Sdn. Bhd.	<b>100%</b>	100%	Investment holding for developing and investing in overseas power generation projects	Malaysia
TNB Transmission Network Sdn. Bhd.	<b>100%</b>	100%	Dormant	Malaysia
TNB Distribution Sdn. Bhd.	<b>100%</b>	100%	Dormant	Malaysia
TNB Risk Management Sdn. Bhd.	<b>100%</b>	100%	Dormant	Malaysia
TNB Engineers Sdn. Bhd.	<b>100%</b>	100%	Dormant	Malaysia

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### 16 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2019	2018		
TNB Generation Sdn. Bhd.	<b>100%</b>	100%	Dormant	Malaysia
TNB Hidro Sdn. Bhd.	<b>100%</b>	100%	Dormant	Malaysia
TNB Properties Sdn. Bhd.	<b>100%</b>	100%	Dormant	Malaysia
Sepang Power Sdn. Bhd.	<b>70%</b>	70%	Dormant	Malaysia
TNB Coal International Limited* (Dissolved w.e.f 15.5.2019)	-	100%	Dormant	Mauritius
TNB Power Generation Sdn. Bhd.	<b>100%</b>	-	Responsible for the domestic power generation assets with fully integrated end-to-end capabilities	Malaysia
TNB Retail Sdn. Bhd.	<b>100%</b>	-	Managing customer relationships and responsible for sale of electricity and beyond	Malaysia
<u>Subsidiary of TNB Power Daharki Ltd.</u>				
TNB Liberty Power Limited#	<b>100%</b>	100%	Operation of power plant and generation of electricity	Pakistan
<u>Subsidiaries of TNB Energy Services Sdn. Bhd.</u>				
MAEVI Sdn. Bhd.	<b>70%</b>	70%	Providing infrastructure for hosting, data processing services and related activities research and development on engineering and technology, export and import of electrical and electronic goods	Malaysia
Tenaga E Mobility Solutions Sdn. Bhd.	<b>100%</b>	100%	Operation of parking facilities for motor vehicles, (parking lots), operation of generation facilities that produce electric energy and engineering services	Malaysia
<u>Subsidiary of TNB Research Sdn. Bhd.</u>				
TNB LABS Sdn. Bhd.	<b>100%</b>	100%	Technical and laboratory services, consultancy and other services	Malaysia
<u>Subsidiary of TNB Ventures Sdn. Bhd.</u>				
Tenaga Cable Industries Sdn. Bhd.	<b>76%</b>	76%	Manufacturing and distribution of power and general cables, aluminium rods and related activities	Malaysia
<u>Subsidiaries of TNB Engineering Corporation Sdn. Bhd.</u>				
Bangsar Energy Systems Sdn. Bhd.	<b>100%</b>	100%	Operating an integrated district cooling system for air conditioning systems of office buildings	Malaysia
TNEC Construction Sdn. Bhd.	<b>100%</b>	100%	Dormant	Malaysia
TNEC Operations And Maintenance Sdn. Bhd.	<b>100%</b>	100%	The company ceased business and has remained as investment holding company	Malaysia

## 16 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

	Group's interest			
Name of subsidiary	2019	2018	Principal activities	Country of incorporation
<u>Subsidiary of Bangsar Energy Systems Sdn. Bhd.</u>				
Selesa Energy Systems Sdn. Bhd.	70%	70%	Dormant	Malaysia
<u>Subsidiary of TNEC Operations And Maintenance Sdn. Bhd.</u>				
Tomest Energy Management Sdn. Bhd. (In members' voluntary winding up)	51%	51%	Operating an integrated district cooling system for air conditioning systems of office buildings	Malaysia
<u>Subsidiaries of TNB Repair And Maintenance Sdn. Bhd.</u>				
Trichy Power Limited*	100%	100%	Dormant	India
Trichy Energy Limited*	100%	100%	Dormant	India
TNB Operations & Maintenance International Ltd.	100%	100%	Investment holding	Mauritius
TNB REMACO Pakistan (Private) Limited#	100%	100%	Providing repair and maintenance services to heavy industries and other related services	Pakistan
Tenaga WHR 1 Sdn. Bhd.	100%	100%	To carry on the business of establishing, constructing, commissioning, setting up, operating and maintaining electric power generation systems, transmission systems/networks, power systems, generating stations/plants based on waste heat recovery and/or power efficiency technology	Malaysia
<u>Subsidiary of TNB Operations &amp; Maintenance International Ltd.</u>				
Oasis Parade Sdn. Bhd.	100%	100%	Investment company	Malaysia
<u>Subsidiaries of Universiti Tenaga Nasional Sdn. Bhd.</u>				
UNITEN R&D Sdn. Bhd.	100%	100%	Providing research and development in areas related to engineering, information technology, business, accountancy, liberal studies and other services	Malaysia
Yayasan Canselor Universiti Tenaga Nasional	-	-	A trust established under the provision of Trustees (Incorporation) Act 1952 (Act 258) to receive and administer funds for educational and charitable purposes	Malaysia
<u>Subsidiary of Power and Energy International (Mauritius) Ltd.</u>				
Independent Power International Ltd.*	100%	100%	Investment holding	Mauritius

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### 16 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

	Group's interest			Country of incorporation
Name of subsidiary	2019	2018	Principal activities	
<u>Subsidiary of Orion Mission Sdn. Bhd.</u>				
Lahad Datu Holdings Sdn. Bhd.	100%	100%	Investment holding company	Malaysia
<u>Subsidiary of Lahad Datu Holdings Sdn. Bhd.</u>				
Lahad Datu Energy Sdn. Bhd.	100%	100%	Dormant	Malaysia
<u>Subsidiary of Sabah Electricity Sdn. Bhd.</u>				
Elopura Power Sdn. Bhd.	100%	100%	Dormant	Malaysia
<u>Subsidiaries of Tenaga Switchgear Sdn. Bhd.</u>				
TSG Ormazabal Sdn. Bhd.	60%	60%	Assembling, manufacture, test, reconditioning, distribution and other sources of medium voltage switchgear and control gear for transmission and distribution of electric power	Malaysia
PT. Tenaga Nusa Bakti*	95%	95%	Dormant	Indonesia
<u>Subsidiary of TNB Prai Sdn. Bhd.</u>				
TNB Northern Energy Berhad	100%	100%	Principally to construct a 1,071MW gas fired power plant in Seberang Perai Tengah, Seberang Perai, Pulau Pinang, Malaysia	Malaysia
<u>Subsidiary of TNB Manjung Five Sdn. Bhd.</u>				
TNB Western Energy Berhad	100%	100%	Principally engaged in the construction of 1,000MW coal fired power plant in Lumut, Perak, Malaysia	Malaysia
<u>Subsidiaries of Integrax Berhad</u>				
Pelabuhan Lumut Sdn. Bhd.	100%	100%	Investment holding	Malaysia
LBT Two Sdn. Bhd.	100%	100%	Dormant	Malaysia
Segmen Kembara Sdn. Bhd. (In members' voluntary winding up)	100%	100%	Dormant	Malaysia
Trek Kembara Sdn. Bhd. (In members' voluntary winding up)	100%	100%	Dormant	Malaysia
<u>Subsidiary of Pelabuhan Lumut Sdn. Bhd.</u>				
Lekir Bulk Terminal Sdn. Bhd.	100%	100%	Development, ownership and management of a dry bulk terminal	Malaysia

## 16 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2019	2018		
<u>Subsidiary of Aruna Servicios Integrales S.L.U.</u>				
Global Power Enerji Sanayi Ve Ticaret Anonim Şirketi*	100%	100%	To engage in activities related to building and operating electricity production facilities, producing electricity and/or capacity and distributing the generated electricity and/or capacity to customers and/or to legal entities with wholesale trade licences or retail sale licences and to free consumers	Turkey
<u>Subsidiary of TNB International Sdn. Bhd.</u>				
Tenaga Investments UK Ltd.#	100%	100%	Investment company	United Kingdom
<u>Subsidiary of Tenaga Investments UK Ltd.</u>				
Tenaga Wind Ventures UK Ltd.#	100%	100%	Investment company	United Kingdom
<u>Subsidiaries of Tenaga Wind Ventures UK Ltd.</u>				
GVO Wind Limited#	100%	100%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (wind turbines) in the UK	United Kingdom
Bluemerang Capital Ltd.#	100%	100%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (wind turbines) in the UK	United Kingdom
<u>Subsidiaries of GVO Wind Limited</u>				
GVO Wind F-1 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 1 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 2 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 3 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 4 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 5 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom



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### 16 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

	Group's interest			
Name of subsidiary	2019	2018	Principal activities	Country of incorporation
Subsidiaries of GVO Wind Limited (continued)				
GVO Wind No. 6 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 7 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Boghead WT Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 9 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 10 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 11 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 12 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 13 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 14 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 16 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO/CME Wind No. 17 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO/CME Wind No. 18 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 20 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 21 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 22 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 23 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 24 Limited#	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom

## 16 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2019	2018		
<u>Subsidiaries of GVO Wind Limited</u> (continued)				
GVO Wind No. 25 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 27 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 28 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 29 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 30 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 31 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 32 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 35 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 36 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 39 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 40 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 41 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 42 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 43 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 44 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Durpley WT Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
OGPW No.1 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Warren WT Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Weston Town WT Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom

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### 16 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

	Group's interest			
Name of subsidiary	2019	2018	Principal activities	Country of incorporation
<u>Subsidiaries of Bluemerang Capital Ltd.</u>				
BCL Murex Bennacott Ltd <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
BLC Hunday Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
BCL Caslterigg Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
LE18 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
LE19 Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Murex Bennacott Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Ili (Wellgreen) Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
BCL Harmeston Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
BCL Gwynt Limited <sup>#</sup>	100%	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
<u>Subsidiaries of TNB Renewables Sdn. Bhd.</u>				
TNB Bukit Selambau Solar Sdn. Bhd.	100%	100%	Operation of generation facilities that produce electric energy	Malaysia
GSPARX Sdn. Bhd.	100%	100%	Invest and develop Renewable Energy ('RE') projects for self-consumption/self-generation and its related business	Malaysia
<u>Subsidiary of TNB Properties Sdn. Bhd.</u>				
TNP Construction Sdn. Bhd.	100%	100%	Dormant	Malaysia

<sup>#</sup> Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.

\* Not audited by PricewaterhouseCoopers PLT.

Capital and other commitments for the subsidiaries are disclosed in Note 42. There are no material contingent liabilities relating to the subsidiaries.

## 16 SUBSIDIARIES (CONTINUED)

The NCI is not material to the financial performance, financial position and cash flows of the Group. The NCI information for KEV, SESB and JEP, which contribute to substantial portion of total NCI is set out below:

	KEV		SESB		JEP		Other individually immaterial NCI		Total	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Carrying amount of NCI	<b>63.2</b>	186.5	<b>224.8</b>	231.5	<b>904.5*</b>	688.6	<b>107.8</b>	107.5	<b>1,300.3</b>	1,214.1
Total comprehensive (expenses)/income allocated to NCI	<b>(123.3)</b>	(32.2)	<b>(6.7)</b>	55.9	<b>20.8</b>	(16.0)	<b>3.9</b>	13.6	<b>(105.3)</b>	21.3

\* Included in carrying amount of NCI in JEP is a subscription of RPS by NCI via conversion of amount due to NCI amounting to RM195.1 million.

The summarised financial information of KEV, SESB and JEP before inter-company eliminations are as follows:

	KEV		SESB		JEP	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Summarised statement of financial position						
Non-current assets	<b>1,694.6</b>	1,904.3	<b>8,650.3</b>	7,552.8	<b>11,747.6</b>	10,683.2
Current assets	<b>1,448.8</b>	1,988.9	<b>1,910.9</b>	1,580.4	<b>816.0</b>	1,306.2
Non-current liabilities	<b>(1,713.0)</b>	(1,843.3)	<b>(7,616.7)</b>	(6,244.3)	<b>(9,111.6)</b>	(8,980.6)
Current liabilities	<b>(1,279.7)</b>	(1,591.0)	<b>(2,114.1)</b>	(2,170.4)	<b>(516.7)</b>	(793.2)
Net assets	<b>150.7</b>	458.9	<b>830.4</b>	718.5	<b>2,935.3</b>	2,215.6
Summarised statement of comprehensive income						
Revenue	<b>1,921.0</b>	2,244.9	<b>2,321.4</b>	2,148.4	<b>586.9</b>	0
(Loss)/Profit after tax	<b>(308.2)</b>	(80.4)	<b>233.0</b>	174.4	<b>69.3</b>	(53.4)
Other comprehensive expense	<b>0</b>	0	<b>(122.2)</b>	(154.0)	<b>0</b>	0
Total comprehensive (expense)/income	<b>(308.2)</b>	(80.4)	<b>110.8</b>	20.4	<b>69.3</b>	(53.4)
Summarised statement of cash flows						
Net cash flows (used in)/generated from operating activities	<b>(24.9)</b>	494.0	<b>1,103.5</b>	1,108.9	<b>(118.5)</b>	352.1
Net cash flows generated from/(used in) investing activities	<b>25.5</b>	29.9	<b>(556.6)</b>	(878.3)	<b>23.9</b>	(168.4)
Net cash flows (used in)/generated from financing activities	<b>(156.2)</b>	(385.4)	<b>(663.1)</b>	(222.0)	<b>154.1</b>	(98.2)
Net (decrease)/increase in cash and cash equivalents	<b>(155.6)</b>	138.5	<b>(116.2)</b>	8.6	<b>59.5</b>	85.5

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### 17 JOINT ARRANGEMENTS

#### Accounting Policy

A joint arrangement is an arrangement over which there is contractually agreed sharing of control by the Group with one or more parties where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. Joint operations are joint arrangements whereby the Company has the rights to the assets and obligations for the liabilities. In respect of its interests in joint operations, the Company shall recognise in its financial statements the assets that it controls and the expenses and liabilities that it incurs and its share of the income that it earns from the sale of goods or services.

The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising in the consolidated statement of profit or loss, consolidated statement of OCI and consolidated statement of changes in equity, the Group's share of profits less losses of the joint ventures based on the latest audited financial statements or management accounts of the joint ventures, made up to the financial year end of the Group. Where necessary, adjustments are made to the results and net assets of the joint ventures to ensure consistency of accounting policies with those of the Group. The Group's investments in joint ventures are recorded at cost inclusive of goodwill and adjusted thereafter for accumulated impairment losses and the post-acquisition change in the Group's share of net assets of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in joint ventures. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balances that provide evidence of reduction in net realisable value or an impairment of the asset transferred are recognised in the consolidated statement of profit or loss.

#### (a) Joint ventures

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Unquoted shares	84.1	82.7	7.9	7.9
Share of post-acquisition results and reserves	101.7	91.2	0	0
	185.8	173.9	7.9	7.9
Less: Accumulated impairment losses	(8.4)	(7.9)	(7.9)	(7.9)
	177.4	166.0	0	0
Share of net assets of joint ventures	177.4	166.0		

## 17 JOINT ARRANGEMENTS (CONTINUED)

### (a) Joint ventures (continued)

None of the joint ventures are material individually to the financial position, financial performance and cash flows of the Group.

The aggregated financial information of the Group's joint ventures is as follows:

	2019 RM'million	2018 RM'million
Group's share of results:		
Profit after tax and total comprehensive income	25.7	27.2
Dividend received	15.2	15.3
Amounts due from/(to) joint ventures		
Amounts due from joint ventures*	10.6	10.8
Amount due to joint venture	(0.1)	(0.5)

\* The Group's credit policy provides amount due from joint ventures with a 30 days credit period.

The details of the Group's joint ventures are as follows:

Name of joint venture	Group's interest		Principal activities	Country of incorporation
	2019	2018		
Seatrac Sdn. Bhd.	50%	50%	Dormant	Malaysia
Joint ventures of TNB Energy Services Sdn. Bhd.				
FTJ Bio Power Sdn. Bhd.	40%	40%	Generation and distribution of electricity using palm empty fruit bunches as its main fuel source	Malaysia
Metrosphere Hydro Tersat Sdn. Bhd.	49%	49%	Business related in hydro power plant and general trading	Malaysia
Joint venture of TNB Engineering Corporation Sdn. Bhd.				
Airport Cooling Energy Supply Sdn. Bhd.	77%	77%	To develop, design, engineer, procure, construct, finance district cooling projects in the airport sector, to undertake the comprehensive operational maintenance of district cooling projects in the airport sector and to carry on the business of producing, distributing, applying, dealing and selling of chilled water	Malaysia
Joint venture of TNB Repair And Maintenance Sdn. Bhd.				
GMR Tenaga Operations And Maintenance Private Limited	50%	50%	Operation and maintenance of power plants	India



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### 17 JOINT ARRANGEMENTS (CONTINUED)

(b) Joint operations

The details of the Group's joint operations are as follows:

	Group's interest			Principal place of business
Name of joint operation	2019	2018	Principal activities	
<u>Joint operations of</u>				
<u>TNB Repair And</u>				
<u>Maintenance Sdn. Bhd.</u>				
TNB Repair And Maintenance Sdn. Bhd. & Kharafi National JV ('TNB REMACO & KN JV')	50%	50%	Operation and maintenance services to heavy industries and other related services	Kuwait
TNB Repair And Maintenance Sdn. Bhd. & Al-Dhow Engineering JV ('TNB REMACO & Al-Dhow JV')	50%	50%	Maintenance works for instrumental & control systems and mechanical equipment services	Kuwait

The impact of the Group's joint operations to the Group is immaterial.

### 18 ASSOCIATES

#### Accounting Policy

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20.0% and 50.0% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements is recognised in OCI. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses (Note 3(c)).

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution of gains and losses in associates are recognised in the consolidated statement of profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI is reclassified to profit or loss where appropriate.

**18 ASSOCIATES (CONTINUED)**

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Unquoted shares	<b>2,736.4</b>	2,736.4	<b>50.6</b>	50.6
Share of post-acquisition results and reserves	<b>(533.1)</b>	(492.1)	<b>0</b>	0
Redeemable preference shares	<b>61.7</b>	102.1	<b>0</b>	9.3
	<b>2,265.0</b>	2,346.4	<b>50.6</b>	59.9
Less: Accumulated impairment losses	<b>(1,001.0)</b>	(802.7)	<b>0</b>	0
	<b>1,264.0</b>	1,543.7	<b>50.6</b>	59.9
Share of net assets of associates	<b>1,264.0</b>	1,543.7		

The aggregated financial information of the Group's associates is as follows:

	2019 RM'million	2018 RM'million
Group's share of results:		
Profit/(Loss) after tax	<b>26.9</b>	(209.9)
Total OCI	<b>19.8</b>	74.3
Dividend received	<b>42.1</b>	29.6
Foreign exchange loss	<b>(45.6)</b>	(277.2)
<u>Amounts due from/(to) associates</u>		
Amounts due from associates*	<b>162.9</b>	372.1
Less: Loss allowances	<b>(7.1)</b>	(7.2)
	<b>155.8</b>	364.9
Amounts due to associates	<b>(286.6)</b>	(656.3)

\* The Group and Company's credit policy provides amounts due from associates with a 30 days credit period.

The Group has not recognised share of profit amounting to RM36.6 million (2018: loss of RM180.1 million) and cumulative losses of RM143.5 million (2018: RM180.1 million) in the current financial year for GAMA Enerji, as the investment in that associate has been fully written down by the Group in 2018.

In the opinion of the Directors, the associate that is material to the Group is GEL. The following summarises the financial information of the associate and reconciles the information to the carrying amount of the Group's interest in the associate.

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### 18 ASSOCIATES (CONTINUED)

(a) The summarised statement of comprehensive income:

	CEL		Gama Enerji
	2019 RM'million	2018 RM'million	2018 RM'million
Revenue	1,177.5	1,221.2	2,149.4
(Loss)/Profit after tax from:			
– Continued operation	(172.4)	(82.2)	(1,677.6)
– Discontinued operation	23.6	(174.8)	0
Other comprehensive income/(expense)	3.8	(4.9)	514.5
Total comprehensive expense	(145.0)	(261.9)	(1,163.1)

(b) The summarised statement of financial position:

	CEL		Gama Enerji
	2019 RM'million	2018 RM'million	2018 RM'million
Non-current assets	4,565.7	5,354.0	6,017.0
Current assets	851.7	554.0	897.6
Non-current liabilities	(2,218.0)	(2,812.0)	(4,997.2)
Current liabilities	(1,610.7)	(1,277.0)	(1,071.2)
Less: NCI	(96.7)	(108.0)	1.2
	1,492.0	1,711.0	847.4

(c) Reconciliation of the summarised financial information:

	CEL		Gama Enerji
	2019 RM'million	2018 RM'million	2018 RM'million
Group's share of net assets	447.6	513.3	254.2
Goodwill	504.6	523.4	152.3
Less: Share of loss not equity accounted:			
– Loss after tax	0	0	274.8
– Other comprehensive income	0	0	(94.7)
Less: Impairment losses	(503.0)	(304.7)	(498.0)
Foreign exchange	0	0	(88.6)
Carrying amount	449.2	732.0	0

(d) Put option over shares held by NCI in Gama Enerji

The Company via the shareholders agreement, granted the other NCI of Gama Enerji a put option which allows the NCI to sell all or part of their equity interest respectively to the majority shareholder and the Company at a price based on the fair market value at the exercised date (exercisable at any time for the period from 1 July 2019 to 31 December 2020) or at a price determined at higher of Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') with a fixed multiple or the adjusted initial cost of investment of the NCI (exercisable at any time if the Company defaults on the shareholders agreement). The fair value of the put option is not significant as at 31 December 2019.

