



MESYUARAT AGUNG TAHUNAN

TENAGA NASIONAL BERHAD KE-33

18 MEI 2023



MINORITY SHAREHOLDERS WATCH GROUP (MSWG)

Operational & Financial Matters - Regulatory

1. Included in other receivables of the group and of the company are amounts due from the Government amounting to RM16,853.3 million (2021: RM4,783.0 million) under the Imbalance Cost Pass-Through (“ICPT”) mechanism. (Page 298 of Integrated Annual Report 2022). Meanwhile the amount of ICPT under recovery jumped from RM4,509.6m in 2021 to RM22,315.3m in 2022. (Note 32 to the financial statements 2022).
 - a) From 1 January 2023, medium voltage and high voltage users will be charged a surcharge of 20 sen per kWh due to the high electricity generating costs caused by the global increase in coal prices. After the surcharge revision, does the Board still anticipate Tenaga being in a deep under-recovery position in 1H2023 under the ICPT mechanism? Does the Board expect the group's receivables due from the Government under the ICPT to increase further?
 - b) Does Tenaga expect a further subsidy from the government, after recovering the RM5.8 billion subsidy from the government in 2H2022?
 - c) With the ballooning of amounts due from the government under the ICPT mechanism, how does Tenaga expect to recover the owed amounts?
 - d) When is the receivable amount of RM16,853.3m expected to be fully recovered?
 - e) What are the possible mitigation measures that TENAGA could take to address the potential impact on the group's cash flow due to any potential delay in the recovery of the ICPT under recovery position?

Answer 1 (a, b, c, d & e):

- a) RM16.9 bil is the total actual ICPT receivables recorded as at 31st December 2022. For 1HFY2023, based on the total ICPT of RM16.2 bil (including estimation) for 2HFY2022, the Government has announced in December 2022 the full recovery of the imbalance cost through the ICPT mechanism, of which the Government will pay RM10.4 bil via direct cost recovery to TNB. The remaining balance of RM5.8 bil will be recovered through surcharge to customers.

The balance of RM0.7 bil for actual ICPT cost incurred will be recovered in the next ICPT period 2HFY2023. This arrangement supports TNB in managing our working capital and receivables.

- a) We are not receiving any subsidy from the Government. TNB is recovering the costs already incurred through the ICPT mechanism, keeping us neutral.
- b) The Government will announce every 6 months on the mechanism for TNB to fully recover the ICPT cost.
- c) As mentioned in (a), to date, TNB has received RM7.8 bil as per the Government's commitment made in December 2022. We expect to be fully recovered by June 2023.
- d) We remain prudent and have also taken proactive measures in managing our working capital.

MSWG

Operational & Financial Matters – New Energy Division (NED)

2. “We see a lot of potential for Tenaga to grow its renewable energy generation internationally and will continue to do so, especially in the UK, where we have already established Vantage RE Ltd.” (page 38 of Integrated Annual Report 2022)

What were the revenue and profit after tax reported by Vantage RE Ltd for FY2021 and FY2022?

Answer:

- In terms of operations, Vantage is doing well. It reported an improved EBITDA of RM396.0 mil in FY2022 from RM260.7 mil in FY2021.

3. The company's corporate reputation index, which ranged between 81% and 88% from 2018 to 2021, dropped below 80% for the first time since 2018 to 79% in 2021. What are the reasons for the drop in the reputation index, and what mitigation measures are being taken to address the decline in the reputation index?

Answer:

- For FY2022 we achieved a Corporate Reputation Index (CRI) of 79%. While we saw an overall drop in the CRI scores among all the Malaysian corporates, TNB has successfully retained the Number 1 position since 2014 in terms of company reputation.
- We noted that our score has declined marginally. We believe this was due to the challenges surrounding current macro and economic environment (post Covid) which has resulted in lower consumer sentiment and subsequently a more conservative approach towards the scoring.
- We will continue our efforts in improving information dissemination through various communication channels, enhance our purposeful connection with stakeholders, increasing digital presence and build brand reputation via thought leadership.

Minority Shareholder Watchdog Group (MSWG)

Environment, Social and Corporate Governance Matters

4. “In 2022, TNB produced a total of 105,273.8 GWh of electricity, of which 88,343.2 GWh was generated from coal and gas sources and 9,167.8 GWh from renewable energy sources. Total renewable energy (RE) made up 8.7% of the total electricity sent out in 2022. This was an increase from the 7.94% in 2021 and demonstrates our commitment to RE making up 40% of our total capacity mix by 2025.” (Page 38 of Integrated Annual Report 2022)

To achieve the target of renewable energy comprising 40% of the group’s total capacity mix by 2025, what specific percentages of renewable energy are being targeted for the group’s total capacity mix in 2023 and 2024?

Answer:

- Under our Reimagining TNB aspiration set in 2020, TNB is targeting to achieve a RE percentage of total installed generation capacity mix of 30%-32%¹ for 2023 and 34%-36%¹ for 2024.

Notes

1 – The RE percentage projections provided represent a reasonable range of possible results in light of TNB’s financial abilities, domestic regulatory support on RE projections and capacity retirement, overall domestic and international market conditions present and foreseeable conditions, and the aspiration of TNB. The projections are not to be viewed as facts and that actual results during the period or periods covered by the projections may differ from such projections and that the differences may be material.

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THANK YOU

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