## 18 ASSOCIATES (CONTINUED)

Individually immaterial associates:

	2019 RM'million	2018 RM'million
Aggregate carrying amount of individually immaterial associates	814.8	811.7
Aggregate amounts of the Group's share of profit:		
- Profit after tax	71.5	95.7
- Other comprehensive income	18.7	16.1

The details of the Group's associates are as follows:

Name of associate	Group's interest		Principal activities	Country of incorporation
	2019	2018		
Teknologi Tenaga Perlis Consortium Sdn. Bhd.	20%	20%	Operating and maintaining an electricity generating plant owned by the Company	Malaysia
GB3 Sdn. Bhd.	20%	20%	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant	Malaysia
Fibrecomm Network (M) Sdn. Bhd.	49%	49%	Provision of fibre optic transmission network services	Malaysia
Jimah Energy Ventures Holdings Sdn. Bhd.	20%	20%	Investment holding	Malaysia
<u>Associate of TNB Properties Sdn. Bhd.</u>				
KM Metro-TNB Properties Sdn. Bhd.	40%	40%	Dormant	Malaysia
<u>Associate of Independent Power International Ltd.</u>				
Malaysian Shoaiba Consortium Sdn. Bhd.	20%	20%	Acquiring and hold for investment, shares, stocks, debentures in Malaysia or elsewhere	Malaysia
<u>Associate of Power and Energy International (Mauritius) Ltd.</u>				
GMR Energy Limited	30%	30%	Development, operation and maintenance of power generation projects and sale of power to off-takers	India
<u>Associate of Oasis Parade Sdn. Bhd.</u>				
Saudi Malaysia Operation and Maintenance Services Company Limited	30%	30%	Operation and maintenance of electricity generation stations and water desalination plants	Kingdom of Saudi Arabia

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### 18 ASSOCIATES (CONTINUED)

The details of the Group's associates are as follows: (continued)

	Group's interest			Country of incorporation
Name of associate	2019	2018	Principal activities	
<u>Associates of TNB Energy Services Sdn. Bhd.</u>				
Jana Landfill Sdn. Bhd.	20%	20%	Generation and distribution of heat and electricity using methane gas from landfill sites	Malaysia
SD Plantation TNBES Renewable Energy Sdn. Bhd. (Formerly known as Sime Darby TNBES Renewable Energy Sdn. Bhd.)	49%	49%	To develop, set up, construct, install, operate and maintain renewable energy or biogas power plant which uses the palm oil mill effluent as its main source of fuel	Malaysia
<u>Associate of TNB Engineering Corporation Sdn. Bhd.</u>				
Abraj Cooling LLC	49%	49%	Contracting works for the construction of district cooling plants	United Arab Emirates
<u>Associate of TNB Research Sdn. Bhd.</u>				
Gunung Tenaga Sdn. Bhd.	40%	40%	Environmental services and research	Malaysia
<u>Associate of Orion Mission Sdn. Bhd.</u>				
Eastern Sabah Power Consortium Sdn. Bhd.	50%	50%	To develop, construct and operate a gas-fired power plant and to generate and sell electricity. The company has not commenced its operation since the date of incorporation	Malaysia
<u>Associate of Global Power Enerji Sanayi Ve Ticaret Anonim Şirketi</u>				
Gama Enerji Anonim Şirketi	30%	30%	To enter into commitments related to energy investments and to carry out industrial, commercial and business activities	Turkey
<u>Associate of Pelabuhan Lumut Sdn. Bhd.</u>				
Lumut Maritime Terminal Sdn. Bhd.	50% less 1 share	50% less 1 share	Development of an integrated privatised project encompassing ownership and operations of multi-purpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities	Malaysia
<u>Associate of TNB International Sdn. Bhd.</u>				
Vortex Solar Investment S.A.R.L.	50%	50%	Investment holding company	Luxembourg

## 18 ASSOCIATES (CONTINUED)

The list of contingent liabilities of material associates are as follows:

	Potential exposure	
	2019 RM'million	2018 RM'million
<u>GEL</u>		
(a) Corporate guarantees	344.8	357.6
(b) Bank guarantees outstanding/Letter of credit outstanding	298.7	226.4
(c) Claims against the GEL Group not acknowledged as debts	1,162.8	1,039.4
(d) Matters relating to income tax under dispute	50.7	52.4
(e) Disputed arrears of electricity charges	0	6.2
(f) Disputed entry tax liabilities	84.7	95.9
(g) Disputed demand for deposit of fund setup by Water Resource Department	30.1	31.3
(h) Matters related to indirect taxes duty under disputes	34.0	0
(i) Custom duties refunds	34.0	35.2
<p>In 2010, a subsidiary of GEL was granted a refund of customs duty which was paid earlier towards the import of plant and machinery. In 2011, the subsidiary received an intimation from the Office of the Joint Director General of Foreign Trade ('DGFT') for cancellation of duty drawback refund order granted thereby seeking refund of the amount that has been received earlier.</p> <p>In the opinion of experts, the management is confident that the duty drawback refund granted earlier was appropriate and that the cancellation of the duty drawback refund is not tenable. During the financial year ended 31 March 2015, the matter has been transferred to the Hon'ble Supreme Court of India and will be concluded along with other similar cases and is pending finalisation.</p>		
(j) Payment of electricity duty towards Chief Electrical Inspectorate, Government of Andhra Pradesh ('GoAP')	44.6	46.3
<p>The associate and a subsidiary received demands from the Chief Electrical Inspectorate, GoAP for electricity duties on generation and sale of electrical energy since the commencement of commercial operations date of its plants.</p> <p>Based on internal assessment and expert legal opinion, the management of GEL is confident that the provisions of Electricity Duty Act and Rules, 1939 in respect of payment of electricity duty are not applicable to GEL.</p>		
(k) Appeals and disputes	170.2	162.5
<p>GEL is in dispute with its fuel supplier which is currently being heard at the District Civil Court of Bangalore.</p> <p>Based on independent legal opinion and internal assessment, the management of GEL is confident that it has a strong defense against these claims.</p>		
(l) Amount payable to vendors	38.5	14.6
<p>GEL Group has an amount payable in foreign currency to certain vendors, which is outstanding for more than 3 years. The GEL Group has applied for condonation of delay with the Reserve Bank of India.</p>		
Total exposure	2,293.1	2,067.8

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### 18 ASSOCIATES (CONTINUED)

The list of contingent liabilities of material associates are as follows: (continued)

	Potential exposure	
	2019 RM'million	2018 RM'million
<u>Gama Enerji</u>		
Letters of guarantee	111.1	345.2
The letters of guarantee are mainly provided to certain regulators within the energy market and Ministry of Water and Irrigation of Jordan.		
Total exposure of the Group	721.3	723.9

(a) Impairment assessment for Gama Enerji

#### 2019

The value of the investment in associate has been fully written down in the previous financial year.

#### 2018

The Group had undertaken the impairment assessment of its investment in Gama Enerji following an impairment indicator arising from the adverse foreign exchange movements which resulted in volatility of electricity prices and fuel prices and translation losses arising from borrowings denominated in foreign currencies. An impairment charge of RM498.0 million was recognised for the carrying amount of Gama Enerji as at 31 December 2018 as its recoverable amount was lower than its carrying amount.

#### Key assumptions used

The recoverable amount was determined based on VIU calculation, which apply a discounted cash flow model based on management's forecasts and projections. These forecasts and projections reflect management's expectations based on the current assessment of macroeconomics trends, currency movement, expectations of market growth and industry growth as benchmarked with external sources.

The key assumptions used in determining the VIU were:

	%
Cost of equity	16.3 – 31.5
Terminal growth rate	2.4 – 2.8

The Group's review includes impact assessment of changes in key assumptions. The effects of the movement in the key assumptions to the recoverable amount is as follows:

	Changes in assumptions	Impact on recoverable amount	
		Increase RM'million	Decrease RM'million
Discount rate	1.0%	(11.5)	13.1
Terminal growth rate	1.0%	8.8	(8.1)



## 18 ASSOCIATES (CONTINUED)

### (b) Impairment assessment for GEL

During the financial year, the Group had undertaken the impairment assessment of its investment in GEL following operational constraints including coal supply disruption as well as unplanned outages. Based on the impairment assessment, the carrying value of the Group's interest in GEL as at 31 December 2019 exceeded its recoverable amount by RM198.3 million (2018: RM304.7 million), hence additional impairment loss had been recognised.

#### *Key assumptions used*

The recoverable amount was determined based on VIU calculations, which apply a discounted cash flow model of GEL Group for the period of the remaining useful lives of the respective power plants of GEL Group which range between 15 to 40 years. The cash flows used in the calculations are the most recent forecasts and projections approved by the Board of Directors and management of GEL.

The key assumptions used in determining the VIU were:

	%
<b>2019</b>	
Average Plant Availability Factor	<b>51.2</b>
Average Plant Load Factor	<b>50.0 - 85.0</b>
Cost of equity	<b>11.2 - 15.5</b>
<b>2018</b>	
Average Plant Availability Factor	47.2 - 51.2
Average Plant Load Factor	50.0 - 85.0
Cost of equity	14.1 - 19.3

The cash flows were discounted using cost of equity based on the risk specific to the investments. The key assumptions take into account the macroeconomic environment in India.

The Group's review includes impact assessment of changes in key assumptions. The effects of the movement in the key assumptions to the recoverable amount are as follows:

	Changes in assumptions	Impact on recoverable amount	
		Increase RM'million	Decrease RM'million
<b>2019</b>			
Plant Availability Factor	<b>5.0%</b>	<b>11.9</b>	<b>(12.1)</b>
Plant Load Factor	<b>10.0%</b>	<b>116.1</b>	<b>(121.5)</b>
Discount rate	<b>1.0%</b>	<b>(36.0)</b>	<b>41.3</b>
<b>2018</b>			
Plant Availability Factor	5.0%	27.7	(13.9)
Plant Load Factor	10.0%	169.0	(178.7)
Discount rate	1.0%	(55.6)	72.6

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### 19 GOODWILL ON CONSOLIDATION

#### Accounting Policy

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGU's), or groups of CGUs, that is expected to benefit from synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The carrying value of goodwill is compared to the recoverable amount, which is the higher of VIU and the fair value less costs of disposal. Any impairment is recognised immediately to the statement of profit or loss and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

	Group	
	2019 RM'million	2018 RM'million
As at the beginning of the financial year	240.7	211.0
Acquisition of subsidiaries	0	29.7
Effect of changes in exchange rate	0.6	0
As at the end of the financial year	241.3	240.7

#### Impairment assessment for goodwill

Annual impairment assessment is conducted on the Group as a whole excluding its operations and investments in overseas, as it is treated as a CGU. No impairment loss was required as at 31 December 2019 as the recoverable amount exceeded the carrying amount.

The recoverable amount of the CGU including goodwill, is determined based on its VIU. This VIU calculation applies a discounted cash flow model using cash flow projections based on forecast approved by management covering a five-year period. The forecasts reflect management's expectations of revenue growth, operating costs and margins for the Group based on current assessment of market share, expectations of market and industry growth. Cash flows beyond the fifth year are extrapolated using an estimated terminal growth rate.

The discount rate applied to the cash flow forecast refers to the industry's pre-tax Weighted Average Cost of Capital ('WACC').

The following key assumptions have been applied in the VIU calculation:

	2019 %	2018 %
Revenue growth rate	2.6	3.1
Pre-tax discount rate	9.9	9.6
Terminal growth rate	2.6	3.1

The Group's review includes an impact assessment of changes in key assumptions used. Based on the sensitivity analysis performed, it was concluded that no reasonable change in the base case assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

## 20 INVESTMENT IN UNQUOTED DEBT SECURITY

### Accounting Policy

Investment in unquoted debt security is a financial instrument and the accounting policy is disclosed in Note 46.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Preferred Equity Certificate ('PEC')	<b>319.8</b>	318.0	<b>0</b>	0
Unsecured Loan Notes	<b>12.0</b>	8.7	<b>12.0</b>	8.7
Total	<b>331.8</b>	326.7	<b>12.0</b>	8.7

The PEC earns interest of 8.0% (2018: 8.0%) per annum and has a maturity period of 12 years up to year 2031.

Credit risks relating to debt instruments above are disclosed in Note 46(b) of the financial statements.

## 21 DEFERRED TAXATION

### Accounting Policy

Deferred tax is recognised on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements including those arising from business combinations. Deferred tax is not recognised on goodwill and those arising from initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unutilised tax credits can be utilised. Deferred tax is recognised on temporary differences arising on investment in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is receivable.

Deferred tax is measured at the tax rates (and laws) that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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### 21 DEFERRED TAXATION (CONTINUED)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Deferred tax assets:				
- Deferred tax assets to be realised after more than 12 months	84.3	47.9	0	0
- Deferred tax assets to be realised within 12 months	40.0	39.8	0	0
	124.3	87.7	0	0
Deferred tax liabilities:				
- Deferred tax liabilities to be settled after more than 12 months	(7,353.0)	(7,755.8)	(6,034.5)	(6,414.0)
- Deferred tax liabilities to be settled within 12 months	(430.0)	(253.5)	(451.9)	(251.4)
	(7,783.0)	(8,009.3)	(6,486.4)	(6,665.4)
Deferred tax assets	124.3	87.7	0	0
Deferred tax liabilities	(7,783.0)	(8,009.3)	(6,486.4)	(6,665.4)
Net total	(7,658.7)	(7,921.6)	(6,486.4)	(6,665.4)

The movements during the financial year relating to deferred tax are as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
As at the beginning of the financial year	(7,921.6)	(7,544.9)	(6,665.4)	(6,257.7)
(Charged)/Credited to statement of profit or loss: (Note 11)				
- Property, plant and equipment	(874.3)	(254.5)	(358.4)	(268.1)
- Provisions and allowances	488.2	72.6	(12.9)	29.9
- Contract assets	(16.7)	(76.4)	(16.7)	(76.4)
- Lease liabilities	292.7	111.1	194.5	14.7
- Prepaid operating leases	0	(119.6)	0	(123.8)
	(110.1)	(266.8)	(193.5)	(423.7)
Credited to OCI:				
- Provisions and allowances	373.0	16.0	372.5	16.0
Acquisition of subsidiaries	0	(125.9)	0	0
As at the end of the financial year	(7,658.7)	(7,921.6)	(6,486.4)	(6,665.4)
Subject to income tax				
Deferred tax assets (before offsetting):				
- Provisions and allowances	5,472.4	4,611.2	3,595.6	3,236.0
- Lease liabilities	0	377.7	0	412.7
- Property, plant and equipment	56.5	41.8	0	0
Offsetting	(5,404.6)	(4,943.0)	(3,595.6)	(3,648.7)
Deferred tax assets (after offsetting)	124.3	87.7	0	0

## 21 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred tax are as follows: (continued)

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	(11,483.6)	(10,594.6)	(8,464.1)	(8,105.7)
- Contract assets	(804.7)	(788.0)	(804.7)	(788.0)
- Prepaid operating leases	0	(1,569.7)	0	(1,420.4)
- Lease liabilities	(899.3)	0	(813.2)	0
Offsetting	5,404.6	4,943.0	3,595.6	3,648.7
Deferred tax liabilities (after offsetting)	(7,783.0)	(8,009.3)	(6,486.4)	(6,665.4)

The amount of deductible temporary differences, unused tax losses, reinvestment allowance and investment tax allowance for which no deferred tax assets are recognised in the statement of financial position are as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Deductible temporary differences	1,215.4	1,516.1	0	0
Tax losses*	1,408.6	1,570.8	0	0
Reinvestment allowance <sup>#</sup> and investment tax allowance	5,328.9	5,328.9	0	0

No deferred tax assets are recognised from the above due to uncertainty of their recoverability. The unabsorbed capital allowances and investment tax allowance do not expired under current tax legislation.

\* The unutilised tax losses arising from a year of assessment ('YA') are allowed to be carried forward for utilisation up to 7 consecutive YAs from that YA. In addition, any accumulated unabsorbed tax losses brought forward from YA2018 can only be utilised until YA2025.

<sup>#</sup> The unutilised reinvestment allowance are allowed to be carried forward for utilisation up to 7 consecutive YAs from the first year after the end of the eligible period.

## 22 LONG TERM RECEIVABLES

### Accounting Policy

Long term receivables is a financial instrument and the accounting policy is disclosed in Note 46.

	Note	Group		Company	
		2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
<u>Financial assets</u>					
- Other receivables	(a)	115.6	131.6	95.5	115.0
Less: Loss allowances		(23.8)	(28.9)	(23.8)	(28.9)
		91.8	102.7	71.7	86.1
<u>Non-financial assets</u>					
- Advance payment to contractors	(b)	14.6	292.8	0	0
- Indirect tax	(c)	619.6	850.0	0	174.4
- Prepayment		14.0	0	0	0
		740.0	1,245.5	71.7	260.5

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### 22 LONG TERM RECEIVABLES (CONTINUED)

- (a) Included in the Group and Company are advances given to staff and other non-trade receivables, which are not expected to be received within 12 months from the statement of financial position date.

Credit risks are disclosed in Note 46(b) to the financial statements.

- (b) Advance payment to contractors primarily relates to construction of plants which will be utilised against milestone payment invoices, which is more than 12 months.
- (c) Included in the Group is indirect tax receivables which are not expected to be received within 12 months from the statement of financial position date.

### 23 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Note	Company	
		2019 RM'million	2018 RM'million
<u>Non-current</u>			
Amounts due from subsidiaries		2,533.4	2,494.6
Less: Loss allowances		(1,887.8)	(1,442.6)
	(a)	645.6	1,052.0
<u>Current</u>			
Amounts due from subsidiaries		3,763.9	4,674.7
Less: Loss allowances		(806.4)	(971.8)
	(b)	2,957.5	3,702.9
Amounts due to subsidiaries	(b)	(867.7)	(1,459.4)

- (a) Amount due from SESB is subject to interest rates of 6.0% (2018: 6.0%) per annum, is unsecured and has no fixed term of repayment.

Amount due from KEV relating to the Redeemable Unsecured Loan Stocks ('RULS') bears interest at 8.0% (2018: 8.0%) per annum on the outstanding nominal value of the principal. The carrying amount of KEV RULS is amounting to RM310.3 million (2018: RM744.6 million). Refer to Note 37(c) for the RULS terms.

- (b) Amounts due from/(to) subsidiaries classified as current are unsecured, interest free and repayable on demand.

Credit risks are disclosed in Note 46(b) to the financial statements.

## 24 LEASES

### Accounting Policy

#### Recognition and measurement in financial year ended 31 December 2019

##### (a) The Group and Company as lessors

The requirements for lessor accounting under MFRS 16 remain relatively unchanged from MFRS 117. The Group and Company classify its leases as either operating leases or finance leases.

##### Operating leases

Leases where the Group and Company retain substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. The Group and Company recognise lease payments received under operating leases as operating income on a straight-line basis over the lease term.

##### Finance leases

If the Group and Company transfer substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases. The Group and Company derecognise the leased assets and recognise the net investment in the lease as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

##### (b) The Group and Company as lessees

The accounting policy on ROU assets and lease liabilities for lessees are disclosed in Note 15.

#### Recognition and measurement in financial year ended 31 December 2018

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

The Group and Company enter into lease agreements as lessees for certain PPE. Leases of PPE where the Group and Company have substantially transferred all the risks and rewards of ownership (i.e. the Group is the lessor), and leases of PPE where the lessors have substantially transferred all the risks and rewards of ownership to the Group and Company (i.e. the Group is the lessee), are classified as finance leases.

When assets are leased out under finance lease, the Group derecognises the leased asset and recognises the net investment in the lease as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When external assets are leased, finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. The interest element of the finance cost is charged to the statement of profit or loss within finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PPE acquired under finance leases are depreciated or amortised over the lease term. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the statement of profit or loss over the lease term on the same basis as the lease expense.



## Notes to the Financial Statements

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### 24 LEASES (CONTINUED)

#### (a) Finance lease receivables

The Group's finance lease receivables arise predominantly from Cooling Energy Supply Agreement ('CESA') and Energy Performance Contract ('EPC').

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Within 1 year	2.4	2.4	1.0	1.0
After 1 year and not later than 2 years	2.7	2.4	1.5	1.2
After 2 years and not later than 3 years	2.6	2.4	1.7	1.2
After 3 years and not later than 4 years	2.1	2.3	1.3	1.3
After 4 years and not later than 5 years	2.0	2.0	1.3	1.2
After 5 years	7.5	9.6	6.1	7.5
	16.9	18.7	11.9	12.4
	19.3	21.1	12.9	13.4
Less: Unearned finance income	(6.4)	(7.7)		
Present value of minimum lease payment receivable	12.9	13.4		

The effective interest rate implicit in the finance lease is approximately 9.5% (2018: 9.5%). The carrying amount of the finance lease receivables approximate to their fair value.

#### (b) Lease liabilities

	Note	31.12.2019 RM'million	As restated 1.1.2019 RM'million	As previously reported 31.12.2018 RM'million
<b>Group</b>				
Lease liabilities	(i)	31,303.8	34,571.5	4,868.0
Hire purchase creditors	(ii)	2.3	6.1	6.1
		31,306.1	34,577.6	4,874.1
<b>Company</b>				
Lease liabilities	(i)	67,438.9	58,169.3	16,668.8

## 24 LEASES (CONTINUED)

### (b) Lease liabilities (continued)

- (i) The Group and Company's obligations under lease liabilities arise predominantly from the power purchase agreements with several IPPs.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Minimum lease payments:				
- Within 1 year	<b>4,968.8</b>	694.8	<b>8,734.2</b>	2,142.1
- After 1 year and not later than 2 years	<b>4,076.5</b>	696.0	<b>7,453.1</b>	1,932.5
- After 2 years and not later than 3 years	<b>3,886.2</b>	697.2	<b>6,992.1</b>	1,936.0
- After 3 years and not later than 4 years	<b>3,372.7</b>	699.9	<b>6,229.5</b>	1,835.1
- After 4 years and not later than 5 years	<b>2,985.0</b>	681.6	<b>6,106.5</b>	1,499.7
- After 5 years	<b>24,385.3</b>	4,031.7	<b>75,370.8</b>	17,149.2
	<b>38,705.7</b>	6,806.4	<b>102,152.0</b>	24,352.5
Total minimum lease payments	<b>43,674.5</b>	7,501.2	<b>110,886.2</b>	26,494.6
Future finance charges	<b>(12,370.7)</b>	(2,633.2)	<b>(43,447.3)</b>	(9,825.8)
	<b>31,303.8</b>	4,868.0	<b>67,438.9</b>	16,668.8
Amount payable under lease liabilities:				
- Within 1 year	<b>3,401.3</b>	354.0	<b>4,904.5</b>	1,096.1
- After 1 year and not later than 2 years	<b>2,645.2</b>	377.1	<b>3,835.9</b>	958.5
- After 2 years and not later than 3 years	<b>2,585.7</b>	401.8	<b>3,588.5</b>	1,035.0
- After 3 years and not later than 4 years	<b>2,196.4</b>	429.8	<b>3,007.1</b>	1,012.9
- After 4 years and not later than 5 years	<b>1,919.5</b>	438.4	<b>3,049.7</b>	734.8
- After 5 years	<b>18,555.7</b>	2,866.9	<b>49,053.2</b>	11,831.5
	<b>27,902.5</b>	4,514.0	<b>62,534.4</b>	15,572.7
	<b>31,303.8</b>	4,868.0	<b>67,438.9</b>	16,668.8
Average effective interest rate (%)	<b>5.5</b>	7.1	<b>5.9</b>	6.5

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### 24 LEASES (CONTINUED)

(b) Lease liabilities (continued)

(ii) This represents future instalments under hire purchase of motor vehicles, repayable as follows:

	Group	
	2019 RM'million	2018 RM'million
Minimum lease payments:		
- Within 1 year	2.0	4.0
- After 1 year and not later than 2 years	0.4	2.0
- After 2 years and not later than 3 years	0	0.4
Total minimum lease payments	2.4	6.4
Future finance charges	(0.1)	(0.3)
	2.3	6.1
Amount payable under hire purchase:		
- Within 1 year	2.0	3.8
- After 1 year and not later than 2 years	0.3	1.9
- After 2 years and not later than 3 years	0	0.4
	2.3	6.1

Hire purchase liabilities are effectively secured as the rights to the assets revert to the lessors in the event of default.

The weighted average effective interest rate applicable to the lease liabilities as at the financial year end is 5.1% (2018: 5.1%) per annum and interest for the financial year is at 2.7% (2018: 2.7%) per annum for the Group. The carrying amounts of the hire purchase payables approximate to their fair values.

Reconciliation of lease liabilities during the financial year is as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
As at beginning of the financial year	4,874.1	5,210.5	16,668.8	17,790.9
Initial adoption of MFRS 16 (Note 48)	29,703.5	0	41,500.5	0
Opening lease liabilities	34,577.6	5,210.5	58,169.3	17,790.9
Cash flows	(4,972.0)	(682.7)	(7,392.0)	(2,137.7)
Non-cash changes				
- Additional lease	4.4	0	13,532.4	0
- Transfer to payables	(31.1)	(1.3)	(141.1)	(109.7)
- Finance charges (Note 10(b))	1,727.2	347.6	3,270.3	1,125.3
As at end of the financial year	31,306.1	4,874.1	67,438.9	16,668.8

## 24 LEASES (CONTINUED)

The statement of profit or loss includes the following amounts relating to leases:

	Group	Company
	2019 RM'million	2019 RM'million
Depreciation charge of ROU assets (Note 15)	3,767.2	5,093.6
Finance charges (Note 10(b))	1,727.2	3,270.3
Expense relating to leases of low-value assets other than short term leases (Note 6)	17.3	16.8
Expense relating to variable lease payments not included in lease liabilities*	720.0	24.1

The Group and Company's total cash outflows for leases in 2019 were RM4,972.0 million and RM7,392.0 million respectively.

\* This expense is mainly related to freight charges for the supply of coal and it is dependent on the tonnage of the coal.

## 25 PREPAID OPERATING LEASES

### Accounting Policy

The accounting policy in relation to operating leases where the Group and Company are the lessors and lessees is disclosed in Note 24.

The prepaid operating leases where the Group and Company are the lessees were classified as ROU assets upon adoption of MFRS 16 as at 1 January 2019 (Note 48).

### (a) Prepaid operating leases

	Group	Company
	2018 RM'million	2018 RM'million
<u>Non-current</u>		
Prepaid operating leases	5,944.1	5,934.9
<u>Current</u>		
Prepaid operating leases	164.8	156.5

Payments made in advance to IPPs are primarily to reserve generating capacity for future goods and services. There is no contractual right to receive a refund in cash or another financial instrument from the IPPs.

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### 25 PREPAID OPERATING LEASES (CONTINUED)

(b) Operating lease payables and prepayment by lessee

	Group		Company
	2019 RM'million	2018 RM'million	2018 RM'million
<u>Non-current</u>			
Operating lease payables* (Note 39)	0	139.3	157.5
Prepayment by lessee** (Note 39)	161.0	215.9	0
	161.0	355.2	157.5
<u>Current</u>			
Operating lease payables* (Note 33)	0	15.6	15.6
Prepayment by lessee** (Note 33)	28.4	32.4	0
	28.4	48.0	15.6

\* The Group and Company as lessees (previously recognised under MFRS 117, reclassified to ROU assets upon the adoption of MFRS 16 (Note 48))

\*\* The Group as lessor

### 26 FINANCIAL ASSETS AT FVOCI

#### Accounting Policy

Financial assets at FVOCI are financial instruments and the accounting policy is disclosed in Note 46.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Financial assets at FVOCI	58.9	76.4	58.2	75.7

The Group and Company have irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in OCI. The Group and Company consider this classification to be more relevant as these instruments are strategic investments of the Group and Company and not held for trading purposes.

During the financial year, no dividend income was recognised and no investment was disposed.

	Group		Company	
	Fair value at 2019 RM'million	Fair value at 2018 RM'million	Fair value at 2019 RM'million	Fair value at 2018 RM'million
Labuan Reinsurance (L) Ltd.	58.2	75.7	58.2	75.7
Al-Imtiaz Operation and Maintenance Company Ltd.	0.4	0.4	0	0
Club Memberships				
- Sultan Salahuddin Abdul Aziz Shah Club	0.1	0.1	0	0
- Glenmarie Gold Country Club	0.1	0.1	0	0
- Leisure Holiday Bhd	0.1	0.1	0	0

## 27 CONTRACT BALANCES

### Accounting Policy

#### (a) Contract cost assets

##### Costs to fulfil a contract

The Group recognises a contract cost that relates directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group which will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

#### (b) Contract assets

A contract asset is recognised when the Group and Company's rights to consideration are conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9 (Note 46). Typically, the amount will be billed within 30 days of the supply of electricity for electricity customers and 60 to 180 days for satisfying the performance obligation for other revenue streams. The amounts of the electricity supplied before the bills are issued is recognised as contract assets. Payment is expected within 30 days from the billing date for all trade receivables.

#### (c) Contract liabilities

A contract liability represents the obligation of the Group and Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

Contract liabilities primarily relate to contributions paid in advance by electricity customers for the construction of electricity network assets. The customers' contribution are expected to be recognised as revenue over a period of 20 years, being the estimated average useful life of the electricity network assets used to connect the customers to the electricity supply.

Other contract liabilities within the Group are relating to students fees. All other contract liabilities are expected to be recognised as revenue over the next 12 months.

The Group and Company have recognised the following assets and liabilities related to contracts with customers:

	Note	Group		Company	
		2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
(a) Contract cost assets					
– Cost to fulfil a contract		10.5	0.5	0	0
(b) Contract assets	(i)				
As at the beginning of the financial year		3,361.8	3,039.6	3,205.0	2,906.0
Performance obligations completed		3,587.6	3,425.6	3,400.8	3,283.4
Transfer to receivables		(3,384.6)	(3,019.7)	(3,205.0)	(2,906.0)
Loss allowances		(56.6)	(83.7)	(44.0)	(78.4)
As at the end of the financial year		3,508.2	3,361.8	3,356.8	3,205.0

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### 27 CONTRACT BALANCES (CONTINUED)

The Group and Company have recognised the following assets and liabilities related to contracts with customers: (continued)

	Note	Group		Company	
		2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
(c) Contract liabilities	(i),(ii)				
As at the beginning of the financial year		<b>3,250.3</b>	2,737.5	<b>2,582.8</b>	2,306.1
Received during the financial year		<b>1,136.0</b>	1,081.9	<b>636.6</b>	506.1
Release to statement of profit or loss:					
– Customers' contribution		<b>(271.5)</b>	(263.4)	<b>(229.3)</b>	(229.4)
– Deferred income		<b>(330.4)</b>	(305.7)	<b>0</b>	0
As at the end of the financial year		<b>3,784.4</b>	3,250.3	<b>2,990.1</b>	2,582.8

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Contract liabilities can be analysed as follows:				
Realised within 12 months	<b>354.4</b>	347.4	<b>281.1</b>	227.9
Realised after 12 months	<b>3,430.0</b>	2,902.9	<b>2,709.0</b>	2,354.9
	<b>3,784.4</b>	3,250.3	<b>2,990.1</b>	2,582.8

(i) Significant changes in contract assets and liabilities

Contract assets have increased as the Group and Company have provided more services ahead of the agreed payment schedules for fixed-price contracts. The Group and Company also recognised a loss allowance for contract assets.

Contract liabilities have increased for the Group and Company due to larger prepayments or contributions received from customers.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current financial year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior financial year:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Revenue recognised, included in the contract liabilities balance in relation to preceding year	<b>(375.0)</b>	(377.2)	<b>(222.3)</b>	(227.6)
Revenue recognised, included in the contract liabilities balance in relation to current year	<b>(226.9)</b>	(191.9)	<b>(7.0)</b>	(1.8)
	<b>(601.9)</b>	(569.1)	<b>(229.3)</b>	(229.4)



## 27 CONTRACT BALANCES (CONTINUED)

(iii) Unsatisfied performance obligations in long term contracts

The following table shows unsatisfied performance obligations resulting from long term contracts:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied	<b>3,784.4</b>	3,250.3	<b>2,990.1</b>	2,582.8

Management expects 9.4% (2018: 8.8%) of the transaction price allocated to the unsatisfied contracts will be recognised as revenue during the next financial year. The remaining 90.6% (2018: 91.2%) will be recognised from financial years 2021 to 2040.

All contracts for period of one year or less are billed based on services provided. The transaction price allocated to these unsatisfied contracts is not disclosed.

## 28 FINANCIAL ASSETS AT FVTPL

### Accounting Policy

Financial assets at FVTPL are financial instruments and the accounting policy is disclosed in Note 46.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Financial assets at FVTPL	<b>8,109.0</b>	9,743.3	<b>7,334.4</b>	5,224.6
Current	<b>7,959.9</b>	9,652.4	<b>7,248.1</b>	5,133.7
Non-current	<b>149.1</b>	90.9	<b>86.3</b>	90.9
	<b>8,109.0</b>	9,743.3	<b>7,334.4</b>	5,224.6

Financial assets at FVTPL mainly represent investments in unit trusts and students' loan.

Credit risks relating to financial assets at FVTPL are disclosed in Note 46(b) to the financial statements.

## 29 DERIVATIVE FINANCIAL INSTRUMENTS

### Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the statement of profit or loss when the changes arise.

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### 29 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
Non-hedge accounting qualified derivative financial instruments:				
<b>2019</b>				
<b>Group</b>				
<u>Outstanding foreign currency contracts</u>				
Spot foreign currency contracts – current	(a)	18.7	0	0
Forward foreign currency contracts – current	(b)	154.2	0	(8.6)
Interest rate swap contracts – non-current	(c)	604.5	0	(29.7)
Profit rate swap contracts – non-current	(d)	134.7	0	(7.5)
Put option – current	(e)	0	0	0
<b>Company</b>				
<u>Outstanding foreign currency contracts</u>				
Spot foreign currency contracts – current	(a)	18.7	0	0
Forward foreign currency contracts – current	(b)	11.0	0	(0.2)
<b>2018</b>				
<b>Group</b>				
<u>Outstanding foreign currency contracts</u>				
Forward foreign currency contracts – current	(b)	949.7	1.2	(44.0)
Interest rate swap contracts – non-current	(c)	622.4	0	(11.5)
Put option – non-current	(e)	14.2	0.2	0

There were no derivative financial instruments for the Company as at 31 December 2018.

- (a) The Company entered into spot foreign currency contracts with spot rates ranging from RM4.0950 to RM4.0975 for 1 US Dollar.
- (b) The Group entered into forward foreign currency contracts with forward rates ranging from RM4.0602 to RM4.4100 (2018: RM4.1627 to RM4.4100) for 1 US Dollar, RM3.6600 to RM3.8600 (2018: RM3.6540 to RM3.7890) for 100 Japanese Yen.
- (c) The Group entered into two Interest Rate Swap ('IRS') contracts transaction that entitled the Group to received interest at floating rates, and oblige to pay interest at fixed rate of 1.3% and 1.7% on aggregate notional principal of GBP30.7 million and GBP89.3 million respectively.
- (d) TNB Bukit Selambau Solar Sdn. Bhd. ('TNBBSS') entered into Profit Rate Swap ('PRS') contracts transaction with effect from 29 March 2019 that entitled TNBBSS to receive profit at floating rates and obliged to pay profit at fixed rate of 4.31% on aggregate principal of RM134.7 million.
- (e) The put option is a right to sell back an asset as a protection to the Group against any unfulfilment in the stipulated conditions of agreements entered from the acquisition of GVO Wind Limited ('GVO') and Bluemerang Capital Ltd ('BCL').

Credit risks relating to derivative financial instruments are disclosed in Note 46(b) to the financial statements.

### 30 INVENTORIES

#### Accounting Policy

Inventories are stated at the lower of cost and net realisable value.

Cost of work-in-progress and finished goods comprise raw materials, direct labour and a proportion of the production overheads. Cost is determined on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Fuel and consumables	<b>1,885.6</b>	1,262.7	<b>491.9</b>	294.0
Work-in-progress	<b>23.7</b>	18.4	<b>0</b>	0
Finished goods	<b>16.0</b>	14.8	<b>0</b>	0
	<b>1,925.3</b>	1,295.9	<b>491.9</b>	294.0

### 31 RECEIVABLES, DEPOSITS AND PREPAYMENTS

#### Accounting Policy

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and Company. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value, which is the amount of consideration that is unconditional unless they contain significant financing components. The Group and Company hold the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less accumulated impairment losses. The impairment is determined based on the ECL model and is further disclosed in Note 46.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Trade receivables	<b>5,181.5</b>	5,278.7	<b>3,861.4</b>	3,831.7
Staff advances/loans	<b>49.9</b>	36.3	<b>44.1</b>	30.8
Deposits and prepayments	<b>590.9</b>	480.5	<b>406.4</b>	289.1
Other receivables	<b>400.3</b>	2,423.2	<b>256.1</b>	1,869.1
Rechargeable job orders debtors	<b>392.9</b>	337.3	<b>319.7</b>	305.6
Partial payment to contractors	<b>39.6</b>	44.2	<b>16.3</b>	0.8
	<b>6,655.1</b>	8,600.2	<b>4,904.0</b>	6,327.1

## Notes to the Financial Statements

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### 31 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Impairment losses on:				
Trade receivables (Note 46 (b)(ii))	(1,766.0)	(1,640.1)	(1,677.8)	(1,471.8)
Others (Note 46 (b)(iii))	(128.6)	(156.7)	(98.8)	(85.5)
	(1,894.6)	(1,796.8)	(1,776.6)	(1,557.3)
	4,760.5	6,803.4	3,127.4	4,769.8

The Group and Company's credit policies provide trade receivables with a range between 30 days to 90 days (2018: 30 days) credit period.

Credit risks relating to receivables are disclosed in Note 46(b)(i) to the financial statements.

Included in other receivables of the Group and Company are amounts due from the Government amounting to RM210.1 million (2018: RM1,670.9 million) under the ICPT mechanism.

### 32 DEPOSITS, BANK AND CASH BALANCES

#### Accounting Policy

For the purpose of the consolidated statement of cash flows, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash in hand, deposits held at call with financial institutions, other short term investments with original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Cash in hand and at bank	1,943.4	3,430.1	277.1	1,798.9
Deposits with licensed banks	4,348.3	5,240.7	2,470.2	4,053.5
	6,291.7	8,670.8	2,747.3	5,852.4

The interest rates per annum of bank balances and deposits with licensed banks that were effective as at the end of the reporting date were as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Bank balances	0.1 - 3.3	0.1 - 3.3	0.1 - 3.3	0.1 - 3.3
Deposits with licensed banks	0.6 - 3.7	0.8 - 4.1	0.6 - 2.9	0.8 - 3.0

Deposits with licensed banks have maturity periods ranging from 1 to 365 days (2018: 1 to 208 days) for the Group and 1 to 336 days (2018: 1 to 85 days) for the Company.

**32 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)**

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Cash and cash equivalents comprise:				
Cash in hand and at bank	<b>1,943.4</b>	3,430.1	<b>277.1</b>	1,798.9
Deposits with licensed banks	<b>4,348.3</b>	5,240.7	<b>2,470.2</b>	4,053.5
Deposits, bank and cash balances	<b>6,291.7</b>	8,670.8	<b>2,747.3</b>	5,852.4
Debt reserve account* (Note 37(b)(iii))	<b>(141.2)</b>	(246.0)	<b>0</b>	0
Cash at bank held in trust**	<b>(367.1)</b>	(248.9)	<b>0</b>	0
Restricted cash	<b>(22.6)</b>	(16.3)	<b>0</b>	0
Deposits with maturity 90 days and more	<b>(3,320.0)</b>	(561.0)	<b>(2,200.2)</b>	0
Total cash and cash equivalents	<b>2,440.8</b>	7,598.6	<b>547.1</b>	5,852.4

\* Debt reserve account relate to deposits placed with licensed financial institutions as part of security obligations for bond financing.

\*\* The cash at bank held in trust is in respect of grants received from the Government of Malaysia by a subsidiary for designated capital projects.

**33 PAYABLES****Accounting Policy**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables generally arise from transactions outside the usual operating activities of the Group and Company. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, which is the fair value of the consideration to be paid in the future for the goods and services received.

Provisions are recognised when the Group and Company have a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and reliable estimates of the amounts can be made. Where the Group and Company expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Trade payables	<b>5,763.2</b>	6,455.4	<b>3,942.5</b>	4,127.8
Payroll liabilities	<b>1,547.9</b>	1,521.7	<b>1,426.3</b>	1,420.3
Deposits	<b>19.1</b>	16.5	<b>10.2</b>	10.2
Provisions	<b>717.4</b>	562.5	<b>154.0</b>	121.2
Financial guarantee contracts	<b>282.9</b>	270.3	<b>285.8</b>	272.7
Operating lease payables (Note 25(b))	<b>0</b>	15.6	<b>0</b>	15.6
Prepayment by lessee (Note 25(b))	<b>28.4</b>	32.4	<b>0</b>	0
Payable to Federal Government	<b>0</b>	42.5	<b>0</b>	0
Other payables and accruals	<b>861.4</b>	880.6	<b>266.8</b>	269.4
	<b>9,220.3</b>	9,797.5	<b>6,085.6</b>	6,237.2

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### 33 PAYABLES (CONTINUED)

Included within payables as at 31 December 2018 were amounts classified as lease liabilities as at 1 January 2019 totalling RM762.2 million and RM761.1 million for the Group and Company respectively upon the adoption of MFRS 16 (Note 48).

Included in trade payables of the Group and Company are obligations amounting to RM1,385.0 million (2018: RM662.3 million) relating to the Electricity Industry Fund under IBR mechanism.

Credit terms of trade payables of the Group and Company vary from 30 to 60 days (2018: 30 to 60 days) depending on the terms of the contracts.

In the previous financial year, included in provisions was an accrual amounting to RM124.1 million in relation to project management and consultancy services payable to NCI of a subsidiary.

The loss allowance on financial guarantee contracts are mainly arising from financial guarantees provided by the Company to an associate arising from the ECL model (Note 46(b)(iv)).

The movements in provision during the financial year are as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
As at beginning of the financial year	<b>562.5</b>	678.1	<b>121.2</b>	157.6
Provision during the financial year	<b>976.0</b>	746.3	<b>90.1</b>	127.1
Utilitised during the financial year	<b>(821.1)</b>	(861.9)	<b>(57.3)</b>	(163.5)
As at end of the financial year	<b>717.4</b>	562.5	<b>154.0</b>	121.2

### 34 EMPLOYEE BENEFITS

#### Accounting Policy

##### (a) Short term employee benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

##### (b) Post-employment benefits

The Group and Company have various post-employment benefit schemes which are either defined contribution or defined benefit plans. A defined contribution plan is a pension plan under which the Group and Company pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and Company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee services in the current and prior periods.

##### Defined contribution plans

The Group and Company's contributions to the defined contribution plans are charged to the statement of profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations.

### 34 EMPLOYEE BENEFITS (CONTINUED)

#### Accounting Policy (continued)

##### (b) Post-employment benefits (continued)

###### Defined benefit plans

The Group and Company make contributions to the Company's retirement benefit plan, a defined benefit plan and an approved fund independent of the Company's finances. A book provision is also provided by the Group and Company as the contribution rate required to fund the benefits under the said plan is in excess of the Inland Revenue maximum limit. The Group and Company also provide a post-retirement medical plan for certain employees, which is unfunded.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the statement of financial position date minus the fair value of plan assets. The Group and Company determine the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting date.

The defined benefit obligation, calculated using the Projected Unit Credit Method, is determined by an independent actuarial firm, considering the estimated future cash outflows using market yields at the statement of financial position date of high-quality corporate bonds which have currency and terms to maturity approximating the terms of the related liability.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee services in the current year. It is recognised in the statement of profit or loss as employee benefits expense.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefits obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly to the OCI in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to the statement of profit or loss.

##### (i) Retirement Benefit Trust Fund ('RBTF')

The Group and Company operate a final salary defined benefit plan. The benefit is made as lump sum payment at retirement or earlier exits due to death and early retirement. The RBTF has been closed to new entrants since January 2008. Currently, there is no minimum funding requirement under the law.

The RBTF exposes the Group and Company to risks from interest rates from defined benefit being greater than expected due to assumptions such as salary increment or turnover rates not being borne out. The RBTF is also exposed to investment risks in relation to the assets of the plan.

The funding of the RBTF is based on recommendation of the actuary and approved by the Group and Company. The contribution by the Group and Company are based on 7.0% of the annual basic salaries of the members. The employees are not required to contribute to the plan.

The Group and Company expect to contribute 6.0% of the annual basic salaries of members to the plan in the next financial year.

##### (ii) Post-Retirement Medical Benefit Scheme ('PRMBS')

The Group and Company operate a post-retirement medical benefits plan in Malaysia. The PRMBS is closed to new entrants. There is no minimum funding requirement under the current law. The PRMBS is unfunded.

The PRMBS exposes the Group and Company to risk from interest rates and from defined benefit being greater than expected due to assumptions such as projection of medical benefit costs and mortality not being borne out.

There has not been any settlement or curtailment during the current financial year.



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### 34 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows:

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
<b>Group</b>					
<b>At 1 January 2019</b>	<b>2,658.7</b>	<b>(1,609.1)</b>	<b>1,049.6</b>	<b>10,858.6</b>	<b>11,908.2</b>
<u>Included in profit or loss</u>					
Current service costs	<b>105.7</b>	<b>0</b>	<b>105.7</b>	<b>0</b>	<b>105.7</b>
Interest cost/(income)	<b>128.1</b>	<b>(83.0)</b>	<b>45.1</b>	<b>574.9</b>	<b>620.0</b>
	<b>233.8</b>	<b>(83.0)</b>	<b>150.8</b>	<b>574.9</b>	<b>725.7</b>
<u>Included in OCI</u>					
Remeasurement of loss (Note 11):					
- Actuarial (loss)/gain arising from:					
- demographic assumptions	<b>(11.5)</b>	<b>0</b>	<b>(11.5)</b>	<b>18.2</b>	<b>6.7</b>
- financial assumptions	<b>145.9</b>	<b>0</b>	<b>145.9</b>	<b>1,531.5</b>	<b>1,677.4</b>
- experience assumptions	<b>33.2</b>	<b>0</b>	<b>33.2</b>	<b>(8.1)</b>	<b>25.1</b>
- Return on plan assets excluding interest income	<b>0</b>	<b>(32.6)</b>	<b>(32.6)</b>	<b>0</b>	<b>(32.6)</b>
	<b>167.6</b>	<b>(32.6)</b>	<b>135.0</b>	<b>1,541.6</b>	<b>1,676.6</b>
<u>Others</u>					
Contribution paid by the employer	<b>0</b>	<b>(380.1)</b>	<b>(380.1)</b>	<b>0</b>	<b>(380.1)</b>
Benefits paid	<b>(406.6)</b>	<b>403.9</b>	<b>(2.7)</b>	<b>(502.9)</b>	<b>(505.6)</b>
	<b>(239.0)</b>	<b>(8.8)</b>	<b>(247.8)</b>	<b>1,038.7</b>	<b>790.9</b>
<b>At 31 December 2019</b>	<b>2,653.5</b>	<b>(1,700.9)</b>	<b>952.6</b>	<b>12,472.2</b>	<b>13,424.8</b>
Current			<b>270.7</b>	<b>487.5</b>	<b>758.2</b>
Non-current			<b>681.9</b>	<b>11,984.7</b>	<b>12,666.6</b>
			<b>952.6</b>	<b>12,472.2</b>	<b>13,424.8</b>

### 34 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
<b>Group</b>					
At 1 January 2018	2,786.3	(1,600.5)	1,185.8	10,599.3	11,785.1
<u>Included in profit or loss</u>					
Current service costs	113.9	0	113.9	0	113.9
Interest cost/(income)	132.4	(80.7)	51.7	561.8	613.5
	246.3	(80.7)	165.6	561.8	727.4
<u>Included in OCI</u>					
Remeasurement of loss (Note 11):					
- Actuarial (loss)/gain arising from:					
- financial assumptions	(16.9)	0	(16.9)	225.0	208.1
- experience assumptions	20.7	0	20.7	(67.4)	(46.7)
- Return on plan assets excluding interest income	0	58.9	58.9	0	58.9
	3.8	58.9	62.7	157.6	220.3
<u>Others</u>					
Contribution paid by the employer	0	(361.8)	(361.8)	0	(361.8)
Benefits paid	(377.7)	375.0	(2.7)	(460.1)	(462.8)
	(373.9)	72.1	(301.8)	(302.5)	(604.3)
At 31 December 2018	2,658.7	(1,609.1)	1,049.6	10,858.6	11,908.2
Current			325.8	451.2	777.0
Non-current			723.8	10,407.4	11,131.2
			1,049.6	10,858.6	11,908.2

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### 34 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
<b>Company</b>					
<b>At 1 January 2019</b>	<b>2,619.9</b>	<b>(1,609.5)</b>	<b>1,010.4</b>	<b>10,269.4</b>	<b>11,279.8</b>
<u>Included in profit or loss</u>					
Current service costs	86.8	0	86.8	0	86.8
Interest cost/(income)	127.1	(83.0)	44.1	543.0	587.1
	213.9	(83.0)	130.9	543.0	673.9
Charged to subsidiaries	15.8	0	15.8	0	15.8
	229.7	(83.0)	146.7	543.0	689.7
<u>Included in OCI</u>					
Remeasurement of loss (Note 11):					
- Actuarial (loss)/gain arising from:					
- demographic assumptions	(11.5)	0	(11.5)	10.2	(1.3)
- financial assumptions	145.9	0	145.9	1,427.4	1,573.3
- experience assumptions	33.2	0	33.2	(18.2)	15.0
- Return on plan assets excluding interest income	0	(35.1)	(35.1)	0	(35.1)
	167.6	(35.1)	132.5	1,419.4	1,551.9
<u>Others</u>					
Contribution paid by the employer	0	(380.1)	(380.1)	0	(380.1)
Benefits paid	(403.9)	403.9	0	(488.2)	(488.2)
	(236.3)	(11.3)	(247.6)	931.2	683.6
<b>At 31 December 2019</b>	<b>2,613.3</b>	<b>(1,703.8)</b>	<b>909.5</b>	<b>11,743.6</b>	<b>12,653.1</b>
Current			270.7	468.3	739.0
Non-current			638.8	11,275.3	11,914.1
			909.5	11,743.6	12,653.1

### 34 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
<b>Company</b>					
At 1 January 2018	2,749.1	(1,600.9)	1,148.2	10,170.6	11,318.8
<u>Included in profit or loss</u>					
Current service costs	95.0	0	95.0	0	95.0
Interest cost/(income)	130.9	(80.7)	50.2	538.4	588.6
	225.9	(80.7)	145.2	538.4	683.6
<u>Charged to subsidiaries</u>	15.7	0	15.7	0	15.7
	241.6	(80.7)	160.9	538.4	699.3
<u>Included in OCI</u>					
Remeasurement of loss (Note 11):					
- Actuarial (loss)/gain arising from:					
- financial assumptions	(16.5)	0	(16.5)	75.5	59.0
- experience assumptions	20.7	0	20.7	(71.9)	(51.2)
- Return on plan assets excluding interest income	0	58.9	58.9	0	58.9
	4.2	58.9	63.1	3.6	66.7
<u>Others</u>					
Contribution paid by the employer	0	(361.8)	(361.8)	0	(361.8)
Benefits paid	(375.0)	375.0	0	(443.2)	(443.2)
	(370.8)	72.1	(298.7)	(439.6)	(738.3)
At 31 December 2018	2,619.9	(1,609.5)	1,010.4	10,269.4	11,279.8
Current			325.8	433.8	759.6
Non-current			684.6	9,835.6	10,520.2
			1,010.4	10,269.4	11,279.8

## Notes to the Financial Statements

31 DECEMBER 2019

### 34 EMPLOYEE BENEFITS (CONTINUED)

The latest actuarial revaluation for RBTF and PRMBS was carried out in February 2020. The principal actuarial assumptions used in respect of defined benefit plans were as follows:

	Group		Company	
	RBTF %	PRMBS %	RBTF %	PRMBS %
<b>2019</b>				
Discount rates	4.3 – 11.3	4.5	4.3	4.5
Salary increment rate	5.0 – 11.3	N/A	7.0	N/A
Medical cost inflation:				
– Inpatient	N/A	5.5	N/A	5.5
– Outpatient	N/A	4.5	N/A	4.5
Others:				
– Specialist	N/A	4.5	N/A	4.5
– Dialysis	N/A	5.5	N/A	5.5
<b>2018</b>				
Discount rates	5.0 – 13.3	5.4 – 5.5	5.2	5.4
Salary increment rate	5.0 – 13.3	N/A	7.0	N/A
Medical cost inflation:				
– Inpatient	N/A	5.5	N/A	5.5
– Outpatient	N/A	4.5 – 5.8	N/A	4.5
Others:				
– Specialist	N/A	4.5	N/A	4.5
– Dialysis	N/A	5.5	N/A	5.5

The effect of a 1.0% movement in the key assumptions to the defined benefit obligation balances are as follows:

	RBTF		PRMBS	
	Increase RM'million	Decrease RM'million	Increase RM'million	Decrease RM'million
<b>Group</b>				
<b>2019</b>				
Medical cost trend rate	N/A	N/A	1,737.9	(1,450.5)
Discount rate	(161.2)	180.3	(1,490.5)	1,826.5
Salary increment rate	192.2	(174.8)	N/A	N/A
<b>2018</b>				
Medical cost trend rate	N/A	N/A	1,471.6	(1,232.2)
Discount rate	(155.3)	173.6	(1,256.9)	1,533.2
Salary increment rate	158.9	(145.1)	N/A	N/A

### 34 EMPLOYEE BENEFITS (CONTINUED)

The effect of a 1.0% movement in the key assumptions to the defined benefit obligation balances are as follows: (continued)

	RBTF		PRMBS	
	Increase RM'million	Decrease RM'million	Increase RM'million	Decrease RM'million
<b>Company</b>				
<b>2019</b>				
Medical cost trend rate	N/A	N/A	1,610.2	(1,347.6)
Discount rate	(161.2)	180.3	(1,385.5)	1,693.1
Salary increment rate	192.2	(174.8)	N/A	N/A
<b>2018</b>				
Medical cost trend rate	N/A	N/A	1,374.5	(1,153.3)
Discount rate	(155.3)	173.6	(1,176.9)	1,432.7
Salary increment rate	158.9	(145.1)	N/A	N/A

The sensitivity analysis has been provided based on membership data as at 31 December 2019 and considered a change of each principal assumption in isolation. The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the Group and Company's liabilities are estimated at approximately 7 and 14 years for RBTF and PRMBS respectively.

Plan assets for RBTF comprise:

	Group and Company	
	2019 %	2018 %
Equity instruments – quoted	50.7	33.7
Debt instruments – quoted	21.7	20.0
– unquoted	21.0	19.5
Others	6.6	26.8
	<b>100.0</b>	<b>100.0</b>

The plan assets for RBTF did not include any ordinary share of the Company.

The Group and Company's RBTF are conditional on future employment of the members of the plan. The Group and Company's PRMBS are not conditional on future employment and has been fully vested as at 31 December 2019.

## Notes to the Financial Statements

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### 35 CONSUMER DEPOSITS

Consumers (with the exception of employees and government departments/agencies) are required to deposit a sum sufficient to cover charges for two months supply of energy as allowed under the regulation of the Licensee Supply (Amendment) Regulations 2002. In default of payment of the deposit within the time specified, the supply to the consumer's installation may be disconnected, subject to certain conditions laid out in the regulations.

In January of every calendar year, the Company and SESB credit 2.5% interest per annum on the consumer's cash deposit paid.

Consumer deposits are classified as current liabilities as the amounts shall be refunded within 30 days upon request for termination of electricity supply by the consumer.

### 36 SHORT TERM BORROWINGS

#### Accounting Policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method, any differences between proceeds (net of transaction costs) and the redemption value are recognised in the statement of profit or loss over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group and Company have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawdown. In this case, the fee is deferred until the drawdown occurs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Portion of borrowings due within 1 year (Note 37):				
- Secured	1,460.7	1,076.2	0	0
- Unsecured	1,595.8	2,392.5	999.7	2,252.2
	3,056.5	3,468.7	999.7	2,252.2
Short term loans:				
- Secured	254.8	269.1	0	0
- Unsecured	99.6	105.6	0	0
Bankers' acceptances (unsecured)	68.4	84.4	0	0
	3,479.3	3,927.8	999.7	2,252.2

The short term borrowings carry interest at rates ranging from 0.8% to 15.8% (2018: 0.8% to 10.2%) per annum for the Group and from 0.8% to 9.4% (2018: 0.8% to 8.0%) per annum for the Company.



**37 BORROWINGS****Accounting Policy**

The accounting policy for borrowings is as disclosed in Note 36.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Secured:				
- Term loans (Note (a))	<b>3,234.0</b>	2,750.1	<b>0</b>	0
- Bonds (Note (b))	<b>20,584.1</b>	21,357.2	<b>0</b>	0
	<b>23,818.1</b>	24,107.3	<b>0</b>	0
Unsecured:				
- Term loans (Note (a))	<b>4,649.5</b>	6,700.4	<b>4,515.2</b>	6,578.0
- Bonds (Note (b))	<b>15,971.9</b>	16,052.2	<b>14,972.9</b>	15,059.0
- Redeemable Unsecured Loan Stocks (Note (c))	<b>549.4</b>	513.4	<b>0</b>	0
	<b>21,170.8</b>	23,266.0	<b>19,488.1</b>	21,637.0
	<b>44,988.9</b>	47,373.3	<b>19,488.1</b>	21,637.0
Payable within 1 year under short term borrowings excluding short term loans and bankers' acceptances (Note 36)	<b>3,056.5</b>	3,468.7	<b>999.7</b>	2,252.2
Borrowings repayable after 1 year:				
- After 1 and up to 2 years	<b>3,866.1</b>	2,257.1	<b>2,820.5</b>	819.9
- After 2 and up to 5 years	<b>2,889.3</b>	5,805.4	<b>711.3</b>	3,060.0
- After 5 and up to 10 years	<b>14,089.2</b>	13,626.6	<b>8,440.8</b>	8,870.0
- After 10 and up to 20 years	<b>18,500.7</b>	19,535.1	<b>6,174.3</b>	6,199.9
- After 20 and up to 30 years	<b>2,275.7</b>	2,365.6	<b>30.2</b>	120.2
- After 30 years	<b>311.4</b>	314.8	<b>311.3</b>	314.8
	<b>41,932.4</b>	43,904.6	<b>18,488.4</b>	19,384.8
	<b>44,988.9</b>	47,373.3	<b>19,488.1</b>	21,637.0
Add:				
- Short term loans	<b>354.4</b>	374.7	<b>0</b>	0
- Bankers' acceptances	<b>68.4</b>	84.4	<b>0</b>	0
Total borrowings	<b>45,411.7</b>	47,832.4	<b>19,488.1</b>	21,637.0

## Notes to the Financial Statements

31 DECEMBER 2019

### 37 BORROWINGS (CONTINUED)

	Group	
	2019 RM'million	2018 RM'million
Net book values of assets pledged as security for borrowings:		
Machinery, lines and equipment	16,225.7	5,080.1
Buildings	2,016.2	863.9
Long leasehold land	257.8	170.3
	18,499.7	6,114.3

(a) Term loans

(i) The Federal Government loans obtained by SESB are secured by the following:

- A debenture creating:
  - a first fixed charge over all present and future freehold and leasehold properties including all buildings and fixtures; and
  - a first floating charge over all present and future assets of SESB not effectively charged by way of the fixed charge.
- A deed of assignment transferring all SESB's present and future rights and interests in all sales proceeds or revenue derived from the sale of electricity generated from the projects funded.
- A deed of assignment transferring all SESB's present and future rights and interests in the bank accounts in which the loan proceeds are credited.

The tenure of the loans ranges from 20 to 25 years with a fixed interest rate applicable during the financial year ranging from 0% to 4.0% per annum.

(ii) 15-Year RM73.3 Million Term Loan

On 20 December 2010, TNB Engineering Corporation Sdn. Bhd. ('TNEC') entered into a 15-year RM73.3 million secured loan, paying interest at a fixed rate of 5.9%. The loan will mature on 24 December 2025. The principal is payable in 12 annual instalments.

The term loan is secured by a corporate guarantee from the Company. The term loan also requires TNEC to comply with certain affirmative and restrictive non-financial covenants.

(iii) USD300.0 Million Term Loan

On 30 March 2016, the Company entered into a 3-year USD300.0 million unsecured loan, paying interest at a floating interest rate with margin of 0.7%. The loan matured on 30 March 2019, and has been fully settled.

(iv) Commodity Murabahah Financing-i

On 2 May 2017, Malaysia Transformer Manufacturing Sdn. Bhd. ('MTM') entered into a RM25.0 million financing facilities under Commodity Murabahah Financing-i with a floating interest rate of 1.6% plus prevailing Kuala Lumpur Interbank Offered Rate ('KLIBOR') and RM50.0 million under Revolving Financing-i with floating interest rate of 0.75% plus prevailing KLIBOR to partly finance the construction and development of a new plant at Kapar, Klang.

In addition, on 28 August 2017, MTM obtained a RM35.0 million Commodity Murabahah Flexi Term Financing-i for the purpose of part financing new factory in Kapar, Klang.

### 37 BORROWINGS (CONTINUED)

#### (a) Term loans (continued)

##### (v) Islamic Facility Agreement

On 19 July 2017, TNB Sepang Solar Sdn. Bhd. ('TSS') entered into a 20-year secured Term Loan (known as Istisna' Term Financing-i) for a maximum principal of RM280.0 million with a KLIBOR floating rate plus prevailing margin of 1.2% (pre-commencement) and 1.3% (post-commencement) to finance the construction of a 50MW solar power plant at Kuala Langat.

The borrowings which are repayable from six months after the Commercial Operation Date ('COD') are required to be settled in full by the final maturity date of 30 June 2037.

On 13 December 2018, TNB Bukit Selambau Solar Sdn. Bhd. ('TNBBSS') obtained a RM135.0 million Islamic Facility Agreement from MUFG Bank (Malaysia) Berhad to finance the construction of a 30MW solar power plant. The tenure of the facility agreement is up to 20 years with a periodic distribution rate for pre COD (KLIBOR+1.0%) and post COD (KLIBOR+0.75%) per annum.

The borrowings are repayable from six months after the COD and is required to be settled in full by the final maturity date of 10 December 2038.

##### (vi) GBP120.0 Million Term Loan

On 28 March 2018, Tenaga Wind Ventures UK Ltd ('TWV') obtained bank loans and overdrafts which are secured by a fixed and floating charges over the assets held by TWV. TWV entered into a loan agreement with Bayerische Landesbank for an amount of GBP120.0 million. The rate of interest is at a margin of 1.6% over London Inter-bank Offered Rate ('LIBOR') for the short term facility and 1.85% over LIBOR for the long term facility, subject to interest rate swap agreement. The tenure of the loan is for 15 years. Subsequently, the Group entered into IRS contracts transaction that entitled the Group to pay interest at fixed rate of 1.3% and 1.7% respectively.

#### (b) Bonds

##### (i) Islamic Securities Programme

On 25 November 2011, TNB Janamanjung Sdn. Bhd. ('TNBJ') obtained a RM4.9 billion Islamic Securities Programme to finance the construction of a 1,010MW coal-fired power plant. The tenure of the Islamic Securities Programme ranges from 5 to 20 years with profit rates between 3.8% and 4.9% per annum.

The Islamic Securities Programme was issued by Manjung Island Energy Berhad ('MIEB') which is a special purpose vehicle company incorporated in Malaysia with a paid up capital of RM2.00 ordinary share. All of the issued shares of MIEB are held by Equity Trust (Malaysia) Berhad as share trustee for the benefit of certain specified charities, under the terms of a declaration of trust.

The Islamic Securities Programme consists of 2 series and the details of the series are as follows:

- Series 1 consists of 15 tranches, with tenures ranging from 5 to 19 years.
- Series 2 consists of 1 tranche, with a tenure of 20 years.

The Islamic Securities Programme Series 1 is secured by the following:

- A first ranking assignment of TNBJ's rights, interests, titles and benefits under PPA1 (Manjung 1, 2 & 3) and PPA2 (Manjung 4) inclusive of the proceeds therefrom; and
- A first ranking assignment of all designated accounts and the related credit balances.

The Islamic Securities Programme Series 2 is unsecured and has the benefit of unconditional and irrevocable guarantee from the Company, to meet the payment obligations of TNBJ.

## Notes to the Financial Statements

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### 37 BORROWINGS (CONTINUED)

#### (b) Bonds (continued)

##### (ii) Sukuk – Gas-Fired Power Plant

On 22 May 2013, TNB Northern Energy Berhad ('TNEB') entered into a RM1.6 billion sukuk facility agreement to finance the construction of a 1,071MW gas-fired power plant. The tenure of the facility agreement is 23 years with periodic distribution rates between 3.6% and 4.8% per annum. The sukuk facility agreement consists of 39 tranches with tenures ranging from 4 to 23 years.

##### (iii) Sukuk Ijarah

On 5 July 2013, Kapar Energy Ventures Sdn. Bhd. ('KEV') issued a sukuk facility based on the Shariah principles of Ijarah ('Sukuk Ijarah') of RM2.0 billion in nominal value. The tenure of the sukuk ranging from 1 to 13 years with profit rates of 3.8% to 5.0%. The Sukuk proceeds were utilised for Shariah-compliant purposes, which include refinancing the outstanding Bai' Bithaman Ajil Islamic Debt Securities ('BaIDS'), payment of fees and expenses in relation to the Sukuk Ijarah facility and to meet the general working capital purposes of KEV.

The Sukuk Ijarah is secured by the following:

- A first fixed charge over the lease of the land owned by the Company where the power plant, coal yard and jetty are located;
- A first ranking debenture comprising fixed and floating charges over all present and future assets of KEV; and
- Assignment of all rights, titles, interests and benefits of:
  - the project documents;
  - the applicable Takaful/insurances; and
  - the designated accounts.

##### (iv) Sukuk – Coal-Fired Power Plant

On 24 January 2014, TNB Western Energy Berhad ('TWEB') entered into a RM3.7 billion sukuk facility agreement to finance the construction of a 1,000MW coal-fired power plant. The tenure of the facility agreement is 23 years with periodic distribution rates between 5.1% and 5.8% per annum. The sukuk facility agreement consists of 20 tranches with tenures ranging from 10 to 20 years.

##### (v) RM9.0 Billion Sukuk Murabahah

On 4 December 2015, JEP issued a Sukuk Murabahah of RM9.0 billion in nominal value. The proceeds from the Sukuk Murabahah shall be utilised by JEP for shariah-compliant purposes in connection with the financing, design, engineering, procurement, construction, installation, testing, commissioning, ownership, operation and maintenance of a 2,000MW coal-fired power plant and associated facilities, including the transmission line and interconnection facilities. The tenure of the facility agreement is 23 years with periodic distribution rates between 5.0% and 6.8% per annum. The sukuk facility agreement consists of 36 tranches with tenures ranging from 6 to 23 years.

The Sukuk Murabahah is secured by the following securities:

- A charge over the power plant land, the sub-lease of the power plant land, and the lease of the jetty lands;
- Fixed and floating charges over all present and future assets of JEP excluding certain bank accounts and all credit balances therein and any rights, interest, titles and benefits under the Offset Agreement and Offset Management Services Agreement;
- Assignment of all JEP's rights, titles, interests and benefits under the project documents and the proceeds therefrom (including the power purchase agreement and revenues thereunder) but excluding the generation licence, Offset Agreement and Offset Management Services Agreement, performance bonds and material insurances/takaful;
- A charge over certain designated bank accounts and permitted investments; and
- In the event JEP acquires the ashpond land, a charge over the ashpond land.

### 37 BORROWINGS (CONTINUED)

#### (b) Bonds (continued)

##### (vi) RM3.7 Billion Sukuk Wakalah

On 31 October 2017, Southern Power Generation Sdn. Bhd. ('SPG') issued a Sukuk Wakalah of RM3.7 billion in nominal value. The proceeds from the Sukuk Wakalah shall be utilised for the following shariah-compliant purposes in connection with the financing, design, engineering, procurement, construction, installation, testing, commissioning, ownership, operation and maintenance of a 1,440MW gas-fired power plant and associated facilities, including the interconnection facilities.

The tenure of the facility agreement is 18 years with a periodic distribution rate between 4.7% and 5.6% per annum. The sukuk facility agreement consists of 28 tranches with tenures ranging from 4.5 years to 18 years.

##### (vii) Multi-Currency Sukuk Programme

On 4 October 2016, TNB Global Ventures Capital Berhad ('TGVC') established a USD2.5 billion Multi-Currency Medium Term Note Sukuk Programme to provide flexibility to Tenaga Nasional Berhad's fund raising exercise for its future investments.

The Sukuk Programme is unsecured and has the benefit of unconditional and irrecoverable guarantee from Tenaga Nasional Berhad, to meet the payment obligations of TGVC.

On 19 October 2016, the Company issued a USD750.0 million sukuk for a tenure of 10 years with fixed periodic distribution rate of 3.2%.

On 1 November 2018, the Company had a second issuance of USD750.0 million for a tenure of 10 years with a periodic distribution rate of 4.9%.

##### (viii) RM5.0 Billion Islamic Medium Term Note Sukuk Wakalah

On 3 August 2017, the Company issued a RM2.0 billion Islamic Medium Term Note Sukuk Wakalah to finance capital expenditure, investment, general corporate purpose, working capital requirements and equity injection into Tenaga Nasional Berhad's power plant projects. The issuance comprises RM500.0 million with 15 years tenure and RM1.5 billion with 20 years tenure, with periodic distribution rates of 5.0% and 5.2% respectively.

On 29 August 2018, the Company issued a RM1.0 billion Sukuk Wakalah with 15 years tenure and RM2.0 billion with 20 years tenure, with a fixed periodic distribution rate of 4.8% and 5.0% respectively.

#### (c) RULS

On 29 June 2004, KEV issued RM957.6 million of RULS to the Company and Malakoff Corporation Berhad to finance the acquisition of Stesen Janaelektrik Sultan Salahuddin Abdul Aziz, Kapar.

The main features of the RULS are as follows:

- The RULS bear interest at 8.0% per annum on the outstanding nominal value of the RULS. The interest is repayable semi-annually on the last day of the relevant six months period from the issue date of RULS. The charge in the compounding interest rate of 0% has been approved by the Board of Directors on 31 October 2016.
- The RULS are repayable from the third year from the issue date of RULS as stipulated in the agreement dated 29 June 2004. The RULS have to be settled in full by the final maturity date of 8 July 2029.

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### 37 BORROWINGS (CONTINUED)

Reconciliation of borrowings from financing activities during the financial year is as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
As at beginning of the financial year	<b>47,832.4</b>	41,443.7	<b>21,637.0</b>	15,348.1
Cash flows:				
- Drawdowns	<b>1,113.3</b>	8,206.4	<b>0</b>	6,326.1
- Repayments	<b>(3,756.9)</b>	(1,954.4)	<b>(1,990.5)</b>	(305.5)
- Finance cost paid	<b>(2,310.1)</b>	(1,986.9)	<b>(971.3)</b>	(681.4)
Non-cash changes:				
- Finance cost	<b>2,482.5</b>	1,937.8	<b>962.3</b>	763.9
- Translation (gain)/loss – foreign term loans (Note 9)	<b>(149.4)</b>	185.8	<b>(149.4)</b>	185.8
- Transfer from payables	<b>199.9</b>	0	<b>0</b>	0
As at end of the financial year	<b>45,411.7</b>	47,832.4	<b>19,488.1</b>	21,637.0

### 38 GOVERNMENT DEVELOPMENT GRANTS

#### Accounting Policy

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to construction of PPE are included in non-current liabilities as deferred income and are credited to the statement of profit or loss on the straight line method over the expected lives of the related assets.

A subsidiary of the Group obtained Government loans at an interest rate which is below the market rate of interest. The differential between the initial carrying value of the loan based on market rate and the Government rate is recognised as a deferred income and is credited to the statement of profit or loss over the period necessary to match the interest costs.

	Group	
	2019 RM'million	2018 RM'million
As at the beginning of the financial year	<b>1,005.0</b>	964.1
Reclassification made from payables	<b>0</b>	8.7
Reclassification made to contract liabilities	<b>(0.8)</b>	0
Received during the financial year:		
- Cash	<b>8.6</b>	5.6
- Assets	<b>90.8</b>	69.2
- Receivables	<b>0</b>	23.2
- Government loans	<b>19.9</b>	13.1
Released to statement of profit or loss:		
- Other operating income (Note 8)	<b>(59.9)</b>	(51.5)
- Finance cost (Note 10(b))	<b>(32.3)</b>	(27.4)
As at the end of the financial year	<b>1,031.3</b>	1,005.0

### 38 GOVERNMENT DEVELOPMENT GRANTS (CONTINUED)

The government development grants are provided by the Government mainly for the construction of PPE of RM768.2 million (2018: RM728.8 million) and the Government loan below market interest rate is RM231.9 million (2018: RM244.4 million).

Reconciliation of Government development grants from financing activities during the financial year is as follows:

	Group	
	2019 RM'million	2018 RM'million
As at the beginning of the financial year	<b>1,005.0</b>	964.1
Cash	<b>8.6</b>	5.6
Non-cash changes:		
- Reclassification made from payables	<b>0</b>	8.7
- Reclassification made to contract liabilities	<b>(0.8)</b>	0
- Receivables from Government	<b>0</b>	23.2
- Assets	<b>90.8</b>	69.2
- Deferred income relating to Government loans	<b>19.9</b>	13.1
- Other operating income	<b>(59.9)</b>	(51.5)
- Finance cost (interest accretion)	<b>(32.3)</b>	(27.4)
As at the end of the financial year	<b>1,031.3</b>	1,005.0

### 39 OTHER LIABILITIES

	Note	Group		Company	
		2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Payable to State Government		<b>19.6</b>	22.8	<b>19.6</b>	22.8
Operating lease payables <sup>#</sup>	25(b)	<b>0</b>	139.3	<b>0</b>	157.5
Prepayment by lessee	25(b)	<b>161.0</b>	215.9	<b>0</b>	0
Retention monies		<b>649.9</b>	602.0	<b>634.6</b>	536.9
Others <sup>*</sup>		<b>149.4</b>	416.2	<b>2.8</b>	2.8
		<b>979.9</b>	1,396.2	<b>657.0</b>	720.0

<sup>#</sup> Operating lease payables of RM139.3 million and RM157.5 million for the Group and Company respectively as at 31 December 2018 has been classified as lease liabilities upon the adoption of MFRS 16 as at 1 January 2019.

<sup>\*</sup> Included in Others for the financial year 2019 is the provision for restoration cost for certain assets for which there is an obligation to dismantle, remove and restore the sites at the end of their useful lives amounting to RM145.6 million. In 2018, Others include deferred consideration arising from the acquisition of GVO and BCL by a subsidiary (Note 16) amounting to RM66.2 million which was reclassified to current liabilities (Note 33) in the financial year 2019.



## Notes to the Financial Statements

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### 40 SHARE CAPITAL

#### Accounting Policy

(a) Classification

Ordinary shares and non-redeemable preference shares with dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends to shareholders of the Company

Dividends are recognised as liability in the period in which they are declared.

	Group and Company		
	Note	2019	2018
<u>Issued and fully paid:</u>			
Ordinary shares		<b>5,686,888,771</b>	5,686,888,771
Special Rights Redeemable Preference Share	(a)	<b>1</b>	1
Total share capital issued and fully paid as at the beginning/end of the financial year		<b>5,686,888,772</b>	5,686,888,772

	Note	Group and Company			
		Number of shares 2019 million	Amount 2019 RM'million	Number of shares 2018 million	Amount 2018 RM'million
<u>Issued and fully paid:</u>					
Ordinary shares					
As at the beginning of the financial year		5,686.9	11,446.1	5,666.0	11,199.6
LTIP shares issued during the financial year	(b)	0	0	20.9	246.5
As at the end of the financial year		5,686.9	11,446.1	5,686.9	11,446.1

#### 40 SHARE CAPITAL (CONTINUED)

(a) Special Rights Redeemable Preference Share ('Special Share')

- (i) The Special Share would enable the Government of Malaysia through the Minister of Finance Incorporated ('MOF Incorporated') to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policies. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but not to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

The Special Shareholder has the right to appoint any person, but not more than six at any time, to be a member of the Board of Directors of the Company.

- (ii) Certain matters, in particular the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover, require the prior consent of the Special Shareholder.

- (iii) The Special Shareholder does not have any right to participate in the capital or profits of the Company.

- (iv) The Special Shareholder has the right to require the Company to redeem the Special Share, at par, at any time.

- (b) The Company issued and allotted 12,194,300 on 30 April 2018 and 8,708,200 on 28 November 2018 ordinary shares in the Company to eligible executives or eligible employees, pursuant to the letter of offer dated 1 April 2016, 28 March 2017 and 3 August 2015 respectively in accordance with the By-laws of the LTIP scheme of the Company during financial year 2018.

#### 41 OTHER RESERVES

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
LTIP reserve	<b>319.3</b>	308.7	<b>319.3</b>	308.7
Employee benefits reserve	<b>(7,317.3)</b>	(6,034.8)	<b>(6,849.8)</b>	(5,670.4)
Foreign currency translation reserve	<b>(786.7)</b>	(705.0)	<b>0</b>	0
FVOCI reserve	<b>20.9</b>	38.4	<b>20.2</b>	37.7
	<b>(7,763.8)</b>	(6,392.7)	<b>(6,510.3)</b>	(5,324.0)

## Notes to the Financial Statements

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### 41 OTHER RESERVES (CONTINUED)

The movements in each category of reserves are as follows:

	LTIP reserve RM'million	Employee benefits reserve RM'million	Foreign currency translation reserve RM'million	FVOCI reserve RM'million	Others RM'million	Total RM'million
<b>Group</b>						
<b>2019</b>						
As at the beginning of the financial year	308.7	(6,034.8)	(705.0)	38.4	0	(6,392.7)
Arising in the financial year	10.6	(1,282.5)	(81.7)	(17.5)	0	(1,371.1)
As at the end of the financial year	319.3	(7,317.3)	(786.7)	20.9	0	(7,763.8)
<b>2018</b>						
As at the beginning of the financial year	287.4	(5,830.5)	(766.2)	31.3	(95.0)	(6,373.0)
Arising in the financial year	21.3	(204.3)	61.2	7.1	95.0	(19.7)
As at the end of the financial year	308.7	(6,034.8)	(705.0)	38.4	0	(6,392.7)
	LTIP reserve RM'million	Employee benefits reserve RM'million	FVOCI reserve RM'million	Total RM'million		
<b>Company</b>						
<b>2019</b>						
As at the beginning of the financial year	308.7	(5,670.4)	37.7	(5,324.0)		
Arising in the financial year	10.6	(1,179.4)	(17.5)	(1,186.3)		
As at the end of the financial year	319.3	(6,849.8)	20.2	(6,510.3)		
<b>2018</b>						
As at the beginning of the financial year	287.4	(5,619.7)	30.6	(5,301.7)		
Arising in the financial year	21.3	(50.7)	7.1	(22.3)		
As at the end of the financial year	308.7	(5,670.4)	37.7	(5,324.0)		

## 42 COMMITMENTS

### (a) Capital commitments for 5 years

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Authorised capital expenditure not provided in the financial statements:				
Property, plant and equipment				
– Contracted	<b>607.8</b>	1,534.8	<b>277.1</b>	737.9
– Not contracted	<b>53,056.4</b>	69,393.4	<b>46,546.5</b>	61,384.9
	<b>53,664.2</b>	70,928.2	<b>46,823.6</b>	62,122.8

### (b) Operating lease commitments – as lessee

The Group and Company lease a number of plant and machinery, office buildings and equipment as disclosed under Note 24. These leases have average tenures between 3 and 25 years.

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Payable not later than 1 year	<b>0</b>	4,224.3	<b>0</b>	5,203.4
Payable later than 1 year and not later than 2 years	<b>0</b>	3,626.7	<b>0</b>	4,646.6
Payable later than 2 years and not later than 3 years	<b>0</b>	3,525.5	<b>0</b>	4,373.5
Payable later than 3 years and not later than 4 years	<b>0</b>	3,316.3	<b>0</b>	4,123.5
Payable later than 4 years and not later than 5 years	<b>0</b>	2,564.1	<b>0</b>	3,633.6
Payable more than 5 years	<b>0</b>	23,415.4	<b>0</b>	36,388.9
	<b>0</b>	40,672.3	<b>0</b>	58,369.5

Upon adoption of MFRS 16, these operating lease commitments are shown on the statement of financial position of the Group and Company as current and non-current lease liabilities. The reconciliation of operating lease commitments as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019 is disclosed in Note 48.

### (c) Operating lease commitments – as lessor

The Group and Company lease out its plant and equipment under non-cancellable operating leases. The lessees are required to pay absolute fixed lease payments during the lease period. Total future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Payable not later than 1 year	<b>67.0</b>	65.2	<b>72.0</b>	57.3
Payable later than 1 year and not later than 2 years	<b>67.0</b>	65.3	<b>47.7</b>	57.3
Payable later than 2 years and not later than 3 years	<b>67.0</b>	65.3	<b>47.7</b>	57.3
Payable later than 3 years and not later than 4 years	<b>67.0</b>	65.2	<b>47.7</b>	57.3
Payable later than 4 years and not later than 5 years	<b>67.0</b>	65.2	<b>47.7</b>	57.2
Payable more than 5 years	<b>68.1</b>	122.4	<b>133.1</b>	12.8
	<b>403.1</b>	448.6	<b>395.9</b>	299.2

## Notes to the Financial Statements

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### 43 CONTINGENT LIABILITIES

#### Accounting Policy

The Group and Company do not recognise contingent assets and liabilities other than those arising from business combinations, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company. The Group and Company do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

Determination of the treatment of contingent liabilities is based on the Group and Company's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group and Company for matters in the ordinary course of business.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Claims by third parties:				
– Contractors	<b>84.0</b>	115.4	<b>81.1</b>	115.4
– Customers	<b>18.0</b>	18.0	<b>18.0</b>	18.0
– Others	<b>123.2</b>	176.7	<b>113.6</b>	120.0
	<b>225.2</b>	310.1	<b>212.7</b>	253.4
Trade guarantees and performance bonds	<b>21.3</b>	27.5	<b>0</b>	0
	<b>246.5</b>	337.6	<b>212.7</b>	253.4

All third party claims are being resolved and the Directors are of the opinion that their outcomes will not have a material adverse effect on the financial positions of both the Group and Company.

On 7 December 2016, the Company and the IRB entered into a consent judgement before the Kuala Lumpur High Court to substitute the judicial review proceedings with regard to the notices of additional assessment dated 23 November 2015 ('Notices') arising from the disallowance of the Company's RIA claims by filing an appeal to the SCIT. The consent judgement also provides that the IRB will not commence any proceedings relating to the Notices until this matter is determined by the SCIT and by the High Court, if there is a subsequent appeal by either party. On 15 December 2016, the Company filed notices of appeal against the Notices to the SCIT according to Section 99(1) of the Income Tax Act 1967. The appeals have since been registered before the SCIT.

For Notices issued for Years of Assessment 2015, 2016 and 2017, the High Court on 12 December 2019 has granted an interim stay of all further proceedings including the enforcement of the Notices until the hearing of the leave application on 2 April 2020.

The Company has obtained legal advice from its tax solicitors on the merits of the cases mentioned above and on this basis, the Directors are of the opinion that no provision is required in the financial statements for the potential tax liability up to the reporting date.

#### 44 SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence.

The related parties of the Group and Company are:

(a) Subsidiary companies

Details of the subsidiary companies are shown in Note 16.

(b) Associate companies

Associate companies are those entities in which the Group has significant influence but not control as disclosed in Note 18.

(c) Key Management Personnel ('KMP')

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and Company either directly or indirectly. The KMP of the Group or of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Company.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

(d) Government-related entities

Government-linked corporations are related to the Group and Company by virtue of the substantial shareholdings of Khazanah Nasional Berhad ('KNB'), with 27.3% (2018: 28.8%) equity interest. KNB is a wholly-owned entity of MoF Incorporated which is in turn owned by the Ministry of Finance. KNB and entities directly controlled by the Government of Malaysia are collectively referred to as government-related entities to the Group and Company.

The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group and Company. The Group and Company enter into transactions with many of these bodies, which include but are not limited to purchasing of goods, including use of public utilities and amenities, and the placing of bank deposits.

All the transactions entered into by the Group and Company with the government-related entities are conducted in the ordinary course of the Group and Company's businesses on negotiated terms or terms comparable to those with other entities that are not government-related, except otherwise disclosed elsewhere in the financial statements.

The Group and Company are principally involved in the provision of electricity as part of their ordinary operations. These services are carried out generally on commercial terms that are consistently applied to all customers. These transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Apart from the individually significant transactions and balances as disclosed elsewhere in the financial statements, the Group and Company have collectively, but not individually significant transactions with related parties.

## Notes to the Financial Statements

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### 44 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(d) Government-related entities (continued)

In addition to the transactions detailed elsewhere in the financial statements, the Group and Company had the following significant transactions with the following related parties based on agreed terms during the financial year:

	Associate companies		KMP	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
<b>Group</b>				
<u>Income:</u>				
- Sales of electricity	1.2	1.2	0	0
- Interest income	27.6	14.8	0	0
- Dividend income	42.1	29.6	0	0
- Rental income	0	8.4	0	0
- Leasing income	25.7	14.1	0	0
<u>Expenses:</u>				
- Purchase of electricity	3,795.4	3,736.5	0	0
- Finance cost on lease liabilities	414.3	0	0	0
- Key management compensations:				
- Salaries, allowances and bonuses	0	0	23.7	27.4
- Benefits-in-kind	0	0	0.2	1.7
- Defined contribution retirement plan	0	0	2.7	3.5
- Other staff benefits	0	0	0.5	0.7
- LTIP (reversal)/expense	0	0	(0.2)	11.6
- Leasing expense	20.9	18.2	0	0
Amounts due from	155.8	364.9		
Amounts due to	(286.6)	(656.3)		
Investment in unquoted debt security	331.8	326.7		



#### 44 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to the transactions detailed elsewhere in the financial statements, the Group and Company had the following significant transactions with the following related parties based on agreed terms during the financial year: (continued)

	Subsidiary companies		Associate companies		KMP	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
<b>Company</b>						
<u>Income:</u>						
- Sales of electricity	46.6	42.8	1.2	1.2	0	0
- Interest income	44.1	45.9	6.0	0.6	0	0
- Dividend income	59.3	64.0	31.0	26.4	0	0
- Rental income	25.3	25.4	0	8.4	0	0
- Leasing income	1.2	0.1	25.7	14.1	0	0
- Redemption of RPS	378.4	213.9	0	0	0	0
- Project management and consultancy	11.9	277.1	0	0	0	0
<u>Expenses:</u>						
- Purchase of electricity	11,553.9	11,917.3	3,795.4	3,736.5	0	0
- Training fees	11.8	61.3	0	0	0	0
- Finance cost on lease liabilities	1,850.3	1,025.1	414.3	0	0	0
- Key management compensations:						
- Salaries, allowances and bonuses	0	0	0	0	23.3	27.0
- Benefits-in-kind	0	0	0	0	0.2	1.7
- Defined contribution retirement plan	0	0	0	0	2.7	3.5
- Other staff benefits	0	0	0	0	0.5	0.6
- LTIP (reversal)/expense	0	0	0	0	(0.2)	11.6
- Leasing expense	0	14.5	20.9	18.2	0	0
Amounts due from	3,603.1	4,754.9	2.6	7.5		
Amounts due to	(867.7)	(1,459.4)	(278.6)	(646.4)		
Investment in unquoted debt security	0	0	12.0	8.7		

#### 45 SEGMENTAL REPORTING

Segmental reporting is not presented as the Group is principally engaged in the generation, transmission, distribution and sales of electricity and the provision of other related services, which are substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

# Notes to the Financial Statements

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## 46 FINANCIAL INSTRUMENTS

### Accounting Policy

#### Financial assets

##### (a) Classification

The Group and Company classify its financial assets in the following categories: at amortised cost ('AC'), at FVOCI and at FVTPL. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

##### (i) Financial assets at AC:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

##### (ii) Financial assets at FVOCI:

- Equity securities which are not held for trading, and which the Group and Company have irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group and Company consider this classification to be more relevant; and
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group and Company's business model is achieved both by collecting cash flows and selling financial assets.

##### (iii) Financial assets at FVTPL:

- Debt instruments that do not qualify for measurement at either AC or FVOCI;
- Equity instruments that are held for trading; and
- Equity instruments for which the Group and Company have not elected to recognise fair value gains and losses through OCI.

The Group and Company reclassify debt instruments when and only when its business model for managing those assets changes.

##### (b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commit to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and Company have transferred substantially all the risks and rewards of ownership.

##### (c) Measurement

##### (i) Initial recognition

At initial recognition, the Group and Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### Accounting Policy (continued)

#### Financial assets (continued)

##### (c) Measurement (continued)

##### (ii) Subsequent measurement

##### • Debt instruments

Subsequent measurement of debt instruments depends on the Group and Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and Company classify its debt instruments:

- AC: Interest income from financial assets at AC is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Movements in the carrying amount of debt instruments classified under FVOCI are taken through OCI. Upon derecognition of the assets, the cumulative gain or loss previously recognised in OCI is recognised to the statement of profit or loss. The interest income from these financial assets is included in the finance income using the effective interest rate method. The foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.
- FVTPL: Financial assets that do not meet the criteria for AC or FVOCI are measured at FVTPL. A gain or loss on debt instruments which are measured at FVTPL are recognised in the profit or loss.

##### • Equity instruments

The Group and Company have elected to present fair value gains and losses on equity instruments in OCI. The fair value gains and losses of these instruments will not be reclassified subsequently to the profit or loss. Dividends from such investments are recognised in the profit or loss as other income. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are also reported as other changes in fair value.

##### (d) Impairment

The Group and Company assess on a forward looking basis the expected credit losses associated with its debt instruments carried at AC and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and Company have the following financial instruments that are subject to the ECL model:

##### (i) Trade receivables

##### (ii) Contract assets

##### (iii) Non-trade receivables

- Intercompany balances
- Amounts due from associates
- Rechargeable job orders ('RJO') debtors
- Sundry deposits for rental spaces
- Rental receivables
- Staff loans/advances
- Investment in unquoted debt security

##### (iv) Financial guarantee contracts issued

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between the present value of the cash flows according to the contract and present value of the cash flows the Group and Company are expected to receive, over the remaining life of the financial instruments. For financial guarantee contracts, the ECL is the difference between the expected payments to be reimbursed to the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

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### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### Accounting Policy (continued)

##### Financial assets (continued)

##### (d) Impairment (continued)

The measurement of ECL reflects:

- (i) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) The time value of money; and
- (iii) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, the Group and Company apply the MFRS 9 simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, except for those which are in default or credit impaired are assessed individually.

For non-trade receivables, at each reporting date the Group and Company measure ECL through a loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

The Group and Company use the three-stage approach for non-trade receivables which reflect their credit risks and how the loss allowances are determined for each of those stages. Summary of the assumptions underpinning the Group and Company's ECL model for non-trade receivables are as follows:

Types of non-trade receivables	Stage 1 Low credit risk (12 month ECL Model)	Stage 2 Significant increase in credit risk (Lifetime ECL Model)	Stage 3 Credit impaired (Lifetime ECL Model)
• Intercompany balances	Positive operating cash flows/ Net tangible assets (Total Assets – Total Liabilities)/ Subsidiaries with assets under construction having guaranteed long term revenue contract and agents	Negative operating cash flows and net tangible liabilities (Total Assets – Total Liabilities)/without defaulting on loan repayments	Dormant/History of default
• Amounts due from associates	Positive operating cash flows/ Net tangible assets (Total Assets – Total Liabilities)	Negative operating cash flows and net tangible liabilities (Total Assets – Total Liabilities)/No current default	History of default and currently defaulted
• RJO debtors	Covered by indent/ downpayment/Letter of Undertaking ('LOU')	No indent/downpayment/LOU	Accident cases
• Sundry deposits for rental spaces	Active contracts	Inactive contracts and amounts outstanding less or equal to 12 months	Inactive contracts and amounts outstanding more than 12 months
• Rental receivables	Active contracts and amounts outstanding less or equal to 3 months	Active contracts and amounts outstanding more than 3 months	Inactive contracts
• Staff loans/ advances	Current employees	Ex-employees with no default in payment	Ex-employees with default in payment
• Investment in unquoted debt security	No history of default and no current default	History of default but no current default	History of default and currently defaulted

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### Accounting Policy (continued)

#### Financial assets (continued)

##### (d) Impairment (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and Company's historical experience and informed credit assessment including forward-looking information, where available. Regardless of the analysis above, a significant increase in credit risk is presumed if the financial asset is past due in making a contractual payment.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when either the Group or Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group or Company's procedures for recovery of amounts due.

#### Financial liabilities

The Group and Company classify its financial liabilities in the following categories: at amortised cost ('AC') and at FVTPL.

#### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position ('SOFI') when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

#### Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of;

- (i) The amount determined in accordance with the ECL model; and
- (ii) The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

## Notes to the Financial Statements

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### 46 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments

The financial instruments are categorised as follows:

- (i) Financial assets and financial liabilities at amortised cost ('AC');
- (ii) Financial assets and financial liabilities at FVTPL; and
- (iii) Financial assets at FVOCI.

	Carrying amount RM'million	AC RM'million	FVTPL RM'million	FVOCI RM'million
<b>2019</b>				
<b>Group</b>				
<u>Financial assets</u>				
Investments in unquoted debt security	331.8	331.8	0	0
Long term receivables	91.8	91.8	0	0
Finance lease receivable	12.9	12.9	0	0
Financial assets at FVOCI	58.9	0	0	58.9
Receivables	4,102.1	4,102.1	0	0
Amounts due from joint ventures	10.6	10.6	0	0
Amounts due from associates	155.8	155.8	0	0
Financial assets at FVTPL	8,109.0	0	8,109.0	0
Deposits, bank and cash balances	6,291.7	6,291.7	0	0
	<b>19,164.6</b>	<b>10,996.7</b>	<b>8,109.0</b>	<b>58.9</b>
<b>Company</b>				
<u>Financial assets</u>				
Investments in unquoted debt security	12.0	12.0	0	0
Long term receivables	71.7	71.7	0	0
Financial assets at FVOCI	58.2	0	0	58.2
Receivables	2,492.3	2,492.3	0	0
Amounts due from subsidiaries	3,603.1	3,603.1	0	0
Amounts due from associates	2.6	2.6	0	0
Financial assets at FVTPL	7,334.4	0	7,334.4	0
Deposits, bank and cash balances	2,747.3	2,747.3	0	0
	<b>16,321.6</b>	<b>8,929.0</b>	<b>7,334.4</b>	<b>58.2</b>

**46 FINANCIAL INSTRUMENTS (CONTINUED)**

## (a) Categories of financial instruments (continued)

	Carrying amount RM'million	AC RM'million	FVTPL RM'million	FVOCI RM'million
2018				
<b>Group</b>				
<u>Financial assets</u>				
Investments in unquoted debt security	326.7	326.7	0	0
Long term receivables	102.7	102.7	0	0
Finance lease receivable	13.4	13.4	0	0
Financial assets at FVOCI	76.4	0	0	76.4
Receivables	4,620.9	4,620.9	0	0
Amounts due from joint ventures	10.8	10.8	0	0
Amounts due from associates	364.9	364.9	0	0
Financial assets at FVTPL	9,743.3	0	9,743.3	0
Deposits, bank and cash balances	8,670.8	8,670.8	0	0
Derivative financial instruments	1.4	0	1.4	0
	23,931.3	14,110.2	9,744.7	76.4
<b>Company</b>				
<u>Financial assets</u>				
Investment in unquoted debt security	8.7	8.7	0	0
Long term receivables	86.1	86.1	0	0
Financial assets at FVOCI	75.7	0	0	75.7
Receivables	2,822.1	2,822.1	0	0
Amounts due from subsidiaries	4,754.9	4,754.9	0	0
Amounts due from associates	7.5	7.5	0	0
Financial assets at FVTPL	5,224.6	0	5,224.6	0
Deposits, bank and cash balances	5,852.4	5,852.4	0	0
	18,832.0	13,531.7	5,224.6	75.7



## Notes to the Financial Statements

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### 46 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM'million	AC RM'million	FVTPL RM'million
<b>2019</b>			
<b>Group</b>			
<u>Financial liabilities</u>			
Payables	7,233.9	7,233.9	0
Financial guarantee contracts	282.9	0	282.9
Lease liabilities	31,306.1	31,306.1	0
Amounts due to associates	286.6	286.6	0
Amounts due to joint ventures	0.1	0.1	0
Borrowings	45,411.7	45,411.7	0
Derivative financial instruments	45.8	0	45.8
Other liabilities	649.9	649.9	0
	<b>85,217.0</b>	<b>84,888.3</b>	<b>328.7</b>
<b>Company</b>			
<u>Financial liabilities</u>			
Payables	4,124.7	4,124.7	0
Financial guarantee contracts	285.8	0	285.8
Lease liabilities	67,438.9	67,438.9	0
Amounts due to subsidiaries	867.7	867.7	0
Amounts due to associates	278.6	278.6	0
Derivative financial instruments	0.2	0	0.2
Borrowings	19,488.1	19,488.1	0
Other liabilities	634.6	634.6	0
	<b>93,118.6</b>	<b>92,832.6</b>	<b>286.0</b>

**46 FINANCIAL INSTRUMENTS (CONTINUED)**

(a) Categories of financial instruments (continued)

	Carrying amount RM'million	AC RM'million	FVTPL RM'million
2018			
<b>Group</b>			
<u>Financial liabilities</u>			
Payables	9,166.2	9,166.2	0
Financial guarantee contracts	270.3	0	270.3
Lease liabilities	4,874.1	4,874.1	0
Amounts due to associates	656.3	656.3	0
Amounts due to joint ventures	0.5	0.5	0
Borrowings	47,832.4	47,832.4	0
Derivative financial instruments	55.5	0	55.5
Other liabilities	602.0	602.0	0
	63,457.3	63,131.5	325.8
<b>Company</b>			
<u>Financial liabilities</u>			
Payables	5,635.9	5,635.9	0
Financial guarantee contracts	272.7	0	272.7
Lease liabilities	16,668.8	16,668.8	0
Amounts due to subsidiaries	1,459.4	1,459.4	0
Amounts due to associates	646.4	646.4	0
Borrowings	21,637.0	21,637.0	0
Other liabilities	536.9	536.9	0
	46,857.1	46,584.4	272.7

## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management

The Group and Company have exposure to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

#### Credit risk

Credit risk is the risk of a financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and Company's exposures to credit risk arise principally from its receivables from customers, investments in unquoted debt security, deposits, bank and cash balances and derivative financial instruments. In addition, the Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks in respect of banking facilities granted to certain subsidiaries and an associate.

Net loss on impairment of financial instruments and contract assets are mainly from:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Net (losses)/gains on:				
Trade receivables				
– recognised in profit or loss	(274.2)	(402.9)	(222.1)	(392.6)
– reversed	84.6	212.8	24.1	176.0
Contract assets				
– recognised in profit or loss	(56.6)	(83.7)	(44.0)	(78.4)
– reversed	89.8	76.1	78.4	75.8
Intercompany balances				
– recognised in profit or loss	0	0	(538.7)	(86.9)
– reversed	0	0	258.9	79.4
Other non-trade receivables				
– recognised in profit or loss	(31.9)	(79.2)	(18.3)	(35.9)
– reversed	20.4	66.7	10.1	66.4
Amounts due from associates				
– recognised in profit or loss	0	(7.1)	0	0
– reversed	0.1	0.3	0.1	0.3
Financial guarantee contracts				
– recognised in profit or loss	(134.6)	(270.3)	(135.1)	(270.8)
	(302.4)	(487.3)	(586.6)	(466.7)

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (i) Trade receivables and contract assets

##### Risk management objectives, policies and processes for managing the risk

The Group and Company have a credit policy in place and the exposures to credit risk are monitored on an ongoing basis. Normally, financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

##### Exposure to credit risk, credit quality and collateral

The Group and Company's credit policy provide trade receivables with a 30 to 90 days (2018: 30 days) credit period. The Group and Company have no major significant concentration of credit risk due to their diverse customer base. An impairment has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtors and collection portfolios.

The total trade receivables and contract assets and the impairment provided are as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Trade receivables	<b>5,181.5</b>	5,278.7	<b>3,861.4</b>	3,831.7
Less: Impairment losses	<b>(1,766.0)</b>	(1,640.1)	<b>(1,677.8)</b>	(1,471.8)
	<b>3,415.5</b>	3,638.6	<b>2,183.6</b>	2,359.9
Contract assets	<b>3,564.8</b>	3,445.5	<b>3,400.8</b>	3,283.4
Less: Impairment losses	<b>(56.6)</b>	(83.7)	<b>(44.0)</b>	(78.4)
	<b>3,508.2</b>	3,361.8	<b>3,356.8</b>	3,205.0

Given the varied nature of the Group and Company's customer base, the following analysis of trade receivables by type of customer is considered the most appropriate disclosure of credit concentration.

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Industrial	<b>1,043.9</b>	999.7	<b>1,027.4</b>	985.2
Commercial	<b>1,550.3</b>	1,595.5	<b>1,485.0</b>	1,527.9
Domestic	<b>1,389.1</b>	1,366.4	<b>1,284.7</b>	1,276.6
Specific agriculture	<b>12.4</b>	10.7	<b>12.4</b>	10.7
Mining	<b>3.0</b>	2.6	<b>3.0</b>	2.6
Public lighting	<b>55.4</b>	36.6	<b>48.9</b>	28.7
Others	<b>1,127.4</b>	1,267.2	<b>0</b>	0
Trade receivables	<b>5,181.5</b>	5,278.7	<b>3,861.4</b>	3,831.7
Contract asset	<b>3,564.8</b>	3,445.5	<b>3,400.8</b>	3,283.4

## Notes to the Financial Statements

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### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### Credit risk (continued)

##### (i) Trade receivables and contract assets (continued)

##### Impairment losses

The loss allowance for the trade receivables and the contract assets as at 31 December 2019 and 31 December 2018 were as follows:

	Gross RM'million	Individual impairment RM'million	Expected loss rate %	Collective impairment RM'million	Net RM'million
<b>2019</b>					
<b>Group</b>					
Not past due	1,552.6	(41.9)	0.5	(7.0)	1,503.7
Past due 0-30 days	410.7	(2.8)	4.0	(16.3)	391.6
Past due 31-120 days	837.1	(97.5)	7.4	(54.8)	684.8
Past due 121-240 days	446.9	(42.9)	23.4	(94.5)	309.5
Past due 241-365 days	291.0	(51.6)	57.8	(138.3)	101.1
Past due more than 365 days	1,643.2	(417.9)	65.3	(800.5)	424.8
Trade receivables	5,181.5	(654.6)		(1,111.4)	3,415.5
Contract assets	3,564.8	(8.5)	1.4	(48.1)	3,508.2
<b>Company</b>					
Not past due	1,240.8	(41.6)	0.6	(6.8)	1,192.4
Past due 0-30 days	325.9	(2.7)	4.1	(13.4)	309.8
Past due 31-120 days	582.1	(97.5)	9.7	(47.2)	437.4
Past due 121-240 days	322.9	(42.6)	31.1	(87.2)	193.1
Past due 241-365 days	207.0	(51.6)	86.0	(133.7)	21.7
Past due more than 365 days	1,182.7	(411.8)	96.2	(741.7)	29.2
Trade receivables	3,861.4	(647.8)		(1,030.0)	2,183.6
Contract assets	3,400.8	(8.5)	1.0	(35.5)	3,356.8

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (i) Trade receivables and contract assets (continued)

##### Impairment losses (continued)

The loss allowance for the trade receivables and the contract assets as at 31 December 2019 and 31 December 2018 were as follows: (continued)

	Gross RM'million	Individual impairment RM'million	Expected loss rate %	Collective impairment RM'million	Net RM'million
2018					
<b>Group</b>					
Not past due	1,659.3	(35.9)	1.3	(20.4)	1,603.0
Past due 0-30 days	522.3	(0.9)	2.7	(14.0)	507.4
Past due 31-120 days	914.3	(86.2)	8.2	(67.9)	760.2
Past due 121-240 days	487.0	(64.3)	31.4	(132.6)	290.1
Past due 241-365 days	347.1	(54.4)	62.9	(184.0)	108.7
Past due more than 365 days	1,348.7	(292.6)	65.0	(686.9)	369.2
Trade receivables	5,278.7	(534.3)		(1,105.8)	3,638.6
Contract assets	3,445.5	(34.5)	1.4	(49.2)	3,361.8
<b>Company</b>					
Not past due	1,329.6	(34.8)	1.4	(17.5)	1,277.3
Past due 0-30 days	294.4	(0.9)	4.1	(12.0)	281.5
Past due 31-120 days	610.8	(86.2)	11.1	(58.3)	466.3
Past due 121-240 days	379.3	(61.9)	35.8	(113.8)	203.6
Past due 241-365 days	263.7	(51.9)	74.6	(158.0)	53.8
Past due more than 365 days	953.9	(287.0)	88.4	(589.5)	77.4
Trade receivables	3,831.7	(522.7)		(949.1)	2,359.9
Contract assets	3,283.4	(34.5)	1.4	(43.9)	3,205.0

## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### Credit risk (continued)

##### (i) Trade receivables and contract assets (continued)

##### Impairment losses (continued)

The Group and Company apply MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

For certain large customers with high risk of default, the Group and Company assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets that relate to unbilled customers are substantially having the same risk characteristics as the trade receivables for the same types of contracts. The Group and Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates of the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 2 to 6 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group and Company have identified growth rates of real Gross Domestic Product ('GDP') of Malaysia to be the most relevant factor, and accordingly, adjusts the historical loss rates based on the expected changes in this factor. As at 31 December 2019, for non-government customers, a combination of growth rates of real GDP and inflation rates were identified as the most relevant factors.

On that basis, the loss allowance was determined for both trade receivables and contract assets as reflected in the tables above.

The opening loss allowances for trade receivables and contract assets reconcile to the closing loss allowances as follows:

##### Trade receivables

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
As at the beginning of the financial year	(1,640.1)	(1,663.5)	(1,471.8)	(1,494.6)
Impairment loss recognised	(274.2)	(402.9)	(222.1)	(392.6)
Impairment loss reversed	84.6	212.8	24.1	176.0
Impairment written-off/(write back)	63.7	213.5	(8.0)	239.4
As at the end of the financial year (Note 31)	(1,766.0)	(1,640.1)	(1,677.8)	(1,471.8)

##### Contract assets

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
As at the beginning of the financial year	(83.7)	(76.1)	(78.4)	(75.8)
Impairment loss recognised	(56.6)	(83.7)	(44.0)	(78.4)
Impairment loss reversed	89.8	76.1	78.4	75.8
Impairment write back	(6.1)	0	0	0
As at the end of the financial year (Note 27(b))	(56.6)	(83.7)	(44.0)	(78.4)



## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (i) Trade receivables and contract assets (continued)

##### Impairment losses (continued)

Trade receivables are secured by deposits in the form of cash and bank guarantees. ECL is not provided on receivable balances fully secured by deposits. The deposit amounts are reviewed on an individual basis periodically.

Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### (ii) Investments in unquoted debt security, deposits, bank and cash balances, derivative financial instruments and financial assets at FVTPL

##### Risk management objectives, policies and processes for managing the risk

Investments, deposits, bank and cash balances, derivative financial instruments and financial assets measured at FVTPL are liquid securities and mainly with reputable financial institutions.

Investment in unquoted debt security is an investment in an associate's financial instruments. The credit risk of this associate is monitored on a quarterly basis.

For investment in unquoted debt security, there has been no history of default and there are no indicators that this financial instrument may default. The Group is of the view that the loss allowance is not material, and hence, it is not provided for.

##### Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, the Group and Company do not expect any counterparty to fail to meet its obligations. The Group and Company do not have overdue investments that have not been impaired.

The investments, deposits, cash and bank balances and derivative financial instruments are unsecured.

Bank and cash balances are held with banks and financial institutions which have lower credit risks. In addition, some of the bank balances are insured by Government agencies. Consequently, the Group and Company are of the view that the loss allowance is not material and hence, it is not provided for.

##### Impairment losses

The impairment for investment in unquoted debt security, deposits, bank and cash balances, derivative financial instruments and financial assets at FVTPL during the financial year and previous financial year was insignificant.

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### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### Credit risk (continued)

##### (iii) Non-trade receivables

- Intercompany balances

##### Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

##### Exposure to credit risk, credit quality and collateral

At the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries by the Company.

The total amounts due from subsidiaries and impairment provided are as follows:

	Company	
	2019 RM'million	2018 RM'million
Amounts due from subsidiaries	<b>6,297.3</b>	7,169.3
Less: Loss allowances	<b>(2,694.2)</b>	(2,414.4)
	<b>3,603.1</b>	4,754.9

##### Impairment losses

Generally, the Company considers loans and advances to subsidiaries having low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly based on stages determined in the accounting policy part (d) of this note. As the Company is able to determine the timing of payments of the subsidiaries' balances when they are payable, the Company considers the amount payable to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's balances to be impaired when:

- The subsidiary is unlikely to repay its payables to the Company in full;
- The subsidiary is having negative operating cash flows and is in net tangible liabilities position; or
- The subsidiary is a dormant entity or has a history of default.

At the end of the financial year, there was no indication that the amount due from the subsidiaries are not recoverable other than those which have already been impaired. The Company does not specifically monitor the ageing of advances to the subsidiaries.

The opening loss allowances for intercompany balances reconcile to the closing loss allowances as follows:

	Company	
	2019 RM'million	2018 RM'million
As at the beginning of the financial year	<b>(2,414.4)</b>	(2,516.5)
Impairment loss recognised	<b>(538.7)</b>	(86.9)
Impairment loss reversed	<b>258.9</b>	79.4
Impairment written off	<b>0</b>	109.6
As at the end of the financial year (Note 23)	<b>(2,694.2)</b>	(2,414.4)

**46 FINANCIAL INSTRUMENTS (CONTINUED)**

## (b) Financial risk management (continued)

Credit risk (continued)

## (iii) Non-trade receivables (continued)

## • Intercompany balances (continued)

Impairment losses (continued)

The loss allowances for intercompany balances using the general 3-stage approach reconcile to the opening loss allowances for that provision as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
<b>2019</b>				
Opening loss allowances as at 1.1.2019	(347.0)	(96.0)	(1,971.4)	(2,414.4)
Current year movements	85.9	(1,055.5)	689.8	(279.8)
Closing loss allowances as at 31.12.2019	(261.1)	(1,151.5)	(1,281.6)	(2,694.2)
<b>2018</b>				
Opening loss allowances as at 1.1.2018	(368.3)	(79.7)	(2,068.5)	(2,516.5)
Current year movements	21.3	(16.3)	97.1	102.1
Closing loss allowances as at 31.12.2018	(347.0)	(96.0)	(1,971.4)	(2,414.4)

The impact on the carrying value of the intercompany balances presented by the stages are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
<b>2019</b>				
Gross carrying amount	3,210.3	1,805.4	1,281.6	6,297.3
Loss allowances	(261.1)	(1,151.5)	(1,281.6)	(2,694.2)
Net carrying amount	2,949.2	653.9	0	3,603.1
<b>2018</b>				
Gross carrying amount	4,772.3	425.6	1,971.4	7,169.3
Loss allowances	(347.0)	(96.0)	(1,971.4)	(2,414.4)
Net carrying amount	4,425.3	329.6	0	4,754.9

## Notes to the Financial Statements

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### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### Credit risk (continued)

##### (iii) Non-trade receivables (continued)

- Other non-trade receivables

##### Risk management objectives, policies and processes for managing the risk

Credit risk on other non-trade receivables are mainly arising from RJO debtors which are receivables from specific works requested by customers.

Credit risk also arises from sundry deposits for rental of office spaces from third parties and rental receivables. The Company manages the credit risk together with the specific leasing arrangements.

Staff advances and staff loans have low credit risk as these are mostly provided to existing staff. These balances are managed on a monthly basis.

Amounts due from associates are mostly due to transactions within the Group and have a low credit risks. These balances are managed on a monthly basis.

##### Exposure to credit risk, credit quality and collateral

At the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Company receives down payments, LOU or indents for RJO debtors where works are requested by customers.

The Company receives deposits from third parties for rental of office spaces. For staff loans and staff advances, any repayment is done through monthly payroll deductions.

In cases of RJO debtors arising from accidental damages to the Company's assets whereby the third party is identifiable, these amounts are fully impaired as there is very low prospect of recovery.

The total other non-trade receivables and amounts due from associates and impairments provided are as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Other non-trade receivables	930.8	1,270.6	503.0	662.7
Less: Loss allowances	(152.4)	(185.6)	(122.6)	(114.4)
	778.4	1,085.0	380.4	548.3

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Amounts due from associates	162.9	372.1	2.6	7.6
Less: Loss allowances	(7.1)	(7.2)	0	(0.1)
	155.8	364.9	2.6	7.5

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (iii) Non-trade receivables (continued)

- Other non-trade receivables (continued)

#### Impairment losses

Generally, the Group and Company consider other non-trade receivables as having low credit risk. The Company assumes that there is a significant increase in credit risk when there is a history of default in payments.

The opening loss allowances for other non-trade receivables reconcile to the closing loss allowances as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
As at the beginning of the financial year	<b>(185.6)</b>	(264.6)	<b>(114.4)</b>	(235.8)
Impairment loss recognised	<b>(31.9)</b>	(79.2)	<b>(18.3)</b>	(35.9)
Impairment loss reversed	<b>20.4</b>	66.7	<b>10.1</b>	66.4
Write off	<b>44.7</b>	11.0	<b>0</b>	10.4
Reclassification	<b>0</b>	80.5	<b>0</b>	80.5
As at the end of the financial year	<b>(152.4)</b>	(185.6)	<b>(122.6)</b>	(114.4)

The opening loss allowances for amounts due from associates reconcile to the closing loss allowances as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
As at the beginning of the financial year	<b>(7.2)</b>	(0.4)	<b>(0.1)</b>	(0.4)
Impairment loss recognised	<b>0</b>	(7.1)	<b>0</b>	0
Impairment loss reversed	<b>0.1</b>	0.3	<b>0.1</b>	0.3
As at the end of the financial year	<b>(7.1)</b>	(7.2)	<b>0</b>	(0.1)

## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non-trade receivables (continued)

- Other non-trade receivables (continued)

Impairment losses (continued)

The loss allowances for other non-trade receivables using the general 3-stage approach reconcile to the opening loss allowances for that provision as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
<b>Group</b>				
<b>2019</b>				
Opening loss allowances as at 1.1.2019	(23.5)	(1.0)	(161.1)	(185.6)
Current year movements	4.2	0.2	28.8	33.2
Closing loss allowances as at 31.12.2019	(19.3)	(0.8)	(132.3)	(152.4)
<b>2018</b>				
Opening loss allowances as at 1.1.2018	(26.3)	(1.3)	(237.0)	(264.6)
Current year movements	2.8	0.3	75.9	79.0
Closing loss allowances as at 31.12.2018	(23.5)	(1.0)	(161.1)	(185.6)
<b>Company</b>				
<b>2019</b>				
Opening loss allowances as at 1.1.2019	(21.5)	(0.8)	(92.1)	(114.4)
Current year movements	3.9	0.4	(12.5)	(8.2)
Closing loss allowances as at 31.12.2019	(17.6)	(0.4)	(104.6)	(122.6)
<b>2018</b>				
Opening loss allowances as at 1.1.2018	(25.8)	(1.3)	(208.7)	(235.8)
Current year movements	4.3	0.5	116.6	121.4
Closing loss allowances as at 31.12.2018	(21.5)	(0.8)	(92.1)	(114.4)

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (iii) Non-trade receivables (continued)

- Other non-trade receivables (continued)

#### Impairment losses (continued)

The loss allowances for amounts due from associates using the general 3-stage approach reconcile to the opening loss allowances for that provision as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
<b>Group</b>				
<b>2019</b>				
Opening loss allowances as at 1.1.2019	(7.2)	0	0	(7.2)
Current year movements	0.1	0	0	0.1
Closing loss allowances as at 31.12.2019	(7.1)	0	0	(7.1)
<b>2018</b>				
Opening loss allowances as at 1.1.2018	(0.4)	0	0	(0.4)
Current year movements	(6.8)	0	0	(6.8)
Closing loss allowances as at 31.12.2018	(7.2)	0	0	(7.2)
<b>Company</b>				
<b>2019</b>				
Opening loss allowances as at 1.1.2019	(0.1)	0	0	(0.1)
Current year movements	0.1	0	0	0.1
Closing loss allowances as at 31.12.2019	0	0	0	0
<b>2018</b>				
Opening loss allowances as at 1.1.2018	(0.4)	0	0	(0.4)
Current year movements	0.3	0	0	0.3
Closing loss allowances as at 31.12.2018	(0.1)	0	0	(0.1)



## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non-trade receivables (continued)

- Other non-trade receivables (continued)

Impairment losses (continued)

The impact on the carrying value of other non-trade receivables presented by the stages are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
<b>Group</b>				
<b>2019</b>				
Gross carrying amount	<b>729.8</b>	<b>51.6</b>	<b>149.4</b>	<b>930.8</b>
Loss allowances	<b>(19.3)</b>	<b>(0.8)</b>	<b>(132.3)</b>	<b>(152.4)</b>
Net carrying amount	<b>710.5</b>	<b>50.8</b>	<b>17.1</b>	<b>778.4</b>
<b>2018</b>				
Gross carrying amount	996.2	70.5	203.9	1,270.6
Loss allowances	(23.5)	(1.0)	(161.1)	(185.6)
Net carrying amount	972.7	69.5	42.8	1,085.0
<b>Company</b>				
<b>2019</b>				
Gross carrying amount	<b>350.0</b>	<b>43.3</b>	<b>109.7</b>	<b>503.0</b>
Loss allowances	<b>(17.6)</b>	<b>(0.4)</b>	<b>(104.6)</b>	<b>(122.6)</b>
Net carrying amount	<b>332.4</b>	<b>42.9</b>	<b>5.1</b>	<b>380.4</b>
<b>2018</b>				
Gross carrying amount	534.7	29.9	98.1	662.7
Loss allowances	(21.5)	(0.8)	(92.1)	(114.4)
Net carrying amount	513.2	29.1	6.0	548.3

**46 FINANCIAL INSTRUMENTS (CONTINUED)**

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non-trade receivables (continued)

- Other non-trade receivables (continued)

Impairment losses (continued)

The impact on the carrying value of amounts due from associates presented by the stages are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
<b>Group</b>				
<b>2019</b>				
Gross carrying amount	162.9	0	0	162.9
Loss allowances	(7.1)	0	0	(7.1)
Net carrying amount	155.8	0	0	155.8
<b>2018</b>				
Gross carrying amount	372.1	0	0	372.1
Loss allowances	(7.2)	0	0	(7.2)
Net carrying amount	364.9	0	0	364.9
<b>Company</b>				
<b>2019</b>				
Gross carrying amount	2.6	0	0	2.6
Loss allowances	0	0	0	0
Net carrying amount	2.6	0	0	2.6
<b>2018</b>				
Gross carrying amount	7.6	0	0	7.6
Loss allowances	(0.1)	0	0	(0.1)
Net carrying amount	7.5	0	0	7.5

## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### Credit risk (continued)

#### (iv) Financial guarantees

##### Risk management objectives, policies and processes for managing the risk

The Company provides financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and an associate. The Company monitors the ability of the subsidiaries and the associate to service their loans on an individual basis.

##### Exposure to credit risk, credit quality and collateral

The maximum exposure to the Company amounts to RM3,298.8 million (2018: RM3,330.0 million) representing banking facilities utilised by the subsidiaries and an associate as at the end of the financial year.

The financial guarantees are provided as credit enhancements to the subsidiaries' and associate's secured loans.

The total financial guarantees and loss allowances provided are as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Financial guarantees	282.9	410.4	3,298.8	3,330.0
Less: Loss allowances	(282.9)	(270.3)	(285.8)	(272.7)
	0	140.1	3,013.0	3,057.3

##### Impairment losses

The Company assumes that there is a significant increase in credit risk when a subsidiary or associate has indication of defaulting on its banking facilities. The Company considers a financial guarantee to be credit impaired when the subsidiary or associate is unlikely to repay its credit obligation to the bank in full.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

Loss allowance has been recognised mainly arising from the financial guarantee provided by the Group in 2016 to support the loan facility offered to İç Anadolu Doğalgaz Elektrik Üretim ve Ticaret A.Ş. ('İCAN'), a subsidiary of Gama Enerji. The ECL is determined based on an internal assessment of Gama Enerji's debt servicing ability taking into account of the current adverse macro-economic conditions in Turkey.

The movement in the loss allowances of financial guarantees during the financial year was:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Opening loss allowances	(270.3)	0	(272.7)	(1.9)
Impairment loss recognised	(134.6)	(270.3)	(135.1)	(270.8)
Crystallisation of financial guarantees	122.0	0	122.0	0
As at the end of the financial year (Note 33)	(282.9)	(270.3)	(285.8)	(272.7)

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's exposures to liquidity risk arise principally from its various payables, loans and borrowings.

The Group and Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the Group and Company to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

As at 31 December 2019, the Company has sufficient financial capacity and available facility to meet its obligations as and when they fall due within 12 months from the financial statement date.

The table below summarises the maturity profiles of the Group and Company's financial liabilities as at the end of the financial year based on the undiscounted contractual payments:

	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
<b>2019</b>						
<b>Group</b>						
<u>Non-derivative financial liabilities</u>						
Payables	7,233.9	7,233.9	7,233.9	0	0	0
Lease liabilities	31,306.1	43,676.9	4,970.8	4,076.9	10,243.9	24,385.3
Amounts due to associates	286.6	286.6	286.6	0	0	0
Amounts due to joint ventures	0.1	0.1	0.1	0	0	0
Borrowings	45,411.7	71,443.1	6,041.6	7,544.1	11,175.9	46,681.5
Financial guarantee contracts	282.9	282.9	282.9	0	0	0
Other financial liabilities at AC	649.9	669.0	326.4	331.2	7.9	3.5
	<b>85,171.2</b>	<b>123,592.5</b>	<b>19,142.3</b>	<b>11,952.2</b>	<b>21,427.7</b>	<b>71,070.3</b>
<u>Derivative financial liabilities</u>						
Interest rate swap	29.7	604.5	604.5	0	0	0
Spot foreign currency contracts	0	18.7	18.7	0	0	0
Profit rate swap contracts	7.5	134.7	134.7	0	0	0
Forward exchange contracts (gross settled):						
– Outflows	8.6	154.2	154.2	0	0	0
	<b>85,217.0</b>	<b>124,504.6</b>	<b>20,054.4</b>	<b>11,952.2</b>	<b>21,427.7</b>	<b>71,070.3</b>

## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profiles of the Group and Company's financial liabilities as at the end of the financial year based on the undiscounted contractual payments: (continued)

	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
<b>2019</b>						
<b>Company</b>						
<u>Non-derivative financial liabilities</u>						
Payables	4,124.7	4,124.7	4,124.7	0	0	0
Lease liabilities	67,438.9	110,886.2	8,734.2	7,453.1	19,328.1	75,370.8
Amounts due to subsidiaries	867.7	867.7	867.7	0	0	0
Amounts due to associates	278.6	278.6	278.6	0	0	0
Borrowings	19,488.1	27,491.7	1,704.3	3,665.8	2,112.0	20,009.6
Financial guarantee contracts	285.8	3,298.8	3,298.8	0	0	0
Other financial liabilities at AC	634.6	653.6	318.8	323.6	7.8	3.4
	<b>93,118.4</b>	<b>147,601.3</b>	<b>19,327.1</b>	<b>11,442.5</b>	<b>21,447.9</b>	<b>95,383.8</b>
<u>Derivative financial liabilities</u>						
Spot foreign currency contracts	0	18.7	18.7	0	0	0
Forward exchange contracts (gross settled):						
– Outflows	0.2	11.0	11.0	0	0	0
	<b>93,118.6</b>	<b>147,631.0</b>	<b>19,356.8</b>	<b>11,442.5</b>	<b>21,447.9</b>	<b>95,383.8</b>

**46 FINANCIAL INSTRUMENTS (CONTINUED)**

## (b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profiles of the Group and Company's financial liabilities as at the end of the financial year based on the undiscounted contractual payments: (continued)

	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
2018						
<b>Group</b>						
<u>Non-derivative financial liabilities</u>						
Payables	9,166.2	9,166.2	9,166.2	0	0	0
Lease liabilities	4,874.1	7,507.6	698.8	698.4	2,078.7	4,031.7
Amounts due to associates	656.3	656.3	656.3	0	0	0
Amounts due to joint ventures	0.5	0.5	0.5	0	0	0
Borrowings	47,832.4	71,377.3	5,671.6	4,679.4	12,134.7	48,891.6
Financial guarantee contracts	270.3	410.4	410.4	0	0	0
Other financial liabilities at AC	602.0	618.6	304.2	306.6	2.6	5.2
	63,401.8	89,736.9	16,908.0	5,684.4	14,216.0	52,928.5
<u>Derivative financial liabilities</u>						
Interest rate swap	11.5	622.4	622.4	0	0	0
Forward exchange contracts (gross settled):						
- Outflows	44.0	907.0	907.0	0	0	0
- Inflows	(1.2)	(42.7)	(42.7)	0	0	0
Put option	(0.2)	(14.2)	(14.2)	0	0	0
	63,455.9	91,209.4	18,380.5	5,684.4	14,216.0	52,928.5

## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### Liquidity risk (continued)

The table below summarises the maturity profiles of the Group and Company's financial liabilities as at the end of the financial year based on the undiscounted contractual payments: (continued)

	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
2018						
<b>Company</b>						
<u>Non-derivative financial liabilities</u>						
Payables	5,635.9	5,635.9	5,635.9	0	0	0
Lease liabilities	16,668.8	26,494.6	2,142.1	1,932.5	5,270.8	17,149.2
Amounts due to subsidiaries	1,459.4	1,459.4	1,459.4	0	0	0
Amounts due to associates	646.4	646.4	646.4	0	0	0
Borrowings	21,637.0	30,486.8	3,028.9	1,707.9	4,651.1	21,098.9
Financial guarantee contracts	272.7	3,330.0	3,330.0	0	0	0
Other financial liabilities at AC	536.9	553.5	272.3	274.3	2.3	4.6
	46,857.1	68,606.6	16,515.0	3,914.7	9,924.2	38,252.7

##### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group and Company's financial positions or cash flows.

#### (i) Foreign currency risk

The Group and Company are exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group and Company. The currencies giving rise to this risk are primarily USD, JPY, GBP, PKR and EUR.

##### Risk management objectives, policies and processes for managing the risk

The Group and Company are required to hedge a minimum of 50.0% of TNB's known foreign currency exposure up to 12 months period. The Group and Company use forward exchange contracts and maintain foreign currency floats to hedge its foreign currency risk.



**46 FINANCIAL INSTRUMENTS (CONTINUED)**

## (b) Financial risk management (continued)

Market risk (continued)

## (i) Foreign currency risk (continued)

Exposure to foreign currency risk

The currency exposure of financial assets and financial liabilities of the Group and Company that are not denominated in the functional currency of the respective companies is set out below:

	USD RM'million	JPY RM'million	GBP RM'million	PKR RM'million	Others RM'million
<b>2019</b>					
<b>Group</b>					
<u>Financial assets</u>					
Financial assets at FVOCI	0	0	0	0	0.4
Receivables	0.4	0	0	0	0.4
Deposits, bank and cash balances	2,386.9	0	96.6	0	4.8
	<b>2,387.3</b>	<b>0</b>	<b>96.6</b>	<b>0</b>	<b>5.6</b>
<u>Financial liabilities</u>					
Payables	11.7	3.7	0	0	6.3
Borrowings	7,873.2	2,414.8	598.7	52.9	0
	<b>7,884.9</b>	<b>2,418.5</b>	<b>598.7</b>	<b>52.9</b>	<b>6.3</b>
<b>Company</b>					
<u>Financial assets</u>					
Amounts due from subsidiaries	104.6	0	0	0	0
Deposits, bank and cash balances	2,375.8	0	96.6	0	0
	<b>2,480.4</b>	<b>0</b>	<b>96.6</b>	<b>0</b>	<b>0</b>
<u>Financial liability</u>					
Borrowings	7,873.2	2,414.8	0	0	0

## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### Market risk (continued)

##### (i) Foreign currency risk (continued)

##### Exposure to foreign currency risk (continued)

The currency exposure of financial assets and financial liabilities of the Group and Company that are not denominated in the functional currency of the respective companies is set out below: (continued)

	USD RM'million	JPY RM'million	GBP RM'million	EUR RM'million	Others RM'million
2018					
<b>Group</b>					
<u>Financial assets</u>					
Financial assets at FVOCI	0	0	0	0	0.4
Deposits, bank and cash balances	4,061.0	1.2	134.9	0.5	0.8
	4,061.0	1.2	134.9	0.5	1.2
<u>Financial liabilities</u>					
Payables	25.1	2.5	0	2.7	0.5
Borrowings	9,210.1	2,526.2	609.1	0	66.1
	9,235.2	2,528.7	609.1	2.7	66.6
<b>Company</b>					
<u>Financial assets</u>					
Amounts due from subsidiaries	303.9	0	0	0	0
Deposits, bank and cash balances	4,027.8	0	134.9	0	0
	4,331.7	0	134.9	0	0
<u>Financial liability</u>					
Borrowings	9,210.1	2,526.2	0	0	0

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Market risk (continued)

#### (i) Foreign currency risk (continued)

##### *Currency risk sensitivity analysis*

A 10.0% strengthening of the foreign currencies against RM at the end of the financial year would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss/equity	
	2019 RM'million	2018 RM'million
<b>Group</b>		
USD	(547.0)	(566.9)
JPY	(241.3)	(354.9)
<b>Company</b>		
USD	(536.5)	(534.4)
JPY	(240.9)	(354.7)

A 10.0% weakening of the foreign currencies against RM at the end of the financial year would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Foreign currency risk for the Group and Company which have a functional currency other than USD and JPY are not material and hence, sensitivity analysis is not presented.

#### (ii) Interest rate risk

The Group and Company's investments in fixed rate debt securities and its fixed rate borrowings are not exposed to a significant risk of change in their fair values due to changes in interest rates. The Group and Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### Market risk (continued)

##### (ii) Interest rate risk (continued)

##### Exposure to interest rate risk

The interest rate profile of the Group and Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial year were:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Fixed rate instruments:				
Financial assets	<b>4,807.2</b>	5,719.5	<b>2,898.5</b>	4,936.8
Financial liabilities	<b>75,795.8</b>	51,165.8	<b>86,927.0</b>	37,054.4
Floating rate instrument:				
Financial liabilities	<b>922.0</b>	1,540.7	<b>0</b>	1,251.4

The financial assets are not sensitive to interest rate changes.

A 5.0% change in the interest rates of the financial liabilities with floating interest rates at the end of the financial year would have affected the Group and Company's profit or loss and equity by RM0.1 million (2018: RM0.4 million). This analysis assumes that all other variables, in particular foreign currency rates remained constant.

##### (iii) Other price risk

Other price risk arises from the Group and Company's investments in equity securities, debt securities and unit trust funds.

##### Risk management objectives, policies and processes for managing the risk

The Group and Company are exposed to price risk because the investments held are classified on the statement of financial position as FVOCI and FVTPL. The Group and Company mainly invest in unit trust funds, primarily in short term deposits as underlying instruments with minimal price risk.

##### Fair value of financial instruments

The carrying amounts of deposits, bank and cash balances, short term receivables and payables, short term borrowings and short term derivative financial instruments approximate their fair values and are equivalent to nominal values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

**46 FINANCIAL INSTRUMENTS (CONTINUED)**

## (b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value are summarised in the table below:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million		
<b>2019</b>										
<b>Group</b>										
<u>Financial assets</u>										
Investment in unquoted debt security	0	0	0	0	0	331.8	0	331.8	331.8	331.8
Long term receivables	0	0	0	0	0	99.2	0	99.2	99.2	91.8
Financial assets at FVOCI	0	58.9	0	58.9	0	0	0	0	58.9	58.9
Financial assets at FVTPL	7,937.3	171.7	0	8,109.0	0	0	0	0	8,109.0	8,109.0
	7,937.3	230.6	0	8,167.9	0	431.0	0	431.0	8,598.9	8,591.5

Financial liabilities

Borrowings	0	0	0	0	2,098.8	46,354.4	0	48,453.2	48,453.2	45,411.7
Other financial liabilities at AC	0	0	0	0	0	658.7	0	658.7	658.7	649.9
Derivative financial instruments	0	45.8	0	45.8	0	0	0	0	45.8	45.8
	0	45.8	0	45.8	2,098.8	47,013.1	0	49,111.9	49,157.7	46,107.4

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million		
<b>2019</b>										
<b>Company</b>										
<u>Financial assets</u>										
Investment in unquoted debt security	0	0	0	0	0	12.0	0	12.0	12.0	12.0
Long term receivables	0	0	0	0	0	88.4	0	88.4	88.4	71.7
Financial assets at FVOCI	0	58.2	0	58.2	0	0	0	0	58.2	58.2
Amounts due from subsidiaries	0	0	0	0	0	652.8	0	652.8	652.8	645.6
Financial assets at FVTPL	7,225.3	109.1	0	7,334.4	0	0	0	0	7,334.4	7,334.4
	7,225.3	167.3	0	7,392.6	0	753.2	0	753.2	8,145.8	8,121.9

Financial liabilities

Borrowings	0	0	0	0	2,098.8	19,055.8	0	21,154.6	21,154.6	19,488.1
Other financial liabilities at AC	0	0	0	0	0	643.3	0	643.3	643.3	634.6
Derivative financial instruments	0	0.2	0	0.2	0	0	0	0	0.2	0.2
	0	0.2	0	0.2	2,098.8	19,699.1	0	21,797.9	21,798.1	20,122.9

## Notes to the Financial Statements

31 DECEMBER 2019

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value are summarised in the table below: (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
2018										
<b>Group</b>										
<u>Financial assets</u>										
Investment in unquoted debt security	0	0	0	0	0	326.7	0	326.7	326.7	326.7
Long term receivables	0	0	0	0	0	139.2	0	139.2	139.2	102.7
Derivative financial instruments	0	0.2	0	0.2	0	0	0	0	0.2	0.2
Financial assets at FVOCI	0	76.4	0	76.4	0	0	0	0	76.4	76.4
Financial assets at FVTPL	9,743.3	0	0	9,743.3	0	0	0	0	9,743.3	9,743.3
	9,743.3	76.6	0	9,819.9	0	465.9	0	465.9	10,285.8	10,249.3

Financial liabilities

Borrowings	0	0	0	0	1,972.1	47,298.2	0	49,270.3	49,270.3	47,832.4
Other financial liabilities at AC	0	0	0	0	0	606.1	0	606.1	606.1	602.0
Derivative financial instruments	0	55.5	0	55.5	0	0	0	0	55.5	55.5
	0	55.5	0	55.5	1,972.1	47,904.3	0	49,876.4	49,931.9	48,489.9

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
2018										
<b>Company</b>										
<u>Financial assets</u>										
Investment in unquoted debt security	0	0	0	0	0	8.7	0	8.7	8.7	8.7
Long term receivables	0	0	0	0	0	104.7	0	104.7	104.7	86.1
Financial assets at FVOCI	0	75.7	0	75.7	0	0	0	0	75.7	75.7
Amounts due from subsidiaries	0	0	0	0	0	1,142.1	0	1,142.1	1,142.1	1,052.0
Financial assets at FVTPL	5,224.6	0	0	5,224.6	0	0	0	0	5,224.6	5,224.6
	5,224.6	75.7	0	5,300.3	0	1,255.5	0	1,255.5	6,555.8	6,447.1

Financial liabilities

Borrowings	0	0	0	0	1,972.1	20,183.0	0	22,155.1	22,155.1	21,637.0
Other financial liabilities at AC	0	0	0	0	0	541.1	0	541.1	541.1	536.9
	0	0	0	0	1,972.1	20,724.1	0	22,696.2	22,696.2	22,173.9

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Fair value of financial instruments (continued)

##### (i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfer between levels during the financial year.

##### (ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

##### (iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

#### Derivative financial instruments

The fair value is estimated by the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

#### Non-derivative financial instruments

Fair value, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

##### (iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

##### (v) Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, ranging between 0.1% to 15.9% (2018: 0.1% to 10.0%).

Although the Group and Company believe that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using expected cash flows and risk-adjusted discount rates based on the probability weighted average of the Group and Company's ranges of possible outcomes.

## Notes to the Financial Statements

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### 46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting of financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting arrangements based on Group policies and procedures:

	Group			Company		
	Gross amounts recognised RM'million	Gross amounts set-off in the SOFP RM'million	Net amounts presented in the SOFP RM'million	Gross amounts recognised RM'million	Gross amounts set-off in the SOFP RM'million	Net amounts presented in the SOFP RM'million
<u>Financial assets</u>						
<b>2019</b>						
Amounts due from associates	<b>155.8</b>	<b>0</b>	<b>155.8</b>	<b>2.6</b>	<b>0</b>	<b>2.6</b>
Amounts due from subsidiaries	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,962.7</b>	<b>(359.6)</b>	<b>3,603.1</b>
<b>2018</b>						
Amounts due from associates	364.9	0	364.9	7.5	0	7.5
Amounts due from subsidiaries	0	0	0	7,816.0	(3,061.1)	4,754.9
<u>Financial liabilities</u>						
<b>2019</b>						
Amounts due to associates	<b>(286.6)</b>	<b>0</b>	<b>(286.6)</b>	<b>(278.6)</b>	<b>0</b>	<b>(278.6)</b>
Amounts due from subsidiaries	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,477.8)</b>	<b>610.1</b>	<b>(867.7)</b>
<b>2018</b>						
Amounts due to associates	(656.3)	0	(656.3)	(646.4)	0	(646.4)
Amounts due to subsidiaries	0	0	0	(2,116.2)	656.8	(1,459.4)



## 47 CAPITAL RISK MANAGEMENT

The Group and Company's main objective of capital management is to safeguard the Group and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group and Company will also strive to maintain an optimal capital structure to reduce the cost of capital.

For the purpose of sustaining or changing the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders.

In order to be consistent with industry norms, the Group and Company monitor its capital structure on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital employed. Total borrowings include non-current borrowings, current borrowings and hire purchase as shown in the consolidated statement of financial position. Capital employed is the summation of total equity and total borrowings.

The gearing ratios are as follows:

	Group		Company	
	2019 RM'million	2018 RM'million	2019 RM'million	2018 RM'million
Total borrowings	<b>45,414.0</b>	47,838.5	<b>19,488.1</b>	21,637.0
Total equity	<b>59,282.1</b>	59,051.9	<b>49,494.7</b>	51,730.1
Total capital employed	<b>104,696.1</b>	106,890.4	<b>68,982.8</b>	73,367.1
Gearing ratios	<b>0.43</b>	0.45	<b>0.28</b>	0.29

The Group and Company have met all externally imposed capital requirements.

## 48 EFFECTS OF CHANGES IN ACCOUNTING POLICIES

The Group and Company have adopted MFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 financial year, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Notes 15 and 24.

On adoption of MFRS 16, the Group and Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 and IC 4. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.98% per annum.

For leases previously classified as finance leases, the Group and Company recognised the carrying amounts of the lease assets and lease liabilities immediately before transition as the carrying amounts of the ROU assets and the lease liabilities as at 1 January 2019. The measurement principles of MFRS 16 are only applied after that date.

# Notes to the Financial Statements

31 DECEMBER 2019

## 48 EFFECTS OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (i) Practical expedients applied

In applying MFRS 16 for the first time, the Group and Company used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases for which the underlying asset is of low value;
- The exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group and Company have also elected not to reassess whether a contract is, or contains a lease as at 1 January 2019. Instead, for contracts entered into before 1 January 2019, the Group and Company relied on its assessment made applying MFRS 117 and IC 4.

### (ii) Measurement of lease liabilities

The reconciliation between the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019 is as follows:

	Group	Company
	2019 RM'million	2019 RM'million
Operating lease commitments disclosed as at 31 December 2018 (Note 42(b))	40,672.3	58,369.5
Add: Trade payables	759.6	940.3
<b>Total operating lease commitments</b>	<b>41,431.9</b>	<b>59,309.8</b>
Discounted using the Group's incremental borrowing rate	29,498.7	41,468.7
Add: finance lease payables recognised as at 31 December 2018	4,874.1	16,668.8
Add: adjustments as a result of a different treatment of extension and termination options	236.4	63.4
Less: low-value leases recognised on a straight-line basis as expense	(31.6)	(31.6)
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>34,577.6</b>	<b>58,169.3</b>

	Group	Company
	2019 RM'million	2019 RM'million
<u>Non-current</u>		
Lease liabilities	(30,917.3)	(53,294.4)
<u>Current</u>		
Lease liabilities	(3,660.3)	(4,874.9)

### (iii) Measurement of ROU assets

The ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

#### 48 EFFECTS OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) Adjustments recognised in the consolidated statement of financial position on 1 January 2019:

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

	At 1 January 2019		
	Previously reported as at 31.12.2018 RM'million	Effects of MFRS 16 adoption RM'million	Restated as at 1.1.2019 RM'million
<u>Consolidated Statement of Financial Position</u>			
<b>Group</b>			
<u>Non-current assets</u>			
Property, plant and equipment	111,445.5	(6,952.7)	104,492.8
Right-of-use assets	0	42,005.3	42,005.3
Prepaid operating leases	5,944.1	(5,944.1)	0
<u>Current assets</u>			
Prepaid operating leases	164.8	(164.8)	0
<u>Current liabilities</u>			
Payables	(9,797.5)	762.2	(9,035.3)
Lease liabilities	(357.8)	(3,302.5)	(3,660.3)
<u>Non-current liabilities</u>			
Lease liabilities	(4,516.3)	(26,401.0)	(30,917.3)
Other liabilities	(1,396.2)	(2.4)	(1,398.6)

	At 1 January 2019		
	Previously reported as at 31.12.2018 RM'million	Effects of MFRS 16 adoption RM'million	Restated as at 1.1.2019 RM'million
<u>Statement of Financial Position</u>			
<b>Company</b>			
<u>Non-current assets</u>			
Property, plant and equipment	83,921.1	(15,894.5)	68,026.6
Right-of-use assets	0	62,373.1	62,373.1
Prepaid operating leases	5,934.9	(5,934.9)	0
<u>Current assets</u>			
Prepaid operating leases	156.5	(156.5)	0
<u>Current liabilities</u>			
Payables	(6,237.2)	761.1	(5,476.1)
Lease liabilities	(1,096.1)	(3,778.8)	(4,874.9)
Amounts due to subsidiaries	(1,459.4)	194.7	(1,264.7)
<u>Non-current liabilities</u>			
Lease liabilities	(15,572.7)	(37,721.7)	(53,294.4)
Other liabilities	(720.0)	157.5	(562.5)

There was no impact to the Group and Company's retained earnings as at 1 January 2019.

The deferred tax impact arising from the adoption of MFRS 16 is not significant.

(v) Lessor accounting

The Group and Company did not make any adjustments to the accounting for assets held as lessors under operating leases as a result of the adoption of MFRS 16.

## Notes to the Financial Statements

31 DECEMBER 2019

### 49 SIGNIFICANT ACQUISITIONS DURING THE PRECEDING FINANCIAL YEAR

- (a) Subsidiaries acquired by the Group during the financial year ended 31 December 2018 were as follows:

	Note	Purchase consideration RM'million	Group's effective interest acquired	Effective acquisition date
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#### Name of subsidiaries

GVO and BCL	(i)	498.6	100.0%	1 March 2018
Allo Technology Sdn. Bhd. ('Allo') formerly known as Setia Haruman Technology Sdn. Bhd. ('SHTech')	(ii)	28.0	100.0%	8 March 2018

- (i) Tenaga Wind Ventures UK Ltd ('TWV'), a wholly owned subsidiary of TNB International Sdn. Bhd. ('TNBI') completed its acquisition of two United Kingdom ('UK') renewable energy companies; GVO and BCL for a purchase consideration of GBP77.4 million in cash and future consideration of GBP13.4 million, through two Share Purchase Agreements ('SPAs') with George von Opel and Tanzanite B.V. & Cataline Breaban ('the Sellers') respectively. Refer to Note 16 for the principal activities of these companies.

The Group's profit after tax for the financial year ended 31 December 2018 would have been estimated at RM3,745.1 million if GVO and BCL had been consolidated at the beginning of the financial year ended 31 December 2018. From the acquisition date up to 31 December 2018, GVO and BCL contributed a loss after tax of RM48.0 million.

- (ii) The Company had completed the 100.0% equity acquisition of Allo representing 1,000,002 ordinary shares, a wholly owned subsidiary of Setia Haruman Sdn. Bhd. ('SHSB'), for a cash consideration of RM28.0 million. Allo is principally involved in information technology related services as disclosed in Note 16.

The Group's profit after tax for the financial year ended 31 December 2018 would have been estimated at RM3,745.4 million if Allo had been consolidated at the beginning of the financial year ended 31 December 2018. From the acquisition date up to 31 December 2018, Allo contributed a profit after tax of RM3.0 million.

- (b) Details of the assets, liabilities and net cash outflow as at the date of the acquisition of these subsidiaries by the Group during the financial year ended 31 December 2018 were as follows:

	GVO and BCL		Allo	
	Book value RM'million	Fair value RM'million	Book value RM'million	Fair value RM'million
Recognised amounts of identifiable assets acquired and liabilities assumed				
PPE (Note 14)	564.6	1,019.2	7.8	20.0
Receivables, deposits and prepayments	27.7	27.7	16.4	16.4
Deposits, bank and cash balances	47.6	47.6	7.9	7.9
Payables	(498.1)	(495.9)	(12.6)	(15.6)
Deferred tax liabilities	(13.6)	(129.7)	(0.7)	(0.7)
Total identifiable net assets	128.2	468.9	18.8	28.0
Goodwill on consolidation (Note 19)		29.7		0
Total		498.6		28.0
Cash consideration paid		428.6		28.0
Deferred consideration		68.0		0
Foreign currency translation reserve		2.0		0
Total purchase consideration		498.6		28.0
Cash consideration paid		428.6		28.0
Cash and cash equivalents assumed		(47.6)		(7.9)
Net cash outflow on acquisition		381.0		20.1

## 50 EVENTS AFTER REPORTING PERIOD

### (a) Proposed Internal Reorganisation

On 29 July 2019, the Board of Directors of the Company had approved a proposed internal reorganisation by way of a members' scheme of arrangement under Section 366 of the Companies Act, 2016. The proposed internal reorganisation is undertaken to reorganise the Company's domestic power generation and electricity retail businesses under the new companies. Specifically, this involves the transfer by the Company of the assets, liabilities and business undertakings (including shares held in certain of its subsidiaries) of the following business divisions to two new wholly-owned subsidiaries of the Company:

- (i) Transfer of domestic power generation business of the Company ('Generation Business') to a new wholly-owned subsidiary ('GenCo'); and
- (ii) Transfer of electricity retail business of the Company ('Retail Business') to a new wholly-owned subsidiary ('RetailCo').

This is in line with the Company's strategic transformation plan, Reimagining TNB, which aims to prepare the Company for the upcoming reforms in the electricity supply industry in Malaysia.

After the completion of the proposed internal reorganisation, the Company's principal activities will be the operation of the high voltage national grid and the distribution of electricity to customers, the international power generation business including thermal power generation, conventional and renewable energy generation business, the provision of corporate and/or shared service functions to GenCo and RetailCo and other companies within the Group.

On 11 February 2020, at the TNB's Court Convened Meeting ('CCM'), the resolution as set out in the Notice of CCM in relation to the proposed internal reorganisation dated 13 January 2020 was duly approved by the members of TNB. The resolution was voted by poll and the results of the poll were validated by Boardroom Corporate Services Sdn. Bhd., an independent scrutineer appointed by TNB.

### (b) Divestment of 100.0% stake in GMR Kamalanga Energy Limited ('GKEL')

On 17 February 2020, GEL, an associate of PEIM, had signed a definitive agreement with JSW Energy Ltd. ('JSWEL') for the sale of GKEL. GEL shall procure the balance stake in GKEL from India Infrastructure Fund ('IIF') and IDFC First Bank to enable JSWEL to acquire 100.0% equity interest in GKEL for a total consideration of INR5,321 crore (approximately RM3,082.3 million), subject to working capital and other adjustments. GKEL is a 1,050MW coal based power plant in Dhenkanal district of Odisha, India. The transaction shall be subject to customary regulatory and other approvals for its completion.

### (c) Acquisition of remaining 20.0% equity interest in GVO and BCL

On 2 March 2020, TWV, a wholly owned subsidiary of TNBI, completed its acquisition of the remaining 20.0% equity interest in two United Kingdom ('UK') renewable energy subsidiary companies namely GVO and BCL for a total consideration of GBP18.6 million (approximately RM100.3 million) as initially agreed in the sales and purchase agreements with George von Opel and Tanzanite B.V. & Cataline Breaban ('the Sellers') respectively entered on 28 February 2018.

There is no change to the Group's effective interest in GVO and BCL as the Group owns 100.0% economic interest as at 31 December 2019 (Note 49 (a)).

# Statement by Directors

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Ahmad Badri bin Mohd Zahir and Datuk Seri Amir Hamzah bin Azizan, the Directors of Tenaga Nasional Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 69 to 217 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and financial performance of the Group and of the Company for the financial year ended 31 December 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors, in accordance with a resolution dated 17 March 2020.



**TAN SRI AHMAD BADRI BIN MOHD ZAHIR**  
CHAIRMAN



**DATUK SERI AMIR HAMZAH BIN AZIZAN**  
PRESIDENT/CHIEF EXECUTIVE OFFICER

# Statutory Declaration

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

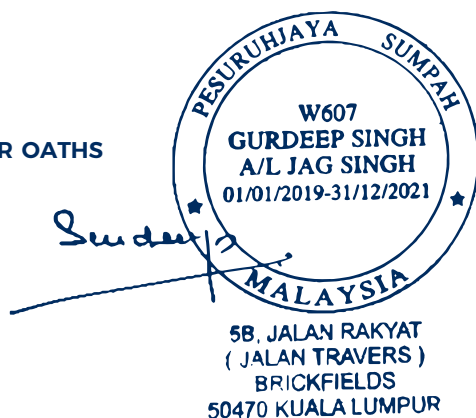
I, Nazmi bin Othman, the Officer primarily responsible for the financial management of Tenaga Nasional Berhad, do solemnly and sincerely declare that the financial statements set out on pages 69 to 217 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



**NAZMI BIN OTHMAN**

Subscribed and solemnly declared by the abovenamed Nazmi bin Othman at Kuala Lumpur, Malaysia on 17 March 2020, before me.

COMMISSIONER FOR OATHS



# Independent Auditors' Report

TO THE MEMBERS OF TENAGA NASIONAL BERHAD  
(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 199001009294 (200866-W))

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Tenaga Nasional Berhad ('the Company') and its subsidiaries ('the Group') give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 217.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Revenue recognition for sales of electricity</b></p> <p><i>Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 5 – Revenue</i></p> <p>Sales of electricity of RM49,912.2 million and RM47,013.0 million is the most significant component of the Group's and Company's revenue respectively for the financial year ended 31 December 2019.</p> <p>Revenue from sales of electricity is based on the end customers' consumption and the related tariff rates, which are governed by the Incentive Based Regulations imposed by the Suruhanjaya Tenaga.</p> <p>We focused on the revenue recognition for sales of electricity as it involves the use of complex billing and accounting systems to process large volumes of data with different tariffs based on respective customer categories and consumption.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Tested the overall information technology general controls of the billing and accounting systems recording the revenue transactions.</li> <li>• Tested the application controls within the billing systems over the: <ul style="list-style-type: none"> <li>– maintenance of tariff rates in the billing systems;</li> <li>– accuracy of calculation of amounts billed to customers; and</li> <li>– recording of revenue transactions.</li> </ul> </li> <li>• Tested the billings and revenue adjustments on a sampling basis to assess whether the revenue recognised and revenue adjustments are valid and recorded accurately.</li> </ul> <p>Based on the above procedures performed, we did not find any material exceptions.</p>
<p><b>Reinvestment allowance ('RIA') claims</b></p> <p><i>Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 43 – Contingent Liabilities</i></p> <p>On 23 November 2015, Inland Revenue Board ('IRB') had disallowed the Company's RIA claims of RM2,068.2 million for Year Assessment 2013 and 2014 and had issued notices of additional assessments ('Notices') to the Company. The Company had filed an appeal to the Special Commissioners of the Income Tax ('SCIT') on the Notices.</p> <p>On 28 November 2019, IRB had disallowed the Company's RIA claims of RM3,977.9 million for Year Assessment 2015, 2016 and 2017 and had issued Notices to the Company. The Company had been granted with interim stay order until 2 April 2020.</p> <p>As at 31 December 2019, the Group and Company recorded a tax recoverable of RM1,765.1 million from IRB arising from the resubmission of tax computations in the financial year ended 31 August 2014, pursuant to the explicit approval given by IRB on 21 January 2013 on the eligibility of TNB in claiming RIA, and based on a legal view obtained from external legal counsel.</p> <p>In addition, the Group and Company have not recorded the potential tax liability arising from the tax impact if the RIA claimed is disallowed and the Company loses its appeal.</p> <p>We focused on this area due to the inherent uncertainties involved in the outcome of judgement on the RIA claims by the SCIT and by the Kuala Lumpur High Court, including if there is a subsequent appeal by either party.</p>	<p>We evaluated the Directors' assessment on the basis of recoverability of the tax recoverable of RM1,765.1 million and the potential tax liability by assessing the independent legal confirmation obtained from management's external legal counsel.</p> <p>Examined the correspondence between the Company and the tax authority and assessed the matters in dispute based on advice received from our own tax experts to review the basis of application of the relevant tax laws.</p> <p>Based on the procedures performed above, we did not find any material exceptions to the Directors' judgement in the treatment of the tax recoverable balance and the potential tax liability.</p>



## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><b>Assessment on carrying value of post-employment benefits</b></p> <p><i>Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 34 – Employee Benefits</i></p> <p>As at 31 December 2019, the Group and Company recorded post-employment benefits of RM13,424.8 million and RM12,653.1 million respectively.</p> <p>Management assessed the present value of post-employment benefit plans by relying on the actuarial valuation reports from an actuary. The actuarial valuation reports estimated the present value of post-employment benefit plans based on key assumptions that comprised expected rate of salary increases, medical cost inflation and discount rates.</p> <p>We focused on this area because of the significant estimates made by management in determining the present value of post-employment benefit plans.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the terms and conditions of the post-employment benefit plans.</li> <li>• Tested the present value of post-employment benefit plans based on the actuarial valuation reports by performing the following: <ul style="list-style-type: none"> <li>- Discussed with actuary the valuation method used and checked that the valuation method is acceptable in accordance with MFRS 119 ‘Employee Benefits’;</li> <li>- Discussed with actuary on the key assumptions used in the actuarial valuation and checked the reasonableness by comparing to historical data;</li> <li>- Checked the reasonableness of the discount rates with the assistance of our valuation experts by comparing to market yields of high quality government securities at reporting date;</li> <li>- Checked the membership data used in the actuarial models through inspection of payroll personnel files and other supporting documents; and</li> <li>- Compared the fair value of plan assets based on the actuary report against the trustee’s report.</li> </ul> </li> </ul> <p>Based on the procedures performed above, we did not find any material exceptions to the Directors’ estimates of the post-employment benefits carrying value.</p>
<p><b>Impairment assessments of non-current assets other than goodwill</b></p> <p><i>Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 16 – Subsidiaries</i></p> <p>Management performed impairment assessments of certain non-current assets of the Company, other than goodwill, which had impairment indicators. As a result, impairment losses totaling RM1,355.2 million at TNB Company in respect of the Company’s investments in TNB Prai Sdn. Bhd., TNB Connaught Bridge Sdn. Bhd. and Power and Energy International (Mauritius) Ltd. respectively were recognised during the financial year ended 31 December 2019.</p> <p>We focused on this area as the recoverable amounts of the non-current assets are determined based on discounted cash flows projections, which require judgement on the part of management on the future financial performance and the key assumptions used, in particular, plant load factor, plant availability factor, plant capacity factor and inflation growth rate.</p>	<p>We have assessed management’s impairment assessments. Our procedures in relation to management’s impairment assessment includes the following:</p> <ul style="list-style-type: none"> <li>• We assessed the reliability of management’s forecast through the review of past trends of actual financial performances against previous forecasted results;</li> <li>• We assessed the key assumptions used by management in the discounted future cash flows projections, in particular, plant load factor, plant availability factor, plant capacity factor and inflation growth rate, by comparing with historical results and market outlook;</li> <li>• We performed sensitivity analysis on discount rates, plant capacity factor, plant load factor, plant availability factor and inflation growth rate used to evaluate the impact on the impairment assessment; and</li> <li>• We assessed the adequacy and reasonableness of the disclosures in the financial statements.</li> </ul> <p>Based on the procedures performed, we noted no significant exceptions.</p>

## Independent Auditors' Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Statement on Risk Management and Internal Control and the Board Risk Committee Report, which we obtained prior to the date of this auditors' report, and the remaining Integrated Annual Report 2019 of Tenaga Nasional Berhad, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**PRICEWATERHOUSECOOPERS PLT**  
LLP0014401-LCA & AF 1146  
Chartered Accountants



**AZIZAN BIN ZAKARIA**  
02930/05/2020 J  
Chartered Accountant

Kuala Lumpur  
17 March 2020

# Statistics of Shareholdings

AS AT 2 MARCH 2020

## SHARE CAPITAL

Issued Shares : 5,686,888,771 ordinary shares  
One (1) Special Rights Redeemable Preference Share

Voting Right : One (1) vote per ordinary share

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
1 – 99	1,858	26	1,884	4.62	61,675	879	62,554	0.00
100 – 1,000	17,064	151	17,215	42.27	7,783,729	84,858	7,868,587	0.14
1,001 – 10,000	18,418	292	18,710	45.94	50,760,667	1,212,089	51,972,756	0.91
10,001 – 100,000	1,539	367	1,906	4.68	39,923,058	16,317,537	56,240,595	0.99
100,001 – less than 5% of issued shares	437	574	1,011	2.48	1,399,893,305	984,465,922	2,384,359,227	41.93
5% and above of issued shares	4	0	4	0.01	3,186,385,052	0	3,186,385,052	56.03
<b>Total</b>	<b>39,320</b>	<b>1,410</b>	<b>40,730</b>	<b>100.00</b>	<b>4,684,807,486</b>	<b>1,002,081,285</b>	<b>5,686,888,771</b>	<b>100.00</b>

## ANALYSIS OF EQUITY STRUCTURE

No. Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1. Individuals	34,596	283	78,589,927	1,186,012	1.38	0.02
2. Body Corporate						
a. Banks/Finance Companies	115	1	1,527,044,335	46	26.85	0.00
b. Investment Trusts/Foundation/Charities	5	0	167,862	0	0.00	0.00
c. Other Type of Companies	361	14	1,580,113,640	11,374,963	27.79	0.20
3. Government Agencies/Institutions	16	0	12,792,762	0	0.23	0.00
4. Nominees	4,226	1,112	1,486,097,960	989,520,264	26.13	17.40
5. Others	1	0	1,000	0	0.00	0.00
<b>Total</b>	<b>39,320</b>	<b>1,410</b>	<b>4,684,807,486</b>	<b>1,002,081,285</b>	<b>82.38</b>	<b>17.62</b>

## DIRECTORS' SHAREHOLDINGS

No. Name of Directors	No. of Shares	
	Direct Interest	%
1. Tan Sri Leo Moggie	0	0.00
2. Datuk Seri Amir Hamzah bin Azizan (Appointed w.e.f. 2 April 2019)	*15,000	0.00
3. Tan Sri Ahmad Badri Mohd Zahir	0	0.00
4. Amran Hafiz bin Affifudin	0	0.00
5. Noraini binti Che Dan	0	0.00
6. Gee Siew Yoong	0	0.00
7. Juniwati Rahmat Hussin	0	0.00
8. Gopala Krishnan K.Sundaram	0	0.00
9. Ong Ai Lin	0	0.00
10. Dato' Roslina binti Zainal (Appointed w.e.f. 15 March 2019)	18,400	0.00
11. Dato' Cheok Lay Leng (Appointed w.e.f. 2 March 2020)	0	0.00

\* Registered with CIMSEC Nominees (Tempatan) Sdn. Bhd.

**SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS**

No.	Name of Substantial Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,550,432,404	27.26
2.	Employees Provident Fund Board*	916,384,582	16.11
3.	Amanah Saham Bumiputera**	517,606,500	9.10
4.	Kumpulan Wang Persaraan (Diperbadankan)***	352,244,566	6.20
<b>Total</b>		<b>3,336,668,052</b>	<b>58.67</b>

Notes:-

\* Registered with Citigroup Nominees (Tempatan) Sdn. Bhd.

\*\* Registered with AmanahRaya Trustees Berhad

\*\*\* Kumpulan Wang Persaraan (Diperbadankan)

- Registered with Citigroup Nominees (Tempatan) Sdn. Bhd. (45,420,400)

**TOP 30 SECURITIES ACCOUNT HOLDERS**

No.	Name of Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,550,432,404	27.26
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	811,521,982	14.27
3.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	517,606,500	9.10
4.	Kumpulan Wang Persaraan (Diperbadankan)	306,824,166	5.40
5.	Permodalan Nasional Berhad	149,264,800	2.62
6.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	97,714,800	1.72
7.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	79,861,600	1.40
8.	Citigroup Nominees (Tempatan) Sdn. Bhd. Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	70,284,625	1.24
9.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN for State Street Bank & Trust Company (West CLT OD67)	66,111,862	1.16
10.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Vanguard Total International Stock Index Fund	65,339,529	1.15
11.	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB for Prulink Equity Fund	58,954,950	1.04
12.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Vanguard Emerging Markets Stock Index Fund	57,862,911	1.02
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for AIA Bhd.	49,649,725	0.87

## Statistics of Shareholdings

AS AT 2 MARCH 2020

No.	Name of Shareholders	No. of Shares	%
14.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	43,000,000	0.76
15.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	41,895,700	0.74
16.	Lembaga Tabung Haji	38,396,400	0.68
17.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	37,234,300	0.65
18.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 3 – Didik	34,362,992	0.60
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (NOMURA)	34,229,600	0.60
20.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	29,842,975	0.52
21.	Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited for Government of Singapore (C)	26,254,950	0.46
22.	Citigroup Nominees (Tempatan) Sdn. Bhd. Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	25,640,050	0.45
23.	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	21,373,900	0.38
24.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV for People's Bank of China (SICL ASIA EM)	20,564,800	0.36
25.	HSBC Nominees (Asing) Sdn. Bhd. JPMBL SA for Nordea 1, Sicav	19,215,660	0.34
26.	Maybank Nominees (Tempatan) Sdn. Bhd. MTrustee Berhad for Principal DALI Equity Growth Fund (UT-CIMB-DALI) (419455)	19,007,000	0.33
27.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	18,066,300	0.32
28.	AmanahRaya Trustees Berhad Public Islamic Equity Fund	17,931,237	0.32
29.	Pertubuhan Keselamatan Sosial	17,493,920	0.31
30.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	16,043,225	0.28
<b>Total</b>		<b>4,341,982,863</b>	<b>76.35</b>

# Net Book Value of Land & Buildings

AS AT 31 DECEMBER 2019

Property List  Location		LAND										BUILDINGS		
		Leasehold					Freehold					Total		
		No.of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No.of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)	No. of Lots (1+4)	Area (sq M) (2+5)	NBV (RM'000) (3+6)	No. (10)	Built-Up Area (sq M) (11)	Total NBV (RM'000) (12)	
Perlis	51	156,976	1,788	412	88,183	10,076	463	245,159	11,864	74	11,369	20,221		
Kedah	298	1,056,663	14,379	760	2,521,623	103,499	1,058	3,578,286	117,878	388	139,032	213,157		
Pulau Pinang	196	719,709	85,899	687	985,302	100,971	883	1,705,011	186,870	352	138,786	832,309		
Perak	795	6,164,128	329,767	996	4,432,894	358,752	1,791	10,597,022	688,519	976	696,504	7,077,075		
Selangor	991	14,261,022	708,603	1,544	2,687,704	671,511	2,535	16,948,726	1,380,114	1,726	825,474	2,742,910		
W.Persekutuan	383	294,806	65,688	526	630,592	203,205	909	925,398	268,893	624	305,977	751,387		
Putrajaya/Cyberjaya	8	588,797	13,610	16	1,554	1,706	24	590,351	15,316	63	17,595	38,471		
N.Sembilan	288	795,402	18,974	583	1,154,814	137,241	871	1,950,216	156,215	274	502,401	1,700,047		
Melaka	365	640,641	23,359	879	251,696	349,368	1,244	892,337	372,727	94	184,682	200,992		
Johor	961	3,444,031	423,874	1,237	1,005,893	282,361	2,198	4,449,924	706,235	568	269,774	912,595		
Pahang	384	1,322,742	49,849	589	974,447	87,479	973	2,297,189	137,328	534	385,270	537,990		
Terengganu	367	2,583,866	31,499	233	11,023,207	140,839	600	13,607,073	172,338	312	500,509	592,625		
Kelantan	360	1,288,093	8,283	361	2,296,831	25,428	721	3,584,924	33,711	367	667,089	816,028		
Sabah	344	6,261,621	81,175	60	4,501,754	35,524	404	10,763,375	116,699	2,587	651,954	427,608		
Pakistan	1	38,141	88	1	790,344	1,344	2	828,485	1,432	1	12,713	336		
United Kingdom	53	132,500	50,309	0	0	0	53	132,500	50,309	0	0	0		
Total Group	5,845	39,749,138	1,907,144	8,884	33,346,838	2,509,304	14,729	73,095,976	4,416,448	8,940	5,309,129	16,863,751		

The land and buildings comprise power stations, mini hydros, jetties, dams, substations, residential houses, apartments, holiday bungalows, office buildings, warehouses, stores and workshops.

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**TENAGA NASIONAL BERHAD** 199001009294 (200866-W)

No. 129, Jalan Bangsar, 59200 Kuala Lumpur

Tel: +603 2107 4515 Fax: +603 2107 1086 Email: [cosec@tnb.com.my](mailto:cosec@tnb.com.my)

[www.tnb.com.my](http://www.tnb.com.my)